Board of Governors of the Federal Reserve System
OMB Number: 7100-0036
Federal Deposit Insurance Corporation
OMB Number: 3064-0052
Office of the Comptroller of the Currency
OMB Number: 1557-0081
Expires March 31, 2000

Federal Financial Institutions Examination Council

Please refer to page i, Table of Contents, for the required disclosure of estimated burden.

1

Consolidated Reports of Condition and Income for A Bank With Domestic Offices Only and Total Assets of $300 Million or More—FFIEC 032

Report at the close of business September 30, 1997 (970930) (RCRI 9999)

This report is required by law: 12 U.S.C. §324 (State member banks); 12 U.S.C. §1817 (State nonmember banks); and 12 U.S.C. §161 (National banks).

This report form is to be filed by banks with domestic offices only. Banks with foreign offices (as defined in the instructions) must file FFIEC 031.

NOTE: The Reports of Condition and Income must be signed by an authorized officer and the Report of Condition must be attested to by not less than two directors (trustees) for State nonmember banks and three directors for State member and National banks.

I,_____
Name and Title of Officer Authorized to Sign Report

of the named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

Signature of Officer Authorized to Sign Report

Date of Signature

The Reports of Condition and Income are to be prepared in accordance with Federal regulatory authority instructions.

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

Director (Trustee)

Director (Trustee)

Director (Trustee)

Submission of Reports

Each bank must prepare its Reports of Condition and Income either:

(a) in automated form and then file the computer data file directly with the banking agencies' collection agent, Electronic Data Systems Corporation (EDS), by modem or on computer diskette; or

(b) in hard-copy (paper) form and arrange for another party to convert the paper report to automated form. That party (if other than EDS) must transmit the bank's computer data file to EDS.

To fulfill the signature and attestation requirement for the Reports of Condition and Income for this report date, attach this signature page to the hard-copy record of the completed report that the bank places in its files.

FDIC Certificate Number _____ (RCRI 9050)

Legal Title of Bank (TEXT 9010)

City (TEXT 9130)

State Abbrev. (TEXT 9200) ZIP Code (TEXT 9220)

2

Consolidated Reports of Condition and Income for A Bank With Domestic Offices Only and Total Assets of $300 Million or More

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Disclosure of Estimated Burden

The estimated average burden associated with this information collection is 34.1 hours per respondent and is estimated to vary from 15 to 400 hours per response, depending on individual circumstances. Burden estimates include the time for reviewing instructions, gathering and maintaining data in the required form, and completing the information collection, but exclude the time for compiling and maintaining business records in the normal course of a respondent's activities. A Federal agency may not conduct or sponsor, and an organization (or a person) is not required to respond to a collection of information, unless it displays a currently valid OMB control number. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503, and to one of the following:

Secretary
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Legislative and Regulatory Analysis Division
Office of the Comptroller of the Currency
Washington, D.C. 20219

Assistant Executive Secretary
Federal Deposit Insurance Corporation
Washington, D.C. 20429

For information or assistance, national and state nonmember banks should contact the FDIC's Call Reports Analysis Unit, 550 17th Street, NW, Washington, D.C. 20429, toll free on (800) 688-FDIC(3342), Monday through Friday between 8:00 a.m. and 5:00 p.m., Eastern time. State member banks should contact their Federal Reserve District Bank.

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Legal Title of Bank

City

State Zip Code

FDIC Certificate Number

Consolidated Report of Income
for the period January 1, 1997–September 30, 1997

All Report of Income schedules are to be reported on a calendar year-to-date basis in thousands of dollars.

Schedule RI—Income Statement

Dollar Amounts in Thousands		Bil	Mil	Thou	I380
1. Interest income:					
a. Interest and fee income on loans:					
(1) Loans secured by real estate	RIAD 4011				1.a.(1)
(2) Loans to finance agricultural production and other loans to farmers	RIAD 4024				1.a.(2)
(3) Commercial and industrial loans	RIAD 4012				1.a.(3)
(4) Loans to individuals for household, family, and other personal expenditures:					
(a) Credit cards and related plans	RIAD 4054				1.a.(4)(a)
(b) Other	RIAD 4055				1.a.(4)(b)
(5) Loans to foreign governments and official institutions	RIAD 4056				1.a.(5)
(6) Obligations (other than securities and leases) of states and political subdivisions in the U.S.:					
(a) Taxable obligations	RIAD 4503				1.a.(6)(a)
(b) Tax-exempt obligations	RIAD 4504				1.a.(6)(b)
(7) All other loans	RIAD 4058				1.a.(7)
b. Income from lease financing receivables:					
(1) Taxable leases	RIAD 4505				1.b.(1)
(2) Tax-exempt leases	RIAD 4307				1.b.(2)
c. Interest income on balances due from depository institutions[1]	RIAD 4115				1.c.
d. Interest and dividend income on securities:					
(1) U.S. Treasury securities and U.S. Government agency obligations	RIAD 4027				1.d.(1)
(2) Securities issued by states and political subdivisions in the U.S.:					
(a) Taxable securities	RIAD 4506				1.d.(2)(a)
(b) Tax-exempt securities	RIAD 4507				1.d.(2)(b)
(3) Other domestic debt securities	RIAD 3657				1.d.(3)
(4) Foreign debt securities	RIAD 3658				1.d.(4)
(5) Equity securities (including investments in mutual funds)	RIAD 3659				1.d.(5)
e. Interest income from trading assets	RIAD 4069				1.e.
f. Interest income on federal funds sold and securities pruchased under agreements to resell	RIAD 4020				1.f.
g. Total interest income (sum of items 1.a through 1.f)	RIAD 4107				1.g.

[1] Includes interest income on time certificates of deposit not held for trading.

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Schedule RI—Continued

Dollar Amounts in Thousands	Year-to-date								
		Bil	Mil	Thou					
2. Interest expense:									
a. Interest on deposits:									
(1) Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	RIAD 4508				2.a.(1)				
(2) Nontransaction accounts:									
(a) Money market deposit accounts (MMDAs)	RIAD 4509				2.a.(2)(a)				
(b) Other savings deposits	RIAD 4511				2.a.(2)(b)				
(c) Time deposits of $100,000 or more	RIAD A517				2.a.(2)(c)				
(d) Time deposits of less than $100,000	RIAD A518				2.a.(2)(d)				
b. Expense of federal funds purchased and securities sold under agreements to repurchase	RIAD 4180				2.b.				
c. Interest on demand notes issued to the U.S. Treasury, trading liabilities, and other borrowed money	RIAD 4185				2.c.				
d. Not applicable									
e. Interest on subordinated notes and debentures	RIAD 4200				2.e.				
f. Total interest expense (sum of items 2.a through 2.e)	RIAD 4073				2.f.				
3. Net interest income (item 1.g minus 2.f)						RIAD 4074			3.
4. Provisions:									
a. Provision for loan and lease losses						RIAD 4230			4.a.
b. Provision for allocated transfer risk						RIAD 4243			4.b.
5. Noninterest income:									
a. Income from fiduciary activities	RIAD 4070				5.a.				
b. Service charges on deposit accounts	RIAD 4080				5.b.				
c. Trading revenue (must equal Schedule RI, sum of Memorandum items 8.a through 8.d)	RIAD A220				5.c.				
d.—e. Not applicable									
f. Other noninterest income:									
(1) Other fee income	RIAD 5407				5.f.(1)				
(2) All other noninterest income*	RIAD 5408				5.f.(2)				
g. Total noninterest income (sum of items 5.a through 5.f)						RIAD 4079			5.g.
6. a. Realized gains (losses) on held-to-maturity securities						RIAD 3521			6.a.
b. Realized gains (losses) on available-for-sale securities						RIAD 3196			6.b.
7. Noninterest expense:									
a. Salaries and employee benefits	RIAD 4135				7.a.				
b. Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest)	RIAD 4217				7.b.				
c. Other noninterest expense*	RIAD 4092				7.c.				
d. Total noninterest expense (sum of items 7.a through 7.c)						RIAD 4093			7.d.
8. Income (loss) before income taxes and extraordinary items and other adjustments (item 3 plus or minus items 4.a, 4.b, 5.g, 6.a, 6.b, and 7.d)						RIAD 4301			8.
9. Applicable income taxes (on item 8)						RIAD 4302			9.
10. Income (loss) before extraordinary items and other adjustments (item 8 minus 9)						RIAD 4300			10.
11. Extraordinary items and other adjustments, net of income taxes*						RIAD 4320			11.
12. Net income (loss) (sum of items 10 and 11)						RIAD 4340			12.

*Describe on Schedule RI-E—Explanations.

Legal Title of Bank

FDIC Certificate Number

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Schedule RI—Continued

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Memoranda

Dollar Amounts in Thousands		Year-to-date Bil	Mil	Thou	
1. Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	RIAD 4513				M.1.
2. Income from the sale and servicing of mutual funds and annuities (included in Schedule RI, item 8)	RIAD 8431				M.2.
3. Not applicable					
4. Number of full-time equivalent employees at end of current period (round to nearest whole number)	RIAD 4150	Number			M.4.
5.—6. Not applicable					
7. If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition[1]	RIAD 9106	CC YY	MM	DD	M.7.
8. Trading revenue (from cash instruments and off-balance sheet derivative instruments) (sum of Memorandum items 8.a through 8.d must equal Schedule RI, item 5.c):		Bil	Mil	Thou	
a. Interest rate exposures	RIAD 8757				M.8.a.
b. Foreign exchange exposures	RIAD 8758				M.8.b.
c. Equity security and index exposures	RIAD 8759				M.8.c.
d. Commodity and other exposures	RIAD 8760				M.8.d.
9. Impact on income of off-balance sheet derivatives held for purposes other than trading:					
a. Net increase (decrease) to interest income	RIAD 8761				M.9.a.
b. Net (increase) decrease to interest expense	RIAD 8762				M.9.b.
c. Other (noninterest) allocations	RIAD 8763				M.9.c.
10. Credit losses on off-balance sheet derivatives (see instructions)	RIAD A251				M.10.
11. **Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year?**	RIAD A530	YES		NO	M.11.
12. **Deferred portion of total applicable income taxes included in Schedule RI, items 9 and 11 (to be reported with the December Report of Income)**	RIAD 4772	Bil	Mil	Thou	M.12.

[1] For example, a bank acquired on June 1, 1997, would report 19970601.

Schedule RI-A—Changes in Equity Capital

Indicate decreases and losses in parentheses.

I383

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Total equity capital originally reported in the December 31, 1996, Reports of Condition and Income	RIAD 3215				1.
2. Equity capital adjustments from amended Reports of Income, net*	RIAD 3216				2.
3. Amended balance end of previous calendar year (sum of items 1 and 2)	RIAD 3217				3.
4. Net income (loss) (must equal Schedule RI, item 12)	RIAD 4340				4.
5. Sale, conversion, acquisition, or retirement of capital stock, net	RIAD 4346				5.
6. Changes incident to business combinations, net	RIAD 4356				6.
7. LESS: Cash dividends declared on preferred stock	RIAD 4470				7.
8. LESS: Cash dividends declared on common stock	RIAD 4460				8.
9. Cumulative effect of changes in accounting principles from prior years* (see instructions for this schedule)	RIAD 4411				9.
10. Corrections of material accounting errors from prior years* (see instructions for this schedule)	RIAD 4412				10.
11. Change in net unrealized holding gains (losses) on available-for-sale securities	RIAD 8433				11.
12. Other transactions with parent holding company* (not included in items 5, 7, or 8 above)	RIAD 4415				12.
13. Total equity capital end of current period (sum of items 3 through 12) (must equal Schedule RC, item 28)	RIAD 3210				13.

*Describe on Schedule RI-E—Explanations.

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Schedule RI-B—Charge-offs and Recoveries and Changes in Allowance for Loan and Lease Losses

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

I386

Part I excludes charge-offs and recoveries through the allocated transfer risk reserve.

Dollar Amounts in Thousands	(Column A) Charge-offs				(Column B) Recoveries				
	Calendar year-to-date								
		Bil	Mil	Thou		Bil	Mil	Thou	
1. Loans secured by real estate:									
a. To U.S. addressees (domicile)	RIAD 4651				RIAD 4661				1.a.
b. To non-U.S. addressees (domicile)	RIAD 4652				RIAD 4662				1.b.
2. Loans to depository institutions and acceptances of other banks:									
a. To U.S. banks and other U.S. depository institutions	RIAD 4653				RIAD 4663				2.a.
b. To foreign banks	RIAD 4654				RIAD 4664				2.b.
3. Loans to finance agricultural production and other loans to farmers	RIAD 4655				RIAD 4665				3.
4. Commercial and industrial loans:									
a. To U.S. addressees (domicile)	RIAD 4645				RIAD 4617				4.a.
b. To non-U.S. addressees (domicile)	RIAD 4646				RIAD 4618				4.b.
5. Loans to individuals for household, family, and other personal expenditures:									
a. Credit cards and related plans	RIAD 4656				RIAD 4666				5.a.
b. Other (includes single payment, installment, and all student loans)	RIAD 4657				RIAD 4667				5.b.
6. Loans to foreign governments and official institutions	RIAD 4643				RIAD 4627				6.
7. All other loans	RIAD 4644				RIAD 4628				7.
8. Lease financing receivables:									
a. Of U.S. addressees (domicile)	RIAD 4658				RIAD 4668				8.a.
b. Of non-U.S. addressees (domicile)	RIAD 4659				RIAD 4669				8.b.
9. Total (sum of items 1 though 8)	RIAD 4635				RIAD 4605				9.

Memoranda Dollar Amounts in Thousands	(Column A) Charge-offs				(Column B) Recoveries				
	Calendar year-to-date								
		Bil	Mil	Thou		Bil	Mil	Thou	
1.—3. Not applicable									
4. Loans to finance commercial real estate, construction, and land development activities **(not secured by real estate)** included in Schedule RI-B, part I, items 4 and 7, above	RIAD 5409				RIAD 5410				M.4.
5. Loans secured by real estate (sum of Memorandum items 5.a through 5.e must equal sum of Schedule RI-B, part I, items 1.a and 1.b, above):									
a. Construction and land development	RIAD 3582				RIAD 3583				M.5.a.
b. Secured by farmland	RIAD 3584				RIAD 3585				M.5.b.
c. Secured by 1—4 family residential properties:									
(1) Revolving, open-end loans secured by 1—4 family residential properties and extended under lines of credit	RIAD 5411				RIAD 5412				M.5.c.(1)
(2) All other loans secured by 1—4 family residential properties	RIAD 5413				RIAD 5414				M.5.c.(2)
d. Secured by multifamily (5 or more) residential properties	RIAD 3588				RIAD 3589				M.5.d.
e. Secured by nonfarm nonresidential properties	RIAD 3590				RIAD 3591				M.5.e.

Legal Title of Bank

FDIC Certificate Number

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Schedule RI-B—Continued

Part II. Changes in Allowance for Loan and Lease Losses

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Balance originally reported in the December 31, 1996, Reports of Condition and Income	RIAD 3124				1.
2. Recoveries (must equal part I, item 9, column B above)	RIAD 4605				2.
3. LESS: Charge-offs (must equal part I, item 9, column A above)	RIAD 4635				3.
4. Provision for loan and lease losses (must equal Schedule RI, item 4.a)	RIAD 4230				4.
5. Adjustments* (see instructions for this schedule)	RIAD 4815				5.
6. Balance end of current period (sum of items 1 through 5) (must equal Schedule RC, item 4.b)	RIAD 3123				6.

*Describe on Schedule RI-E—Explanations

Schedule RI-E—Explanations

Schedule RI-E is to be completed each quarter on a calendar year-to-date basis.

Detail all adjustments in Schedule RI-A and RI-B, all extraordinary items and other adjustments in Schedule RI, and all significant items of other noninterest income and other noninterest expense in Schedule RI. (See instructions for details.)

		I395				
		Year-to-date				
Dollar Amounts in Thousands			Bil	Mil	Thou	
1. All other noninterest income (from Schedule RI, item 5.f.(2))						
Report amounts that exceed 10% of Schedule RI, item 5.f.(2):						
a. Net gains (losses) on other real estate owned		RIAD 5415				1.a.
b. Net gains (losses) on sales of loans		RIAD 5416				1.b.
c. Net gains (losses) on sales of premises and fixed assets		RIAD 5417				1.c.
Itemize and describe the three largest other amounts that exceed 10% of Schedule RI, item 5.f.(2):						
d.	TEXT 4461	RIAD 4461				1.d.
e.	TEXT 4462	RIAD 4462				1.e.
f.	TEXT 4463	RIAD 4463				1.f.
2. Other noninterest expense (from Schedule RI, item 7.c):						
a. Amortization expense of intangible assets		RIAD 4531				2.a.
Report amounts that exceed 10% of Schedule RI, item 7.c:						
b. Net (gains) losses on other real estate owned		RIAD 5418				2.b.
c. Net (gains) losses on sales of loans		RIAD 5419				2.c.
d. Net (gains) losses on sales of premises and fixed assets		RIAD 5420				2.d.
Itemize and describe the three largest other amounts that exceed 10% of Schedule RI, item 7.c:						
e.	TEXT 4464	RIAD 4464				2.e.
f.	TEXT 4467	RIAD 4467				2.f.
g.	TEXT 4468	RIAD 4468				2.g.

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Schedule RI-E—Continued

Dollar Amounts in Thousands		Year-to-date				
			Bil	Mil	Thou	
3. Extraordinary items and other adjustments and applicable income tax effect (from Schedule RI, item 11) (itemize and describe all extraordinary items and other adjustments):						
a. (1) TEXT 4469		RIAD 4469				3.a.(1)
(2) Applicable income tax effect	RIAD 4486					3.a.(2)
b. (1) TEXT 4487		RIAD 4487				3.b.(1)
(2) Applicable income tax effect	RIAD 4488					3.b.(2)
c. (1) TEXT 4489		RIAD 4489				3.c.(1)
(2) Applicable income tax effect	RIAD 4491					3.c.(2)
4. Equity capital adjustments from amended Reports of Income (from Schedule RI-A, item 2) (itemize and describe all adjustments):						
a. TEXT 4492		RIAD 4492				4.a.
b. TEXT 4493		RIAD 4493				4.b.
5. Cumulative effect of changes in accounting principles from prior years (from Schedule RI-A, item 9) (itemize and describe all changes in accounting principles):						
a. TEXT A546 Effect of change to GAAP from previous non-GAAP instructions		RIAD A546				5.a.
b. TEXT 4495		RIAD 4495				5.b.
6. Corrections of material accounting errors from prior years (from Schedule RI-A, item 10) (itemize and describe all corrections):						
a. TEXT 4496		RIAD 4496				6.a.
b. TEXT 4497		RIAD 4497				6.b.
7. Other transactions with parent holding company (from Schedule RI-A, item 12) (itemize and describe all such transactions):						
a. TEXT 4498		RIAD 4498				7.a.
b. TEXT 4499		RIAD 4499				7.b.
8. Adjustments to allowance for loan and lease losses (from Schedule RI-B, part II, item 5) (itemize and describe all adjustments):						
a. TEXT 4521		RIAD 4521				8.a.
b. TEXT 4522		RIAD 4522				8.b.
9. Other explanations (the space below is provided for the bank to briefly describe, at its option, any other significant items affecting the Report of Income):		I398		I399		◀

No comment ☐ (RIAD 4769)

Other explanations (please type or print clearly):

(TEXT 4769)

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Legal Title of Bank

City

State Zip Code

FDIC Certificate Number

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for September 30, 1997

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC—Balance Sheet

Dollar Amounts in Thousands			C300 Bil	Mil	Thou	
ASSETS						
1. Cash and balances due from depository institutions (from Schedule RC-A):						
a. Noninterest-bearing balances and currency and coin[1]		RCON 0081				1.a.
b. Interest-bearing balances[2]		RCON 0071				1.b.
2. Securities:						
a. Held-to-maturity securities (from Schedule RC-B, column A)		RCON 1754				2.a.
b. Available-for-sale securities (from Schedule RC-B, column D)		RCON 1773				2.b.
3. Federal funds sold and securities purchased under agreements to resell		RCON 1350				3.
4. Loans and lease financing receivables:						
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCON 2122					4.a.
b. LESS: Allowance for loan and lease losses	RCON 3123					4.b.
c. LESS: Allocated transfer risk reserve	RCON 3128					4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)		RCON 2125				4.d.
5. Trading assets (from Schedule RC-D)		RCON 3545				5.
6. Premises and fixed assets (including capitalized leases)		RCON 2145				6.
7. Other real estate owned (from Schedule RC-M)		RCON 2150				7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)		RCON 2130				8.
9. Customers' liability to this bank on acceptances outstanding		RCON 2155				9.
10. Intangible assets (from Schedule RC-M)		RCON 2143				10.
11. Other assets (from Schedule RC-F)		RCON 2160				11.
12. Total assets (sum of items 1 through 11)		RCON 2170				12.

[1] Includes cash items in process of collection and unposted debits.
[2] Includes time certificates of deposit not held for trading.

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Schedule RC—Continued

Dollar Amounts in Thousands		Bil	Mil	Thou	
LIABILITIES					
13. Deposits:					
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)	RCON 2200				13.a.
(1) Noninterest-bearing[1] RCON 6631					13.a.(1)
(2) Interest-bearing RCON 6636					13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs					
(1) Noninterest-bearing					
(2) Interest-bearing					
14. Federal funds purchased and securities sold under agreements to repurchase	RCON 2800				14.
15. a. Demand notes issued to the U.S. Treasury	RCON 2840				15.a.
b. Trading liabilities (from Schedule RC-D)	RCON 3548				15.b.
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):					
a. With a remaining maturity of one year or less	RCON 2332				16.a.
b. **With a remaining maturity of more than one year through three years**	RCON A547				16.b.
c. **With a remaining maturity of more than three years**	RCON A548				16.c.
17. Not applicable					
18. Bank's liability on acceptances executed and outstanding	RCON 2920				18.
19. Subordinated notes and debentures[2]	RCON 3200				19.
20. Other liabilities (from Schedule RC-G)	RCON 2930				20.
21. Total liabilities (sum of items 13 through 20)	RCON 2948				21.
22. Not applicable					
EQUITY CAPITAL					
23. Perpetual preferred stock and related surplus	RCON 3838				23.
24. Common stock	RCON 3230				24.
25. Surplus (exclude all surplus related to preferred stock)	RCON 3839				25.
26. a. Undivided profits and capital reserves	RCON 3632				26.a.
b. Net unrealized holding gains (losses) on available-for-sale securities	RCON 8434				26.b.
27. Cumulative foreign currency translation adjustments					
28. Total equity capital (sum of items 23 through 27)	RCON 3210				28.
29. Total liabilities and equity capital (sum of items 21 and 28)	RCON 3300				29.

Memorandum

To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1996 ..... RCON 6724 [ ] M.1.

Number

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

5 = Review of the bank's financial statements by external auditors

6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work)

8 = No external audit work

[1] Includes total demand deposits and noninterest-bearing time and savings deposits.

[2] Includes limited-life preferred stock and related surplus.

Legal Title of Bank

FDIC Certificate Number

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Schedule RC-A—Cash and Balances Due From Depository Institutions

Exclude assets held for trading.

C305

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Cash items in process of collection, unposted debits, and currency and coin:					
a. Cash items in process of collection and unposted debits	RCON 0020				1.a.
b. Currency and coin	RCON 0080				1.b.
2. Balances due from depository institutions in the U.S.:					
a. U.S. branches and agencies of foreign banks	RCON 0083				2.a.
b. Other commercial banks in the U.S. and other depository institutions in the U.S.	RCON 0085				2.b.
3. Balances due from banks in foreign countries and foreign central banks:					
a. Foreign branches of other U.S. banks	RCON 0073				3.a.
b. Other banks in foreign countries and foreign central banks	RCON 0074				3.b.
4. Balances due from Federal Reserve Banks	RCON 0090				4.
5. Total (sum of items 1 through 4) (must equal Schedule RC, sum of items 1.a and 1.b)	RCON 0010				5.

Memorandum

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Noninterest-bearing balances due from commercial banks in the U.S. (included in items 2.a and 2.b above)	RCON 0050				M.1.

Schedule RC-B—Securities

Exclude assets held for trading.

C310

	Held-to-maturity								Available-for-sale								
	(Column A) Amortized Cost				(Column B) Fair Value				(Column C) Amortized Cost				(Column D) Fair Value[1]				
Dollar Amounts in Thousands		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou	
1. U.S. Treasury securities	RCON 0211				RCON 0213				RCON 1286				RCON 1287				1.
2. U.S. Government agency obligations (exclude mortgage-backed securities):																	
a. Issued by U.S. Government agencies[2]	RCON 1289				RCON 1290				RCON 1291				RCON 1293				2.a.
b. Issued by U.S. Government-sponsored agencies[3]	RCON 1294				RCON 1295				RCON 1297				RCON 1298				2.b.

[1] Includes equity securities without readily determinable fair values at historical cost in item 6.b, column D.

[2] Includes Small Business Administration "Guaranteed Loan Pool Certificates," U.S. Maritime Administration obligations, and Export-Import Bank participation certificates.

[3] Includes obligations (other than mortgage-backed securities) issued by the Farm Credit System, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financing Corporation, Resolution Funding Corporation, the Student Loan Marketing Association, and the Tennessee Valley Authority.

Schedule RC-B—Continued

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Dollar Amounts in Thousands	Held-to-maturity (Column A) Amortized Cost	Held-to-maturity (Column B) Fair Value	Available-for-sale (Column C) Amortized Cost	Available-for-sale (Column D) Fair Value[1]	
3. Securities issued by states and political subdivisions in the U.S.:					
a. General obligations	RCON 1676	RCON 1677	RCON 1678	RCON 1679	3.a.
b. Revenue obligations	RCON 1681	RCON 1686	RCON 1690	RCON 1691	3.b.
c. Industrial development and similar obligations	RCON 1694	RCON 1695	RCON 1696	RCON 1697	3.c.
4. Mortgage-backed securities (MBS):					
a. Pass-through securities:					
(1) Guaranteed by GNMA	RCON 1698	RCON 1699	RCON 1701	RCON 1702	4.a.(1)
(2) Issued by FNMA and FHLMC	RCON 1703	RCON 1705	RCON 1706	RCON 1707	4.a.(2)
(3) Other pass-through securities	RCON 1709	RCON 1710	RCON 1711	RCON 1713	4.a.(3)
b. Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS):					
(1) Issued or guaranteed by FNMA, FHLMC, or GNMA	RCON 1714	RCON 1715	RCON 1716	RCON 1717	4.b.(1)
(2) Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	RCON 1718	RCON 1719	RCON 1731	RCON 1732	4.b.(2)
(3) All other mortgage-backed securities	RCON 1733	RCON 1734	RCON 1735	RCON 1736	4.b.(3)
5. Other debt securities:					
a. Other domestic debt securities	RCON 1737	RCON 1738	RCON 1739	RCON 1741	5.a.
b. Foreign debt securities	RCON 1742	RCON 1743	RCON 1744	RCON 1746	5.b.
6. Equity securities:					
a. Investments in mutual funds and other equity securities with readily determinable fair values			RCON A510	RCON A511	6.a.
b. All other equity securities[1]			RCON 1752	RCON 1753	6.b.
7. Total (sum of items 1 through 6) (total of column A must equal Schedule RC, item 2.a) (total of column D must equal Schedule RC, item 2.b)	RCON 1754	RCON 1771	RCON 1772	RCON 1773	7.

[1] Includes equity securities without readily determinable fair values at historical cost in item 6.b, column D.

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Schedule RC-B—Continued

Memoranda

Dollar Amounts in Thousands		Bil	Mil	Thou	
			C312		
1. Pledged securities[1]	RCON 0416				M.1.
2. Maturity and repricing data for **debt** securities [1, 2] (excluding those in nonaccrual status):					
a. **Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1—4 family residential mortgages with a remaining maturity or repricing frequency of:** [3, 4]					
(1) **Three months or less**	RCON A549				M.2.a.(1)
(2) **Over three months through 12 months**	RCON A550				M.2.a.(2)
(3) **Over one year through three years**	RCON A551				M.2.a.(3)
(4) **Over three years through five years**	RCON A552				M.2.a.(4)
(5) **Over five years through 15 years**	RCON A553				M.2.a.(5)
(6) **Over 15 years**	RCON A554				M.2.a.(6)
b. **Mortgage pass-through securities backed by closed-end first lien 1—4 family residential mortgages with a remaining maturity or repricing frequency of:** [3, 5]					
(1) **Three months or less**	RCON A555				M.2.b.(1)
(2) **Over three months through 12 months**	RCON A556				M.2.b.(2)
(3) **Over one year through three years**	RCON A557				M.2.b.(3)
(4) **Over three years through five years**	RCON A558				M.2.b.(4)
(5) **Over five years through 15 years**	RCON A559				M.2.b.(5)
(6) **Over 15 years**	RCON A560				M.2.b.(6)
c. **Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS; exclude mortgage pass-through securities) with an expected average life of:** [6]					
(1) **Three years or less**	RCON A561				M.2.c.(1)
(2) **Over three years**	RCON A562				M.2.c.(2)
d. **Fixed rate AND floating rate debt securities with a REMAINING MATURITY of one year or less (included in Memorandum items 2.a through 2.c above)**	RCON A248				M.2.d.
3.—6. Not applicable					
7. Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date (report the amortized cost at date of sale or transfer)	RCON 1778				M.7.
8. High-risk mortgage securities (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, item 4.b):					
a. Amortized cost	RCON 8780				M.8.a.
b. Fair value	RCON 8781				M.8.b.
9. Structured notes (included in the held-to-maturity and available-for-sale accounts in Schedule RC-B, items 2, 3, and 5):					
a. Amortized cost	RCON 8782				M.9.a.
b. Fair value	RCON 8783				M.9.b.

[1] Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.
[2] Exclude equity securities, e.g., investments in mutual funds, Federal Reserve stock, common stock, and preferred stock.
[3] Report fixed rate debt securities by remaining maturity and floating rate debt securities by repricing frequency.
[4] Sum of Memorandum items 2.a.(1) through 2.a.(6) plus any nonaccrual debt securities in the categories of debt securities reported in Memorandum item 2.a that are included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, sum of items 1, 2, 3, and 5, columns A and D, plus mortgage pass-through securities other than those backed by closed-end first lien 1—4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.
[5] Sum of Memorandum items 2.b.(1) through 2.b.(6) plus any nonaccrual mortgage pass-through securities backed by closed-end first lien 1—4 family residential mortgages included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, item 4.a, sum of columns A and D, less the amount of mortgage pass-through securities other than those backed by closed-end first lien 1—4 family residential mortgages included in Schedule RC-B, item 4.a, columns A and D.
[6] Sum of Memorandum items 2.c.(1) and 2.c.(2) plus any nonaccrual "Other mortgage-backed securities" included in Schedule RC-N, item 9, column C, must equal Schedule RC-B, item 4.b, sum of columns A and D.

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Schedule RC-C—Loans and Lease Financing Receivables

Part I. Loans and Leases

Do not deduct the allowance for loan and lease losses from amounts reported in this schedule.
Report total loans and leases, net of unearned income. Exclude assets held for trading and commercial paper.

Dollar Amounts in Thousands		Bil	Mil	Thou	C315
1. Loans secured by real estate:					
a. Construction and land development	RCON 1415				1.a.
b. Secured by farmland (including farm residential and other improvements)	RCON 1420				1.b.
c. Secured by 1—4 family residential properties:					
(1) Revolving, open-end loans secured by 1—4 family residential properties and extended under lines of credit	RCON 1797				1.c.(1)
(2) All other loans secured by 1—4 family residential properties:					
(a) Secured by first liens	RCON 5367				1.c.(2)(a)
(b) Secured by junior liens	RCON 5368				1.c.(2)(b)
d. Secured by multifamily (5 or more) residential properties	RCON 1460				1.d.
e. Secured by nonfarm nonresidential properties	RCON 1480				1.e.
2. Loans to depository institutions:					
a. To commercial banks in the U.S.:					
(1) To U.S. branches and agencies of foreign banks	RCON 1506				2.a.(1)
(2) To other commercial banks in the U.S.	RCON 1507				2.a.(2)
b. To other depository institutions in the U.S.	RCON 1517				2.b.
c. To banks in foreign countries:					
(1) To foreign branches of other U.S. banks	RCON 1513				2.c.(1)
(2) To other banks in foreign countries	RCON 1516				2.c.(2)
3. Loans to finance agricultural production and other loans to farmers	RCON 1590				3.
4. Commercial and industrial loans:					
a. To U.S. addressees (domicile)	RCON 1763				4.a.
b. To non-U.S. addressees (domicile)	RCON 1764				4.b.
5. Acceptances of other banks:					
a. Of U.S. banks	RCON 1756				5.a.
b. Of foreign banks	RCON 1757				5.b.
6. Loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) (includes purchased paper):					
a. Credit cards and related plans (includes check credit and other revolving credit plans)	RCON 2008				6.a.
b. Other (includes single payment, installment, and all student loans)	RCON 2011				6.b.
7. Loans to foreign governments and official institutions (including foreign central banks)	RCON 2081				7.
8. Obligations (other than securities and leases) of states and political subdivisions in the U.S. (includes nonrated industrial development obligations)	RCON 2107				8.
9. Other loans:					
a. Loans for purchasing or carrying securities (secured and unsecured)	RCON 1545				9.a.
b. All other loans (exclude consumer loans)	RCON 1564				9.b.
10. Lease financing receivables (net of unearned income):					
a. Of U.S. addressees (domicile)	RCON 2182				10.a.
b. Of non-U.S. addressees (domicile)	RCON 2183				10.b.
11. LESS: Any unearned income on loans reflected in items 1—9 above	RCON 2123				11.
12. Total loans and leases, net of unearned income (sum of items 1 through 10 minus item 11) (must equal Schedule RC, item 4.a)	RCON 2122				12.

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Schedule RC-C—Continued

Part I. Continued

Memoranda

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Not applicable					
2. Loans and leases restructured and in compliance with modified terms (included in Schedule RC-C, part I, above and not reported as past due or nonaccrual in Schedule RC-N, Memorandum item 1):					
a. Loans secured by real estate:					
(1) To U.S. addressees (domicile)	RCON 1687				M.2.a.(1)
(2) To non-U.S. addressees (domicile)	RCON 1689				M.2.a.(2)
b. All other loans and all lease financing receivables (exclude loans to individuals for household, family, and other personal expenditures)	RCON 8691				M.2.b.
c. Commercial and industrial loans to and lease financing receivables of non-U.S. addressees (domicile) included in Memorandum item 2.b above	RCON 8692				M.2.c.
3. Maturity and repricing data for loans and leases (excluding those in nonaccrual status):					
a. **Closed-end loans secured by first liens on 1—4 family residential properties with a remaining maturity or repricing frequency of:** [1, 2]					
(1) **Three months or less**	RCON A564				M.3.a.(1)
(2) **Over three months through 12 months**	RCON A565				M.3.a.(2)
(3) **Over one year through three years**	RCON A566				M.3.a.(3)
(4) **Over three years through five years**	RCON A567				M.3.a.(4)
(5) **Over five years through 15 years**	RCON A568				M.3.a.(5)
(6) **Over 15 years**	RCON A569				M.3.a.(6)
b. **All loans and leases other than closed-end loans secured by first liens on 1—4 family residential properties with a remaining maturity or repricing frequency of:** [1, 3]					
(1) **Three months or less**	RCON A570				M.3.b.(1)
(2) **Over three months through 12 months**	RCON A571				M.3.b.(2)
(3) **Over one year through three years**	RCON A572				M.3.b.(3)
(4) **Over three years through five years**	RCON A573				M.3.b.(4)
(5) **Over five years through 15 years**	RCON A574				M.3.b.(5)
(6) **Over 15 years**	RCON A575				M.3.b.(6)
c. **Fixed rate AND floating rate loans and leases with a REMAINING MATURITY of one year or less (included in Memorandum items 3.a and 3.b above)**	RCON A247				M.3.c.
d. **Fixed rate AND floating rate loans secured by nonfarm nonresidential properties[4] with a REMAINING MATURITY of over five years (included in Memorandum item 3.b above)**	RCON A577				M.3.d.
e. **Fixed rate AND floating rate commercial and industrial loans[5] with a REMAINING MATURITY of over three years (included in Memorandum item 3.b above)**	RCON A578				M.3.e.

[1] Report fixed rate loans and leases by remaining maturity and floating rate loans by repricing frequency.
[2] Sum of Memorandum items 3.a.(1) through 3.a.(6) plus total nonaccrual closed-end loans secured by first liens on 1—4 family residential properties included in Schedule RC-N, Memorandum item 3.c.(2), column C, must equal total closed-end loans secured by first liens on 1—4 family residential properties from Schedule RC-C, part I, item 1.c.(2)(a).
[3] Sum of Memorandum items 3.b.(1) through 3.b.(6), plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 8, column C, minus nonaccrual closed-end loans secured by first liens on 1—4 family residential properties included in Schedule RC-N, Memorandum item 3.c.(2), column C, must equal total loans and leases from Schedule RC-C, part I, sum of items 1 through 10, minus total closed-end loans secured by first liens on 1—4 family residential properties from Schedule RC-C, part I, item 1.c.(2)(a).
[4] As defined for Schedule RC-C, part I, item 1.e.
[5] As defined for Schedule RC-C, part I, item 4.

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FDIC Certificate Number

Schedule RC-C—Continued

Part I. Continued

Memoranda (continued) — Dollar Amounts in Thousands		Bil	Mil	Thou	
4. Loans to finance commercial real estate, construction, and land development activities **(not secured by real estate)** included in Schedule RC-C, part I, items 4 and 9.b, page RC-6[1]	RCON 2746				M.4.
5. Loans and leases held for sale (included in Schedule RC-C, part I, page RC-6)	RCON 5369				M.5.
6. Adjustable rate closed-end loans secured by first liens on 1—4 family residential properties (included in Schedule RC-C, part I, item 1.c.(2)(a), page RC-6)	RCON 5370				M.6.

[1] Exclude loans secured by real estate that are included in Schedule RC-C, part I, items 1.a through 1.e.

Schedule RC-D—Trading Assets and Liabilities

Schedule RC-D is to be completed only by banks with $1 billion or more in total assets or with $2 billion or more in par/notional amount of off-balance sheet derivative contracts (as reported in Schedule RC-L, items 14.a through 14.e, columns A through D).

C320

Dollar Amounts in Thousands		Bil	Mil	Thou	
ASSETS					
1. U.S. Treasury securities	RCON 3531				1.
2. U.S. Government agency obligations (exclude mortgage-backed securities)	RCON 3532				2.
3. Securities issued by states and political subdivisions in the U.S.	RCON 3533				3.
4. Mortgage-backed securities (MBS):					
a. Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA	RCON 3534				4.a.
b. Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA (include CMOs, REMICs, and stripped MBS)	RCON 3535				4.b.
c. All other mortgage-backed securities	RCON 3536				4.c.
5. Other debt securities	RCON 3537				5.
6. Certificates of deposit	RCON 3538				6.
7. Commercial paper	RCON 3539				7.
8. Bankers acceptances	RCON 3540				8.
9. Other trading assets	RCON 3541				9.
10. Not applicable					
11. Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	RCON 3543				11.
12. Total trading assets (sum of items 1 through 11) (must equal Schedule RC, item 5)	RCON 3545				12.

LIABILITIES		Bil	Mil	Thou	
13. Liability for short positions	RCON 3546				13.
14. Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts	RCON 3547				14.
15. Total trading liabilities (sum of items 13 and 14) (must equal Schedule RC, item 15.b)	RCON 3548				15.

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Schedule RC-E—Deposit Liabilities

C325

Dollar Amounts in Thousands	Transaction Accounts (Column A) Total transaction accounts (including total demand deposits)	Bil	Mil	Thou	Transaction Accounts (Column B) Memo: Total demand deposits (included in column A)	Bil	Mil	Thou	Nontransaction Accounts (Column C) Total nontransaction accounts (including MMDAs)	Bil	Mil	Thou	
Deposits of:													
1. Individuals, partnerships, and corporations	RCON 2201				RCON 2240				RCON 2346				1.
2. U.S. Government	RCON 2202				RCON 2280				RCON 2520				2.
3. States and political subdivisions in the U.S.	RCON 2203				RCON 2290				RCON 2530				3.
4. Commercial banks in the U.S.	RCON 2206				RCON 2310				RCON 2550				4.
5. Other depository institutions in the U.S.	RCON 2207				RCON 2312				RCON 2349				5.
6. Banks in foreign countries	RCON 2213				RCON 2320				RCON 2236				6.
7. Foreign governments and official institutions (including foreign central banks)	RCON 2216				RCON 2300				RCON 2377				7.
8. Certified and official checks	RCON 2330				RCON 2330								8.
9. Total (sum of items 1 through 8) (sum of columns A and C must equal Schedule RC, item 13.a)	RCON 2215				RCON 2210				RCON 2385				9.

Memoranda

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Selected components of total deposits (i.e., sum of item 9, columns A and C):					
a. Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts	RCON 6835				M.1.a.
b. Total brokered deposits	RCON 2365				M.1.b.
c. Fully insured brokered deposits (included in Memorandum item 1.b above):					
(1) Issued in denominations of less than $100,000	RCON 2343				M.1.c.(1)
(2) Issued **either** in denominations of $100,000 **or** in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	RCON 2344				M.1.c.(2)
d. Maturity data for brokered deposits:					
(1) Brokered deposits issued in denominations of less than $100,000 with a remaining maturity of one year or less (included in Memorandum item 1.c.(1) above)	RCON A243				M.1.d.(1)
(2) Brokered deposits issued in denominations of $100,000 or more with a remaining maturity of one year or less (included in Memorandum item 1.b above)	RCON A244				M.1.d.(2)
e. Preferred deposits (uninsured deposits of states and political subdivisions in the U.S. reported in item 3 above which are secured or collateralized as required under state law)	RCON 5590				M.1.e.
2. Components of total nontransaction accounts (sum of Memorandum items 2.a through 2.c must equal item 9, column C above):					
a. Savings deposits:					
(1) Money market deposit accounts (MMDAs)	RCON 6810				M.2.a.(1)
(2) Other savings deposits (excludes MMDAs)	RCON 0352				M.2.a.(2)
b. Total time deposits of less than $100,000	RCON 6648				M.2.b.
c. Total time deposits of $100,000 or more	RCON 2604				M.2.c.
3. All NOW accounts (included in column A above)	RCON 2398				M.3.
4. Not applicable					

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Schedule RC-E—Continued

Memoranda (continued)

Dollar Amounts in Thousands		Bil	Mil	Thou	
5. **Maturity and repricing data for time deposits of less than $100,000:**					
a. **Time deposits of less than $100,000 with a remaining maturity or repricing frequency of:** [1, 2]					
(1) **Three months or less**	RCON A579				M.5.a.(1)
(2) **Over three months through 12 months**	RCON A580				M.5.a.(2)
(3) **Over one year through three years**	RCON A581				M.5.a.(3)
(4) **Over three years**	RCON A582				M.5.a.(4)
b. **Fixed rate AND floating rate time deposits of less than $100,000 with a REMAINING MATURITY of one year or less (included in Memorandum items 5.a.(1) through 5.a.(4) above)**	RCON A241				M.5.b.
6. **Maturity and repricing data for time deposits of $100,000 or more:**					
a. **Time deposits of $100,000 or more with a remaining maturity or repricing frequency of:** [1, 3]					
(1) **Three months or less**	RCON A584				M.6.a.(1)
(2) **Over three months through 12 months**	RCON A585				M.6.a.(2)
(3) **Over one year through three years**	RCON A586				M.6.a.(3)
(4) **Over three years**	RCON A587				M.6.a.(4)
b. **Fixed rate AND floating rate time deposits of $100,000 or more with a REMAINING MATURITY of one year or less (included in Memorandum items 6.a.(1) through 6.a.(4) above)**	RCON A242				M.6.b.

[1] Report fixed rate time deposits by remaining maturity and floating rate time deposits by repricing frequency.
[2] Sum of Memorandum items 5.a.(1) through 5.a.(4) must equal Schedule RC-E, Memorandum item 2.b above.
[3] Sum of Memorandum items 6.a.(1) through 6.a.(4) must equal Schedule RC-E, Memorandum item 2.c above.

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Schedule RC-F—Other Assets

C330

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Income earned, not collected on loans	RCON 2164				1.
2. Net deferred tax assets[1]	RCON 2148				2.
3. **Interest-only strips receivable (not in the form of a security)[2] on:**					
a. **Mortgage loans**	RCON A519				3.a.
b. **Other financial assets**	RCON A520				3.b.
4. Other (itemize and describe amounts that exceed 25% of this item)	RCON 2168				4.
a. TEXT 3549	RCON 3549				4.a.
b. TEXT 3550	RCON 3550				4.b.
c. TEXT 3551	RCON 3551				4.c.
5. Total (sum of items 1 through 4) (must equal Schedule RC, item 11)	RCON 2160				5.

Memorandum

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Deferred tax assets disallowed for regulatory capital purposes	RCON 5610				M.1.

Schedule RC-G—Other Liabilities

C335

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. a. Interest accrued and unpaid on deposits[3]	RCON 3645				1.a.
b. Other expenses accrued and unpaid (includes accrued income taxes payable)	RCON 3646				1.b.
2. Net deferred tax liabilities[1]	RCON 3049				2.
3. Minority interest in consolidated subsidiaries	RCON 3000				3.
4. Other (itemize and describe amounts that exceed 25% of this item)	RCON 2938				4.
a. TEXT 3552	RCON 3552				4.a.
b. TEXT 3553	RCON 3553				4.b.
c. TEXT 3554	RCON 3554				4.c.
5. Total (sum of items 1 through 4) (must equal Schedule RC, item 20)	RCON 2930				5.

[1] See discussion of deferred income taxes in Glossary entry on "income taxes."
[2] Report interest-only strips receivable in the form of a security as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate.
[3] For savings banks, include "dividends" accrued and unpaid on deposits.

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Schedule RC-K—Quarterly Averages[1]

Dollar Amounts in Thousands		Bil	Mil	Thou	C355
ASSETS					
1. Interest-bearing balances due from depository institutions	RCON 3381				1.
2. U.S. Treasury securities and U.S. Government agency obligations[2]	RCON 3382				2.
3. Securities issued by states and political subdivisions in the U.S.[2]	RCON 3383				3.
4. a. Other debt securities[2]	RCON 3647				4.a.
b. Equity securities[3] (includes investments in mutual funds and Federal Reserve stock)	RCON 3648				4.b.
5. Federal funds sold and securities purchased under agreements to resell	RCON 3365				5.
6. Loans:					
a. Total loans	RCON 3360				6.a.
b. Loans secured by real estate	RCON 3385				6.b.
c. Loans to finance agricultural production and other loans to farmers	RCON 3386				6.c.
d. Commercial and industrial loans	RCON 3387				6.d.
e. Loans to individuals for household, family, and other personal expenditures	RCON 3388				6.e.
7. Trading assets	RCON 3401				7.
8. Lease financing receivables (net of unearned income)	RCON 3484				8.
9. Total assets[4]	RCON 3368				9.
LIABILITIES					
10. Interest-bearing transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) (exclude demand deposits)	RCON 3485				10.
11. Nontransaction accounts:					
a. Money market deposit accounts (MMDAs)	RCON 3486				11.a.
b. Other savings deposits	RCON 3487				11.b.
c. Time deposits of $100,000 or more	RCON A514				11.c.
d. Time deposits of less than $100,000	RCON A529				11.d.
12. Federal funds purchased and securities sold under agreements to repurchase	RCON 3353				12.
13. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	RCON 3355				13.

[1] For all items, banks have the option of reporting either (1) an average of daily figures for the quarter, or (2) an average of weekly figures (i.e., the Wednesday of each week of the quarter).
[2] Quarterly averages for all debt securities should be based on amortized cost.
[3] Quarterly averages for all equity securities should be based on historical cost.
[4] The quarterly average for total assets should reflect all debt securities (not held for trading) at amortized cost, equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.

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Schedule RC-L—Off-Balance Sheet Items

Please read carefully the instructions for the preparation of Schedule RC-L. Some of the amounts reported in Schedule RC-L are regarded as volume indicators and not necessarily as measures of risk.

Dollar Amounts in Thousands		C360 Bil	Mil	Thou	
1. Unused commitments:					
a. Revolving, open-end lines secured by 1—4 family residential properties, e.g., home equity lines	RCON 3814				1.a.
b. Credit card lines	RCON 3815				1.b.
c. Commercial real estate, construction, and land development:					
(1) Commitments to fund loans secured by real estate	RCON 3816				1.c.(1)
(2) Commitments to fund loans not secured by real estate	RCON 6550				1.c.(2)
d. Securities underwriting	RCON 3817				1.d.
e. Other unused commitments	RCON 3818				1.e.
2. Financial standby letters of credit	RCON 3819				2.
a. Amount of financial standby letters of credit conveyed to others RCON 3820					2.a.
3. Performance standby letters of credit	RCON 3821				3.
a. Amount of performance standby letters of credit conveyed to others RCON 3822					3.a.
4. Commercial and similar letters of credit	RCON 3411				4.
5. Participations in acceptances (as described in the instructions) conveyed to others by the reporting bank	RCON 3428				5.
6. Participations in acceptances (as described in the instructions) acquired by the reporting (nonaccepting) bank	RCON 3429				6.
7. Securities borrowed	RCON 3432				7.
8. Securities lent (including customers' securities lent where the customer is indemnified against loss by the reporting bank)	RCON 3433				8.
9. **Financial assets transferred with recourse that have been treated as sold for Call Report purposes:**					
a. **First lien 1-to-4 family residential mortgage loans:**					
(1) **Outstanding principal balance of mortgages transferred as of the report date**	RCON A521				9.a.(1)
(2) **Amount of recourse exposure on these mortgages as of the report date**	RCON A522				9.a.(2)
b. **Other financial assets (excluding small business obligations reported in item 9.c):**					
(1) **Outstanding principal balance of assets transferred as of the report date**	RCON A523				9.b.(1)
(2) **Amount of recourse exposure on these assets as of the report date**	RCON A524				9.b.(2)
c. Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994:					
(1) Outstanding principal balance of small business obligations transferred as of the report date	RCON A249				9.c.(1)
(2) Amount of retained recourse on these obligations as of the report date	RCON A250				9.c.(2)
10. **Notional amount of credit derivatives:**					
a. **Credit derivatives on which the reporting bank is the guarantor**	RCON A534				10.a.
b. **Credit derivatives on which the reporting bank is the beneficiary**	RCON A535				10.b.
11. Spot foreign exchange contracts	RCON 8765				11.
12. All other off-balance sheet liabilities (exclude off-balance sheet derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 28, "Total equity capital")	RCON 3430				12.
a. TEXT 3555	RCON 3555				12.a.
b. TEXT 3556	RCON 3556				12.b.
c. TEXT 3557	RCON 3557				12.c.
d. TEXT 3558	RCON 3558				12.d.

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Schedule RC-L—Continued

Dollar Amounts in Thousands		Bil	Mil	Thou	
13. All other off-balance sheet assets (exclude off-balance sheet derivatives) (itemize and describe each component of this item over 25% of Schedule RC, item 28, "Total equity capital")	RCON 5591				13.
a. TEXT 5592	RCON 5592				13.a.
b. TEXT 5593	RCON 5593				13.b.
c. TEXT 5594	RCON 5594				13.c.
d. TEXT 5595	RCON 5595				13.d.

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Dollar Amounts in Thousands / Off-balance Sheet Derivatives Position Indicators	(Column A) Interest Rate Contracts	(Column B) Foreign Exchange Contracts	(Column C) Equity Derivative Contracts	(Column D) Commodity and Other Contracts	
	Tril Bil Mil Thou	Tril Bil Mil Thou	Tril Bil Mil Thou	Tril Bil Mil Thou	
14. Gross amounts (e.g., notional amounts) (for each column, sum of items 14.a through 14.e must equal sum of items 15, 16.a, and 16.b):					
a. Futures contracts	RCON 8693	RCON 8694	RCON 8695	RCON 8696	14.a.
b. Forward contracts	RCON 8697	RCON 8698	RCON 8699	RCON 8700	14.b.
c. Exchange-traded option contracts:					
(1) Written options	RCON 8701	RCON 8702	RCON 8703	RCON 8704	14.c.(1)
(2) Purchased options	RCON 8705	RCON 8706	RCON 8707	RCON 8708	14.c.(2)
d. Over-the-counter option contracts:					
(1) Written options	RCON 8709	RCON 8710	RCON 8711	RCON 8712	14.d.(1)
(2) Purchased options	RCON 8713	RCON 8714	RCON 8715	RCON 8716	14.d.(2)
e. Swaps	RCON 3450	RCON 3826	RCON 8719	RCON 8720	14.e.
15. Total gross notional amount of derivative contracts held for trading	RCON A126	RCON A127	RCON 8723	RCON 8724	15.
16. Gross notional amount of derivative contracts held for purposes other than trading:					
a. Contracts marked to market	RCON 8725	RCON 8726	RCON 8727	RCON 8728	16.a.
b. Contracts not marked to market	RCON 8729	RCON 8730	RCON 8731	RCON 8732	16.b.
c. **Interest rate swaps where the bank has agreed to pay a fixed rate**	RCON A589				16.c.

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Schedule RC-L—Continued

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Dollar Amounts in Thousands Off-balance Sheet Derivatives Position Indicators	(Column A) Interest Rate Contracts				(Column B) Foreign Exchange Contracts				(Column C) Equity Derivative Contracts				(Column D) Commodity and Other Contracts				
		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou	
17. Gross fair values:																	
a. Contracts held for trading:																	
(1) Gross positive fair value	RCON 8733				RCON 8734				RCON 8735				RCON 8736				17.a.(1)
(2) Gross negative fair value	RCON 8737				RCON 8738				RCON 8739				RCON 8740				17.a.(2)
b. Contracts held for purposes other than trading that are marked to market:																	
(1) Gross positive fair value	RCON 8741				RCON 8742				RCON 8743				RCON 8744				17.b.(1)
(2) Gross negative fair value	RCON 8745				RCON 8746				RCON 8747				RCON 8748				17.b.(2)
c. Contracts held for purposes other than trading that are not marked to market:																	
(1) Gross positive fair value	RCON 8749				RCON 8750				RCON 8751				RCON 8752				17.c.(1)
(2) Gross negative fair value	RCON 8753				RCON 8754				RCON 8755				RCON 8756				17.c.(2)

Memoranda

Dollar Amounts in Thousands					
1.—2. Not applicable					
3. Unused commitments with an original maturity exceeding one year that are reported in Schedule RC-L, items 1.a through 1.e, above (report only the unused portions of commitments that are fee paid or otherwise legally binding)	RCON 3833				M.3.
a. Participations in commitments with an original maturity exceeding one year conveyed to others	RCON 3834				M.3.a.
4. To be completed only by banks with $1 billion or more in total assets: Standby letters of credit (both financial and performance) issued to non-U.S. addressees (domicile) included in Schedule RC-L, items 2 and 3, above	RCON 3377				M.4.
5. Installment loans to individuals for household, family, and other personal expenditures that have been securitized and sold (with servicing retained), amounts outstanding by type of loan:					
a. Loans to purchase private passenger automobiles **(to be completed for the September report only)**	RCON 2741				M.5.a.
b. Credit cards and related plans **(TO BE COMPLETED QUARTERLY)**	RCON 2742				M.5.b.
c. All other consumer installment credit (including mobile home loans) **(to be completed for the September report only)**	RCON 2743				M.5.c.

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Schedule RC-M—Memoranda

Dollar Amounts in Thousands		Bil	Mil	Thou	C365
1. Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date:					
a. Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests	RCON 6164				1.a.
b. Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations — Number RCON 6165					1.b.
2. Federal funds sold and securities purchased under agreements to resell with U.S. branches and agencies of **foreign banks**[1] (included in Schedule RC, item 3)	RCON 3405				2.
3. Not applicable.					
4. Outstanding principal balance of 1—4 family residential mortgage loans serviced for others (include both retained servicing and purchased servicing):					
a. Mortgages serviced under a GNMA contract	RCON 5500				4.a.
b. Mortgages serviced under a FHLMC contract:					
(1) Serviced with recourse to servicer	RCON 5501				4.b.(1)
(2) Serviced without recourse to servicer	RCON 5502				4.b.(2)
c. Mortgages serviced under a FNMA contract:					
(1) Serviced under a regular option contract	RCON 5503				4.c.(1)
(2) Serviced under a special option contract	RCON 5504				4.c.(2)
d. Mortgages serviced under other servicing contracts	RCON 5505				4.d.
5. *To be completed only by banks with $1 billion or more in total assets:* Customers' liability to this bank on acceptances outstanding (sum of items 5.a and 5.b must equal Schedule RC, item 9):					
a. U.S. addressees (domicile)	RCON 2103				5.a.
b. Non-U.S. addressees (domicile)	RCON 2104				5.b.
6. Intangible assets:					
a. Mortgage servicing assets	RCON 3164				6.a.
(1) **Estimated fair value of mortgage servicing assets** RCON A590					6.a.(1)
b. Other identifiable intangible assets:					
(1) Purchased credit card relationships	RCON 5506				6.b.(1)
(2) All other identifiable intangible assets	RCON 5507				6.b.(2)
c. Goodwill	RCON 3163				6.c.
d. Total (sum of items 6.a, 6.b.(1), 6.b.(2), and 6.c) (must equal Schedule RC, item 10)	RCON 2143				6.d.
e. Amount of intangible assets (included in item 6.b.(2) above) that have been grandfathered or are otherwise qualifying for regulatory capital purposes	RCON 6442				6.e.
7. Mandatory convertible debt, net of common or perpetual preferred stock dedicated to redeem the debt	RCON 3295				7.

[1] Do *not* report federal funds sold and securities purchased under agreements to resell with other commercial banks in the U.S. in this item.

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Schedule RC-M—Continued

Dollar Amounts in Thousands		Bil	Mil	Thou	
8. a. Other real estate owned:					
(1) Direct and indirect investments in real estate ventures	RCON 5372				8.a.(1)
(2) All other real estate owned:					
(a) Construction and land development	RCON 5508				8.a.(2)(a)
(b) Farmland	RCON 5509				8.a.(2)(b)
(c) 1—4 family residential properties	RCON 5510				8.a.(2)(c)
(d) Multifamily (5 or more) residential properties	RCON 5511				8.a.(2)(d)
(e) Nonfarm nonresidential properties	RCON 5512				8.a.(2)(e)
(3) Total (sum of items 8.a.(1) and 8.a.(2)) (must equal Schedule RC, item 7)	RCON 2150				8.a.(3)
b. Investments in unconsolidated subsidiaries and associated companies:					
(1) Direct and indirect investments in real estate ventures	RCON 5374				8.b.(1)
(2) All other investments in unconsolidated subsidiaries and associated companies	RCON 5375				8.b.(2)
(3) Total (sum of items 8.b.(1) and 8.b.(2)) (must equal Schedule RC, item 8)	RCON 2130				8.b.(3)
9. Noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, "Perpetual preferred stock and related surplus"	RCON 3778				9.
10. Mutual fund and annuity sales during the quarter (include proprietary, private label, and third party products):					
a. Money market funds	RCON 6441				10.a.
b. Equity securities funds	RCON 8427				10.b.
c. Debt securities funds	RCON 8428				10.c.
d. Other mutual funds	RCON 8429				10.d.
e. Annuities	RCON 8430				10.e.
f. Sales of proprietary mutual funds and annuities (included in items 10.a through 10.e above)	RCON 8784				10.f.
11. **Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC**	RCON A525				11.
12. **Amount of assets netted against nondeposit liabilities on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles[1]**	RCON A526				12.
13. **Outstanding principal balance of loans other than 1—4 family residential mortgage loans that are serviced for others (to be completed if this balance is more than $10 million and exceeds ten percent of total assets)**	RCON A591				13.

Memorandum — Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Reciprocal holdings of banking organizations' capital instruments **(to be completed for the December report only)**	RCON 3836				M.1.

[1] Exclude netted on-balance sheet amounts associated with off-balance sheet derivative contracts, deferred tax assets netted against deferred tax liabilities, and assets netted in accounting for pensions.

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Schedule RC-N—Past Due and Nonaccrual Loans, Leases, and Other Assets

The FFIEC regards the information reported in all of Memorandum item 1, in items 1 through 10, column A, and in Memorandum items 2 through 4, column A, as confidential.

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Dollar Amounts in Thousands	(Column A) Past due 30 through 89 days and still accruing				(Column B) Past due 90 days or more and still accruing				(Column C) Nonaccrual				
		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou	
1. Loans secured by real estate:													
a. To U.S. addressees (domicile)	RCON 1245				RCON 1246				RCON 1247				1.a.
b. To non-U.S. addressees (domicile)	RCON 1248				RCON 1249				RCON 1250				1.b.
2. Loans to depository institutions and acceptances of other banks:													
a. To U.S. banks and other U.S. depository institutions	RCON 5377				RCON 5378				RCON 5379				2.a.
b. To foreign banks	RCON 5380				RCON 5381				RCON 5382				2.b.
3. Loans to finance agricultural production and other loans to farmers	RCON 1594				RCON 1597				RCON 1583				3.
4. Commercial and industrial loans:													
a. To U.S. addressees (domicile)	RCON 1251				RCON 1252				RCON 1253				4.a.
b. To non-U.S. addressees (domicile)	RCON 1254				RCON 1255				RCON 1256				4.b.
5. Loans to individuals for household, family, and other personal expenditures:													
a. Credit cards and related plans	RCON 5383				RCON 5384				RCON 5385				5.a.
b. Other (includes single payment, installment, and all student loans)	RCON 5386				RCON 5387				RCON 5388				5.b.
6. Loans to foreign governments and official institutions	RCON 5389				RCON 5390				RCON 5391				6.
7. All other loans	RCON 5459				RCON 5460				RCON 5461				7.
8. Lease financing receivables:													
a. Of U.S. addressees (domicile)	RCON 1257				RCON 1258				RCON 1259				8.a.
b. Of non-U.S. addressees (domicile)	RCON 1271				RCON 1272				RCON 1791				8.b.
9. Debt securities and other assets (exclude other real estate owned and other repossessed assets)	RCON 3505				RCON 3506				RCON 3507				9.

Amounts reported in items 1 through 8 above include guaranteed and unguaranteed portions of past due and nonaccrual loans and leases. Report in item 10 below certain guaranteed loans and leases that have already been included in the amounts reported in items 1 through 8.

		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou	
10. Loans and leases reported in items 1 through 8 above which are wholly or partially guaranteed by the U.S. Government	RCON 5612				RCON 5613				RCON 5614				10.
a. Guaranteed portion of loans and leases included in item 10 above	RCON 5615				RCON 5616				RCON 5617				10.a.

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Schedule RC-N—Continued

C373

Memoranda Dollar Amounts in Thousands	(Column A) Past due 30 through 89 days and still accruing				(Column B) Past due 90 days or more and still accruing				(Column C) Nonaccrual				
		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou	
1. Restructured loans and leases included in Schedule RC-N, items 1 through 8, above (and not reported in Schedule RC-C, Part I, Memorandum item 2)	RCON 1658				RCON 1659				RCON 1661				M.1.
2. Loans to finance commercial real estate, construction, and land development activities **(not secured by real estate)** included in Schedule RC-N, items 4 and 7, above	RCON 6558				RCON 6559				RCON 6560				M.2.
3. Loans secured by real estate (sum of Memorandum items 3.a through 3.e must equal sum of Schedule RC-N, items 1.a and 1.b, above):													
a. Construction and land development	RCON 2759				RCON 2769				RCON 3492				M.3.a.
b. Secured by farmland	RCON 3493				RCON 3494				RCON 3495				M.3.b.
c. Secured by 1—4 family residential properties:													
(1) Revolving, open-end loans secured by 1—4 family residential properties and extended under lines of credit	RCON 5398				RCON 5399				RCON 5400				M.3.c.(1)
(2) All other loans secured by 1—4 family residential properties	RCON 5401				RCON 5402				RCON 5403				M.3.c.(2)
d. Secured by multifamily (5 or more) residential properties	RCON 3499				RCON 3500				RCON 3501				M.3.d.
e. Secured by nonfarm nonresidential properties	RCON 3502				RCON 3503				RCON 3504				M.3.e.

Dollar Amounts in Thousands	(Column A) Past due 30 through 89 days				(Column B) Past due 90 days or more				
		Bil	Mil	Thou		Bil	Mil	Thou	
4. Interest rate, foreign exchange rate, and other commodity and equity contracts:									
a. Book value of amounts carried as assets	RCON 3522				RCON 3528				M.4.a.
b. Replacement cost of contracts with a positive replacement cost	RCON 3529				RCON 3530				M.4.b.

Person to whom questions about the Reports of Condition and Income should be directed:

C377

Name and Title (TEXT 8901)

Area code/phone number/extension (TEXT 8902)

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Schedule RC-O—Other Data for Deposit Insurance and FICO Assessments

Dollar Amounts in Thousands		Bil	Mil	Thou	C375
1. Unposted debits (see instructions):					
a. Actual amount of all unposted debits	RCON 0030				1.a.
OR					
b. Separate amount of all unposted debits:					
(1) Actual amount of unposted debits to demand deposits	RCON 0031				1.b.(1)
(2) Actual amount of unposted debits to time and savings deposits[1]	RCON 0032				1.b.(2)
2. Unposted credits (see instructions):					
a. Actual amount of all unposted credits	RCON 3510				2.a.
OR					
b. Separate amount of unposted credits:					
(1) Actual amount of unposted credits to demand deposits	RCON 3512				2.b.(1)
(2) Actual amount of unposted credits to time and savings deposits[1]	RCON 3514				2.b.(2)
3. Uninvested trust funds (cash) held in bank's own trust department (not included in total deposits)	RCON 3520				3.
4. Deposits of consolidated subsidiaries (not included in total deposits):					
a. Demand deposits of consolidated subsidiaries	RCON 2211				4.a.
b. Time and savings deposits[1] of consolidated subsidiaries	RCON 2351				4.b.
c. Interest accrued and unpaid on deposits of consolidated subsidiaries	RCON 5514				4.c.
5. Not applicable					
6. Reserve balances actually passed through to the Federal Reserve by the reporting bank on behalf of its respondent depository institutions that are also reflected as deposit liabilities of the reporting bank:					
a. Amount reflected in demand deposits (included in Schedule RC-E, item 4 or 5, column B)	RCON 2314				6.a.
b. Amount reflected in time and savings deposits[1] (included in Schedule RC-E, item 4 or 5, column A or C, but not column B)	RCON 2315				6.b.
7. Unamortized premiums and discounts on time and savings deposits:[1, 2]					
a. Unamortized premiums	RCON 5516				7.a.
b. Unamortized discounts	RCON 5517				7.b.
8. **To be completed by banks with "Oakar deposits."**					
a. **Deposits purchased or acquired from other FDIC-insured institutions during the quarter:**					
(1) **Total deposits purchased or acquired from other FDIC-insured institutions during the quarter**	RCON A531				8.a.(1)
(2) **Amount of purchased or acquired deposits reported in item 8.a.(1) above attributable to a secondary fund (i.e., BIF members report deposits attributable to SAIF; SAIF members report deposits attributable to BIF)**	RCON A532				8.a.(2)
b. **Total deposits sold or transferred to other FDIC-insured institutions during the quarter**	RCON A533				8.b.
9. Deposits in lifeline accounts	RCON 5596				9.
10. Benefit-responsive "Depository Institution Investment Contracts" (included in total deposits)	RCON 8432				10.

[1] For FDIC insurance and FICO assessment purposes, "time and savings deposits" consists of nontransaction accounts and all transaction accounts other than demand deposits.
[2] Exclude core deposit intangibles.

Schedule RC-O—Continued

Dollar Amounts in Thousands		Bil	Mil	Thou	
11. **Adjustments to demand deposits reported in Schedule RC-E for certain reciprocal demand balances:**					
a. **Amount by which demand deposits would be reduced if the reporting bank's reciprocal demand balances with the domestic offices of U.S. banks and savings associations and insured branches in Puerto Rico and U.S. territories and possessions that were reported on a gross basis in Schedule RC-E had been reported on a net basis**	RCON 8785				11.a.
b. **Amount by which demand deposits would be increased if the reporting bank's reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a net basis in Schedule RC-E had been reported on a gross basis**	RCON A181				11.b.
c. **Amount by which demand deposits would be reduced if cash items in process of collection were included in the calculation of the reporting bank's net reciprocal demand balances with the domestic offices of U.S. banks and savings associations and insured branches in Puerto Rico and U.S. territories and possessions in Schedule RC-E**	RCON A182				11.c.
12. **Amount of assets netted against deposit liabilities on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles (exclude amounts related to reciprocal demand balances):**					
a. **Amount of assets netted against demand deposits**	RCON A527				12.a.
b. **Amount of assets netted against time and savings deposits**	RCON A528				12.b.

Memoranda **(to be completed each quarter except as noted)**

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Total deposits of the bank (sum of Memorandum items 1.a.(1) and 1.b.(1) must equal Schedule RC, item 13.a):					
a. Deposit accounts of $100,000 or less:					
(1) *Amount* of deposit accounts of $100,000 or less	RCON 2702				M.1.a.(1)
(2) *Number* of deposit accounts of $100,000 or less **(to be completed for the June report only)** — Number	RCON 3779				M.1.a.(2)
b. Deposit accounts of more than $100,000:					
(1) *Amount* of deposit accounts of more than $100,000	RCON 2710				M.1.b.(1)
(2) *Number* of deposit accounts of more than $100,000 — Number	RCON 2722				M.1.b.(2)
2. Estimated amount of uninsured deposits of the bank:					
a. An estimate of your bank's uninsured deposits can be determined by multiplying the number of deposit accounts of more than $100,000 reported in Memorandum item 1.b.(2) above by $100,000 and subtracting the result from the amount of deposit accounts of more than $100,000 reported in Memorandum item 1.b.(1) above.					
Indicate in the appropriate box at the right whether your bank has a method or procedure for determining a better estimate of uninsured deposits than the estimate described above	RCON 6861	YES		NO	M.2.a.
b. If the box marked YES has been checked, report the estimate of uninsured deposits determined by using your bank's method or procedure	RCON 5597	Bil	Mil	Thou	M.2.b.
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 or Thrift Financial Report? If so, report the legal title and FDIC Certificate Number of the parent bank or parent savings association:**					
TEXT A545	RCON A545	FDIC Cert No.			M.3.

Legal Title of Bank

30

FDIC Certificate Number

Schedule RC-R—Regulatory Capital

This schedule must be completed by all banks as follows: Banks that reported total assets of $1 billion or more in Schedule RC, item 12, for June 30, 1996, must complete items 2 through 9 and Memoranda items 1 and 2. **Banks with assets of less than $1 billion must complete items 1 through 3 below or Schedule RC-R in its entirety, depending on their response to item 1 below.**

		C380		
		YES		NO
1. **Test for determining the extent to which Schedule RC-R must be completed. To be completed only by banks with total assets of less than $1 billion.** Indicate in the appropriate box at the right whether the bank has total capital greater than or equal to eight percent of adjusted total assets	RCON 6056			1.

For purposes of this test, adjusted total assets equals total assets less cash, U.S. Treasuries, U.S. Government agency obligations, and 80 percent of U.S. Government-sponsored agency obligations plus the allowance for loan and lease losses and selected off-balance sheet items as reported on Schedule RC-L (see instructions).

If the box marked YES has been checked, then the bank only has to complete items 2 and 3 below. If the box marked NO has been checked, the bank must complete the remainder of this schedule.

A NO response to item 1 does not necessarily mean that the bank's actual risk-based capital ratio is less than eight percent or that the bank is not in compliance with the risk-based capital guidelines.

NOTE: All banks are required to complete items 2 and 3 below. See optional worksheet for items 3.a through 3.f.

Dollar Amounts in Thousands		Bil	Mil	Thou	
2. **Portion of qualifying limited-life capital instruments (original weighted average maturity of at least five years) that is includible in Tier 2 capital:**					
a. **Subordinated debt[1] and intermediate term preferred stock**	RCON A515				2.a.
b. **Other limited-life capital instruments**	RCON A516				2.b.
3. Amounts used in calculating regulatory capital ratios (report amounts determined by the bank for its own internal regulatory capital analyses consistent with applicable capital standards):					
a. Tier 1 capital	RCON 8274				3.a.
b. Tier 2 capital	RCON 8275				3.b.
c. Total risk-based capital	RCON 3792				3.c.
d. Excess allowance for loan and lease losses (amount that exceeds 1.25% of gross risk-weighted assets)	RCON A222				3.d.
e. Net risk-weighted assets (gross risk-weighted assets less excess allowance reported in item 3.d above and all other deductions)	RCON A223				3.e.
f. "Average total assets" (quarterly average reported in Schedule RC-K, item 9, less all assets deducted from Tier 1 capital)[2]	RCON A224				3.f.

Items 4–9 and Memoranda items 1 and 2 are to be completed by banks that answered NO to item 1 above and by banks with total assets of $1 billion or more.

	(Column A) Assets Recorded on the Balance Sheet				(Column B) Credit Equivalent Amount of Off-Balance Sheet Items[3]				
4. Assets and credit equivalent amounts of off-balance sheet items assigned to the Zero percent risk category:		Bil	Mil	Thou		Bil	Mil	Thou	
a. Assets recorded on the balance sheet	RCON 5163								4.a.
b. Credit equivalent amount of off-balance sheet items					RCON 3796				4.b.

[1] Exclude mandatory convertible debt reported in Schedule RC-M, item 7.
[2] Do not deduct excess allowance for loan and lease losses.
[3] Do not report in column B the risk-weighted amount of assets reported in column A.

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Schedule RC-R—Continued

Dollar Amounts in Thousands	(Column A) Assets Recorded on the Balance Sheet				(Column B) Credit Equivalent Amount of Off-Balance Sheet Items[1]				
		Bil	Mil	Thou		Bil	Mil	Thou	
5. Assets and credit equivalent amounts of off-balance sheet items assigned to the 20 percent risk category:									
a. Assets recorded on the balance sheet	RCON 5165								5.a.
b. Credit equivalent amount of off-balance sheet items					RCON 3801				5.b.
6. Assets and credit equivalent amounts of off-balance sheet items assigned to the 50 percent risk category:									
a. Assets recorded on the balance sheet	RCON 3802								6.a.
b. Credit equivalent amount of off-balance sheet items					RCON 3803				6.b.
7. Assets and credit equivalent amounts of off-balance sheet items assigned to the 100 percent risk category:									
a. Assets recorded on the balance sheet	RCON 3804								7.a.
b. Credit equivalent amount of off-balance sheet items					RCON 3805				7.b.
8. On-balance sheet asset values excluded from and deducted in the calculation of the risk-based capital ratio[2]	RCON 3806								8.
9. Total assets recorded on the balance sheet (sum of items 4.a, 5.a, 6.a, 7.a, and 8, column A) (must equal Schedule RC, item 12 plus items 4.b and 4.c)	RCON 3807								9.

Memoranda

Dollar Amounts in Thousands		Bil	Mil	Thou	
1. Current credit exposure across all off-balance sheet derivative contracts covered by the risk-based capital standards	RCON 8764				M.1.

2. Notional principal amounts of off-balance sheet derivative contracts[3]:	With a remaining maturity of															
	(Column A) One year or less					(Column B) Over one year through five years					(Column C) Over five years					
		Tril	Bil	Mil	Thou		Tril	Bil	Mil	Thou		Tril	Bil	Mil	Thou	
a. Interest rate contracts	RCON 3809					RCON 8766					RCON 8767					M.2.a.
b. Foreign exchange contracts	RCON 3812					RCON 8769					RCON 8770					M.2.b.
c. Gold contracts	RCON 8771					RCON 8772					RCON 8773					M.2.c.
d. Other precious metals contracts	RCON 8774					RCON 8775					RCON 8776					M.2.d.
e. Other commodity contracts	RCON 8777					RCON 8778					RCON 8779					M.2.e.
f. Equity derivative contracts	RCON A000					RCON A001					RCON A002					M.2.f.

[1] Do not report in column B the risk-weighted amount of assets reported in column A.

[2] Include the difference between the fair value and the amortized cost of available-for-sale debt securities in item 8 and report the amortized cost of these debt securities in items 4 through 7 above. For available-for-sale equity securities, if fair value exceeds cost, include the difference between the fair value and the cost in item 8 and report the cost of these equity securities in items 5 through 7 above; if cost exceeds fair value, report the fair value of these equity securities in items 5 through 7 above and include no amount in item 8. Item 8 also includes on-balance sheet asset values (or portions thereof) of off-balance sheet interest rate, foreign exchange rate, and commodity contracts and those contracts (e.g., futures contracts) not subject to risk-based capital. Exclude from item 8 margin accounts and accrued receivables not included in the calculation of credit equivalent amounts of off-balance sheet derivatives as well as any portion of the allowance for loan and lease losses in excess of the amount that may be included in Tier 2 capital.

[3] Exclude foreign exchange contracts with an original maturity of 14 days or less and all futures contracts.

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Optional Narrative Statement Concerning the Amounts Reported in the Reports of Condition and Income

at close of business on _____ 19____

Legal Title of Bank

City , State

The management of the reporting bank may, *if it wishes*, submit a brief narrative statement on the amounts reported in the Reports of Condition and Income. This optional statement will be made available to the public, along with the publicly available data in the Reports of Condition and Income, in response to any request for individual bank report data. However, the information reported in column A and in all of Memorandum item 1 of Schedule RC-N is regarded as confidential and will not be released to the public. BANKS CHOOSING TO SUBMIT THE NARRATIVE STATEMENT SHOULD ENSURE THAT THE STATEMENT DOES *NOT* CONTAIN THE NAMES OR OTHER IDENTIFICATIONS OF INDIVIDUAL BANK CUSTOMERS, REFERENCES TO THE AMOUNTS REPORTED IN THE CONFIDENTIAL ITEMS IN SCHEDULE RC-N, OR ANY OTHER INFORMATION THAT THEY ARE NOT WILLING TO HAVE MADE PUBLIC OR THAT WOULD COMPROMISE THE PRIVACY OF THEIR CUSTOMERS. Banks choosing *not* to make a statement may check the "No comment" box below and should make no entries of any kind in the space provided for the narrative statement; i.e., DO *NOT* enter in this space such phrases as "No statement," "Not applicable," "N/A," "No comment," and "None."

The optional statement must be entered on this sheet. The statement should not exceed 100 words. Further, regardless of the number of words, the statement must not exceed 750 characters, including punctuation, indentation, and standard spacing between words and sentences. If any submission should exceed 750 characters, as defined, it will be truncated at 750 characters with no notice to the submitting bank and the truncated statement will appear as the bank's statement both on agency computerized records and in computer-file releases to the public.

All information furnished by the bank in the narrative statement must be accurate and not misleading. Appropriate efforts shall be taken by the submitting bank to ensure the statement's accuracy. The statement must be signed, in the space provided below, by a senior officer of the bank who thereby attests to its accuracy.

If, subsequent to the original submission, *material* changes are submitted for the data reported in the Reports of Condition and Income, the existing narrative statement will be deleted from the files, and from disclosure; the bank, at its option, may replace it with a statement, under signature, appropriate to the amended data.

The optional narrative statement will appear in agency records and in release to the public exactly as submitted (or amended as described in the preceding paragraph) by the management of the bank (except for the truncation of statements exceeding the 750-character limit described above). THE STATEMENT WILL *NOT* BE EDITED OR SCREENED IN ANY WAY BY THE SUPERVISORY AGENCIES FOR ACCURACY OR RELEVANCE. DISCLOSURE OF THE STATEMENT SHALL NOT SIGNIFY THAT ANY FEDERAL SUPERVISORY AGENCY HAS VERIFIED OR CONFIRMED THE ACCURACY OF THE INFORMATION CONTAINED THEREIN. A STATEMENT TO THIS EFFECT WILL APPEAR ON ANY PUBLIC RELEASE OF THE OPTIONAL STATEMENT SUBMITTED BY THE MANAGEMENT OF THE REPORTING BANK.

No comment ☐ (RCON 6979)

C371	C372

BANK MANAGEMENT STATEMENT (please type or print clearly):
(TEXT 6980)

Signature of Executive Officer of Bank

Date of Signature

THIS PAGE IS TO BE COMPLETED BY ALL BANKS

NAME AND ADDRESS OF BANK	OMB No. For OCC: 1557-0081 OMB No. For FDIC 3064-0052 OMB No. for Federal Reserve: 7100-0036 Expiration Date: 3/31/2000 SPECIAL REPORT (Dollar Amounts in Thousands)
	CLOSE OF BUSINESS DATE / **FDIC Certificate Number** / C-700

LOANS TO EXECUTIVE OFFICERS *(Complete as of each Call Report Date)*

The following information is required by Public Laws 90–44 and 102–242, but does not constitute a part of the Report of Condition. With each Report of Condition, these Laws require all banks to furnish a report of all loans or other extensions of credit to their executive officers made **since the date of the previous Report of Condition.** Data regarding individual loans or other extensions of credit are not required. If no such loans or other extensions of credit were made during the period, insert "none" against subitem (a). (*Exclude the first $15,000 of indebtedness of each executive officer under bank credit card plan.*) **See Sections 215.2 and 215.3 of Title 12 of the Code of Federal Regulations (Federal Reserve Board Regulation O) for the definitions of "executive officer" and "extension of credit," respectively. Exclude loans and other extensions of credit to directors and principal shareholders who are not executive officers.**

a. Number of loans made to executive officers since the previous Call Report date	RCON 3561		a.
b. Total dollar amount of above loans (in thousands of dollars)	RCON 3562		b.
c. Range of interest charged on above loans (example: 9¾% = 9.75)	RCON 7701	__ __ .__ __ % to RCON 7702 __ __ .__ __ %	c.

SIGNATURE AND TITLE OF OFFICER AUTHORIZED TO SIGN REPORT	DATE (Month, Day, Year)
NAME AND TITLE OF PERSON TO WHOM INQUIRIES MAY BE DIRECTED (TEXT 8903)	AREA CODE/PHONE NUMBER/EXTENSION (TEXT 8904)

Board of Governors of the Federal Reserve System
OMB Number: 7100 – 0036
Federal Deposit Insurance Corporation
OMB Number: 3064 – 0052
Office of the Comptroller of the Currency
OMB Number: 1557 – 0081
Expiration Date: March 31, 2000

Federal Financial Institutions Examination Council

INSTRUCTIONS

Consolidated Reports of Condition and Income

for national banks, state member banks, and insured state nonmember banks

(Reporting Forms FFIEC 031, 032, 033, and 034)

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031, 032, 033, and 034)

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GENERAL INSTRUCTIONS

Schedules RC and RC-A through RC-R constitute the Report of Condition and its supporting schedules. Schedules RI and RI-A through RI-E constitute the Report of Income and its supporting schedules.

WHO MUST REPORT ON WHAT FORMS

Every national bank, state member bank, and insured state nonmember bank is required to file consolidated Reports of Condition and Income 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, Puerto Rico, or a U.S. territory or possession; or

(c) a majority-owned Edge or Agreement subsidiary.

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 AND WITH ASSETS OF $300 MILLION OR MORE: Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of $300 Million or More (FFIEC 032).

(3) BANKS WITHOUT FOREIGN OFFICES AND WITH ASSETS OF $100 MILLION OR MORE BUT LESS THAN $300 MILLION: Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of $100 Million or More but Less than $300 Million (FFIEC 033).

(4) BANKS WITHOUT FOREIGN OFFICES AND WITH ASSETS OF LESS THAN $100 MILLION: Such banks that have only domestic offices must file quarterly the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets of Less Than $100 Million (FFIEC 034).

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 Reports of Condition and Income (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 Reports of Condition and Income as if they had actually been posted to the general ledger at or before the cut-off time on the report date.

With respect to deposits received by the reporting bank after the cut-off time for posting them to individual

customer accounts for a report date (i.e., so-called "next day deposits" or "late deposits"), but which are nevertheless posted in any manner to the reporting bank's general ledger accounts for that report date (including, but not limited to, through the use of one or more general ledger contra accounts), such deposits must be reported in (1) Schedule RC, Balance Sheet, item 13, "Deposits," and in Schedule RC-E, Deposit Liabilities, or (2) in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, item 2, "Unposted credits." The use of memorandum accounts outside the reporting bank's general ledger system for control over "next day" or "late deposits" received on the report date will not cause such deposits to be reportable in Schedules RC and RC-E or Schedule RC-O.

Frequency of Reporting

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

(1) For all banks, Schedule RC-C, part II, Loans to Small Businesses and Small Farms, is to be filed only as of the June 30 report date.

(2) For banks with domestic offices only and total assets of less than $100 million (those banks filing the FFIEC 034), Schedule RI-A, Changes in Equity Capital, and Schedule RI-B, part II, Changes in Allowance for Loan and Lease Losses, are to be filed only as of the December 31 report date. All other banks must report these schedules quarterly.

Differences in Detail of Reports

The amount of detail required to be reported varies among the four versions of the report, with the report for banks with less than $100 million in assets and with only domestic offices (FFIEC 034) having the least amount of detail and the report for banks with foreign offices (FFIEC 031) having the most.

Also, within the FFIEC 031 and FFIEC 032:

(1) banks with $1 billion or more in total assets or with $2 billion or more in par/notional amount of off-balance sheet derivative contracts must provide detail on trading assets and liabilities (in Schedule RC-D) and

(2) banks with $1 billion or more in total assets must provide U.S. and non-U.S. addressee information on customers' liability on acceptances outstanding (in Schedule RC-M, item 5)

that smaller banks filing these reports do not.

Similarly, within the FFIEC 034, banks with less than $25 million in assets have somewhat less detailed requirements in Schedule RC-K, Quarterly Averages, and Schedule RI, Income Statement, than do larger banks filing the FFIEC 034.

In addition, the required basis of reporting the loan detail in Schedules RC-K (Quarterly Averages), RC-N (Past Due and Nonaccrual Loans, Leases, and Other Assets), RI (Income Statement), and RI-B, part I (Charge-Offs and Recoveries on Loans and Leases), and in one memorandum item in Schedule RC-C, part I (Loans and Leases), but not in the body of Schedule RC-C, part I, itself, is different for banks over and under $300 million in assets with no foreign offices. For a more detailed discussion, refer to "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" below in these General Instructions.

Shifts in Reporting Status

All shifts in reporting status (except as noted below) are to begin with the March Reports of Condition and Income. Such a shift will take place only if the reporting bank's total assets (or, in one case, loans) as

reflected in the Report of Condition for June of the previous year equal or exceed the criteria specified below.

Shifts requiring a change in report form:

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

(2) At $100 million or more in total assets for banks with domestic offices only -- A bank will begin filing the FFIEC 033 instead of the FFIEC 034.

(3) At $300 million or more in total assets for banks with domestic offices only -- A bank will begin filing the FFIEC 032 rather than the FFIEC 033.

Shifts requiring the reporting of additional information without a change in report form:

(1) At $25 million or more in total assets for banks with domestic offices only -- A bank must report additional loan information on Schedule RC-K, Quarterly Averages, and on Schedule RI, Income Statement.

(2) At $1 billion or more in total assets -- A bank, with or without foreign offices, must begin reporting detailed information on trading assets and liabilities (Schedule RC-D) and U.S. and non-U.S. addressee information on customers' liability on acceptances outstanding (Schedule RC-M, item 5). Such a bank must also begin to complete Schedule RC-R, Regulatory Capital, in its entirety.

(3) When "Loans to finance agricultural production and other loans to farmers" exceed five percent of total loans, net of unearned income -- A bank filing the FFIEC 033 or 034 with "Loans to finance agricultural production and other loans to farmers" (Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, items 1 through 9, less item 11 on the FFIEC 033), must begin reporting information relating to agricultural loans in a memorandum item in each of four Call Report schedules (Schedules RI; RI-B, part I; RC-K; and RC-N). Banks with less than $25 million in total assets are not required to report this agricultural loan information in Schedules RI and RC-K.

Once a bank begins to file the report form applicable to a bank with a larger amount of total assets or begins to report the additional information without a change in report form (except as noted for banks with foreign offices), it must continue to file that form or report the additional information unless it establishes a foreign office or its assets increase to an even larger total asset category.

Banks involved in business combinations (poolings of interests, purchase acquisitions, or reorganizations) -- Beginning with the first quarterly report date following the effective date of a business combination involving a bank and one or more other depository institutions, the resulting bank, regardless of its size prior to the business combination, must file (a) the report form appropriate to its size (FFIEC 032, 033, or 034) immediately after the consummation of the transaction, if it has domestic offices only, or (b) the FFIEC 031, if it acquires any "foreign" office as described above, including an IBF.

Operating depository institutions that become FDIC-insured banks -- Beginning with the first quarterly report date after becoming an FDIC-insured bank, an operating depository institution that was not previously a member of the FDIC must file (a) the report form appropriate to its size (FFIEC 032, 033, or 034) at the time it becomes an FDIC-insured bank, if it has domestic offices only, or (b) the FFIEC 031, if it has any "foreign" office as described above, including an IBF.

ORGANIZATION OF THE INSTRUCTION BOOKS

This instruction book covers all four sets of report forms (i.e., the FFIEC 031, the FFIEC 032, the FFIEC 033, and the FFIEC 034). 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 Condition.

(3) The Line Item Instructions for each schedule of the Report of Income.

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

(4) The Glossary presents, in alphabetical order, definitions and discussions of accounting issues and other topics that require more extensive treatment than is practical to include in the line item instructions or that are relevant to several line items or to the overall preparation of these reports. The Glossary is not, and is not intended to be, a comprehensive discussion of the principles of bank accounting or reporting.

In determining the required treatment of particular transactions or portfolio items or in determining the definitions and scope of the various items, the General Instructions, the line item instructions, and the Glossary (all of which are extensively cross-referenced) must be used jointly. A single section does not necessarily give the complete instructions for completing all the items of the reports.

Banks may obtain additional copies of the instruction books from their appropriate federal bank supervisory agency -- the Federal Reserve Banks, the Comptroller of the Currency, or the Federal Deposit Insurance Corporation.

PREPARATION OF THE REPORTS

Banks are required to prepare and file the Reports of Condition and Income 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 Reports of Condition and Income 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 Comptroller of the Currency, or the Federal Deposit Insurance Corporation). Such inquiries will be referred for resolution to the Reports Task Force of the Federal Financial Institutions Examination Council. 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 Reports of Condition and Income in accordance with the agency's interpretation and to amend previously submitted reports.

SIGNATURES

Officer Declaration

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

Director Attestation

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

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

SUBMISSION OF THE REPORTS

Effective December 31, 1997, each bank must file its Reports of Condition and Income in one of two ways:

- By using computer software to prepare its reports in automated form and then filing the reports directly with the banking agencies' electronic collection agent, Electronic Data Systems Corporation (EDS). The bank would file its Reports of Condition and Income by using a computer and modem or by sending EDS a computer diskette.

  OR

- By completing its reports in hard-copy form and arranging with EDS, a Call Report software vendor, or another party to convert its paper reports to automated form. If a party other than EDS performs this service, that party must electronically transmit the bank's automated reports to EDS.

The filing of Reports of Condition and Income in hard-copy (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 no longer an acceptable method of submission.

NOTE: The preceding filing requirement takes effect September 30, 1997, for banks that had $50 million or more in assets as of June 30, 1996.

Regardless of the method a bank uses to file its Reports of Condition and Income, the bank remains responsible for the accuracy of the data in its Reports of Condition and Income.

In order to file its completed reports with EDS using a computer and modem or to send EDS a computer diskette, banks must use computer software that has been certified for this purpose by EDS. Certified software is available through certain vendors that have completed a certification process. Alternatively, banks may develop their own reporting software and go through the certification process.

Reports submitted in automated form using software that has not been certified will not be accepted by EDS, the banking agencies' collection agent, and resubmission using certified software will be necessary. In addition, reports sent to EDS on computer diskettes that EDS cannot read will not be accepted and resubmission will be necessary. In either case, if such resubmission is received by EDS 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 report format used each quarter is the appropriate format for the bank to use (i.e., FFIEC 031, 032, 033, or 034) for that report date and 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 servicers or others outside the reporting bank.

A bank filing its Reports of Condition and Income with EDS in automated form or under the paper-based alternative must maintain in its files a signed and attested record of its completed report each quarter. This record should be either a computer printout showing at least the caption of each item in the Reports of Condition and Income and the reported amount, a computer-generated facsimile of the report form, or a copy of the printed report form. The agency-supplied signature page for the quarter should be used to fulfill the signature and attestation requirement for that report date. This signature page should be attached to the printout, computer-generated facsimile, or copy of the form that the bank places in its files.

No item on the Reports of Condition and Income is to be left blank unless otherwise indicated in the instructions. Except in those instances, an entry must be made for each item, i.e., an amount, a zero, the word "none," an "X," or an "N/A."

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

Submission Date

The term "submission date" is defined as the date by which a bank's completed Reports of Condition and Income must be received in automated form by EDS, the banking agencies' electronic collection agent. EDS must receive the data file for a bank's Reports of Condition and Income no more than 30 calendar days after the report date (subject to the timely filing provisions for computer diskettes set forth in the following paragraph). For example, the March 31 report must be received by April 30 and the June 30 report by July 30. Earlier submission would aid the banking agencies in editing and reviewing the reports and is encouraged. No extensions of time for submitting reports are granted.

Any bank using the paper-based filing alternative must ensure that it delivers its hard-copy reports to the party with whom it has contracted for the conversion of its reports to automated form in sufficient time for that party to electronically transmit the reports to EDS by the submission deadline.

The filing of a bank's completed Reports of Condition and Income on a computer diskette will be considered timely, regardless of when the reports are received by EDS, if the computer diskette is mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a bank whose computer diskette containing its completed Reports of Condition and Income is received late may be called upon to provide proof of timely mailing. A "Certificate of Mailing" (U.S. Postal Service Form 3817) may be used to provide such proof. If an overnight delivery service is used, the placement of the computer diskette into the delivery system on the day before the submission deadline will constitute timely submission.

15-day extension -- Any bank which has or has had more than one foreign office, other than a "shell" branch or an IBF, may take an additional 15 days to submit its Reports of Condition and Income. Such banks are urged to use the additional time only if absolutely necessary and to make every effort to report as soon as possible, preferably within the 30-day submission period. Any bank that uses any of the additional 15 calendar days allowed for the completion of its Reports of Condition and Income is required to electronically transmit its completed reports to EDS, the banking agencies' collection agent, no more than 45 calendar days after the report date.

Amended Reports

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

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

After a bank begins filing its Reports of Condition and Income in automated form with EDS, it should send any amendments to previously submitted hard-copy (paper) reports directly to the FDIC (for national and FDIC-supervised banks) or the appropriate Federal Reserve District Bank (for state member banks) in hard-copy form.

For report dates prior to March 31, 1995, if a bank's deposit totals reported in Schedule RC-E, (part I on the FFIEC 031), Memorandum item 4, accrued interest payable reported in Schedule RC-G, item 1.a, or any of the amounts reported in Schedule RC-O, items 1 through 10, are amended, the bank is encouraged to contact the FDIC's Assessments Hotline at (800) 759-6596 to ensure that the deposit insurance assessment for the period affected by the amendment is adjusted accordingly.

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

In their Reports of Condition and Income submitted to the federal bank supervisory agencies, banks and their subsidiaries shall present their financial condition and results of operations on a consolidated basis in accordance with generally accepted accounting principles. All significant majority-owned subsidiaries shall be consolidated unless the subsidiary is covered by one of the exceptions listed in the "Exclusions from the Coverage of the Consolidated Report" section below. (See the Glossary entry for "subsidiaries" for the definition of "significant subsidiary.") Accordingly, the Consolidated Reports of Condition and Income shall consolidate the operations of:

(1) the bank's head office;

(2) all branches of the bank, domestic and foreign;

(3) any International Banking Facility (IBF) established by the bank;

(4) all majority-owned Edge and Agreement subsidiaries, including their IBFs, their foreign and domestic branches, and their significant subsidiaries;

(5) all majority-owned foreign banks held directly by the reporting bank pursuant to Section 25 of the Federal Reserve Act;

(6) all other majority-owned subsidiaries that are "significant," including domestic subsidiaries that are commercial banks, savings banks, or savings and loan associations that must file separate Reports of Condition and Income (or separate reports of a comparable nature) with any state or federal financial institutions supervisory authority; and

(7) all nonsignificant majority-owned subsidiaries that the bank has elected to consolidate on a consistent basis in both the Report of Condition and the Report of Income.

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

Exclusions from the Coverage of the Consolidated Report

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

Trust accounts -- For purposes of the Reports of Condition and Income, the reporting bank's trust department is not to be consolidated into the reporting bank's balance sheet or income statement. Thus, assets held in or administered by the bank's trust department and the income earned on such assets are excluded from the consolidated reports except when trust funds are deposited by the trust department of the reporting bank in the commercial or some other department of the reporting bank.

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

However, there are two exceptions:

(1) uninvested trust funds (cash) held in the bank's trust department, which are not included on the balance sheet of the reporting bank, must be reported in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments; and

(2) the fees earned by the trust department for its fiduciary activities and the operating expenses of the trust department are to be reported in the bank's income statement (Schedule RI) on a gross basis as if part of the consolidated bank.

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

RULES OF CONSOLIDATION

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

Subsidiaries of subsidiaries -- For a subsidiary of a bank which is in turn the parent of one or more subsidiaries:

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

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

Minority interests -- A minority interest arises when the reporting bank owns less than 100 percent of the stock of a consolidated subsidiary. The minority interest consists of the shares of stock not owned by the reporting bank. Report minority interests in the reporting bank's consolidated subsidiaries in Schedule RC, item 20, "Other liabilities," and identify these interests in Schedule RC-G of the Report of Condition. Report income (or loss) associated with such minority interests in "Other noninterest expense" in Schedule RI of the Report of Income.

Intrabank transactions -- (For banks with foreign offices.) While all intrabank transactions are to be excluded from the consolidated Reports of Condition and Income, a few intrabank items that are eliminated in consolidation are required to be identified and reported. For example,

(1) Schedule RC-H of the Report of Condition requires the reporting of:

(a) the net amount of "due from" or "due to" balances between domestic offices and foreign offices of the consolidated bank, and
(b) the net amount of "due from" or "due to" balances between domestic offices of the reporting bank and the IBF of the domestic offices of the reporting bank.

(2) Schedule RI-D of the Report of Income requires the reporting of intrabank interest charges between types of offices of the bank.

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

Cutoff dates for consolidation -- All branches must be consolidated as of the report date. For purposes of consolidation, the date of 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 Reports of Condition and Income 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 (e.g., as in the case of certain items in Schedule RI-D of the Report of Income). 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.

In addition to the type-of-office components of the corresponding consolidated bank items, some supporting schedules also require the reporting of the net amount of certain intrabank transactions that are eliminated from the Report of Condition.

PUBLICATION REQUIREMENTS FOR THE REPORT OF CONDITION

Federal requirements for a bank to publish the balance sheet of the Report of Condition in a newspaper have been repealed. Thus, national banks are no longer subject to a publication requirement. However, state-chartered banks should consult with their state banking authorities concerning the continued applicability of any state publication requirements.

RELEASE OF INDIVIDUAL BANK REPORTS

All schedules of the Reports of Condition and Income submitted by each reporting bank, including the optional narrative statement at the end of the Report of Condition, will be made available to the public upon request by the federal bank supervisory agencies with the exception of column A, "Past due 30 through 89 days and still accruing," and all of Memorandum item 1, "Restructured loans and leases included in Schedule RC-N above," of Schedule RC-N.

APPLICABILITY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO REGULATORY REPORTING REQUIREMENTS

For recognition and measurement purposes, the regulatory reporting requirements applicable to Reports of Condition and Income (Call Report) shall conform to generally accepted accounting principles (GAAP). 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 Reports of Condition and Income in accordance with the agency's interpretation and to amend previously submitted reports.

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

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

ACCRUAL BASIS REPORTING

<u>All</u> banks, regardless of size, shall prepare all schedules of the Reports of Condition and Income 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. Trust department income may be reported on a cash basis.

All banks must report the following on an accrual basis:

(1) income from installment loans;

(2) amortization of premiums paid on held-to-maturity and available-for-sale securities (see the Glossary entry for "premiums and discounts");

(3) income taxes (see the Glossary entry for "income taxes"); and

(4) depreciation on premises and fixed assets.

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

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

REPORTING OF LOAN DETAIL BY BANKS WITH ASSETS OF LESS THAN $300 MILLION AND NO FOREIGN OFFICES

All banks regardless of size are required to report their loans outstanding as of the report date in Schedule RC-C, part I, Loans and Leases, items 1 through 9 (items 1 through 8 on the FFIEC 034), in the standardized loan categories specifically defined in the instructions for that schedule.

There are four other schedules and one memorandum item that require the reporting of certain data by loan category:

(1) Schedule RC-K -- Quarterly Averages;

(2) Schedule RC-N -- Past Due and Nonaccrual Loans, Leases, and Other Assets;

(3) Schedule RI -- Income Statement;

(4) Schedule RI-B, part I -- Charge-Offs and Recoveries on Loans and Leases; and

(5) Schedule RC-C, part I, Memorandum item 2 (Memorandum item 1 on the FFIEC 034) -- "Loans and leases restructured and in compliance with modified terms."

In these four schedules and one memorandum item also, all banks with $300 million or more in assets or with any foreign offices (as defined for these reports) (i.e., those banks that are required to report on FFIEC 031 and 032) are required to report detailed loan data in terms of the standardized loan categories defined in these instructions. However, for these four schedules and one memorandum item, but not for the body of Schedule RC-C, part I, banks with less than $300 million in assets and with no foreign offices (i.e., those banks that are required to report on FFIEC 033 or 034) are permitted to report the detailed loan data requested in these schedules and memorandum item in terms of general loan categories that are based upon each bank's own internal loan categorization system. (Banks with assets of less than $25 million are exempt from reporting any loan detail on Schedules RC-K and RI. This $25 million asset size test is based on the reporting bank's total assets as reflected in the Report of Condition for June of the previous year. Once a bank begins to report loan detail in Schedules RC-K and RI, it must continue to report such loan detail in these schedules. For further information, refer to the discussion of "Shifts in Reporting Status" in these General Instructions.)

There are four general loan categories that are used in these schedules for all banks with assets of less than $300 million and no foreign offices:

(1) real estate loans,

(2) installment loans,

(3) credit cards and related plans, and

(4) commercial (time and demand) and all other loans.

The Schedule RC-C, part I, memorandum item uses the first general loan category and combines the other three general loan categories into a single item. In addition, for some of these four schedules and for some of the banks with less than $300 million in assets, data for the following loan categories will be reported in memoranda items:

(5) agricultural loans (to be reported on all four of the above schedules by banks with agricultural loans, as reported in Schedule RC-C, part I, item 3, exceeding five percent of total loans);

(6) tax-exempt obligations (other than securities and leases) of states and political subdivisions in the U.S. (to be reported on Schedule RI by banks with assets of $100 million or more but less than $300 million); and

(7) loans to foreign governments and official institutions (to be reported on Schedule RI-B, part I, by banks with assets of $100 million or more but less than $300 million).

For banks with assets of less than $300 million and no foreign offices and only for purposes of Schedules RC-K, RC-N, RI, RI-B, part I, and the Schedule RC-C, part I, memorandum item (but not for purposes of the body of Schedule RC-C, part I), the first five of these seven general loan categories are flexibly defined as follows in accordance with the manner in which each bank characterizes such loans in its own recordkeeping systems or for its own internal purposes:

"Real estate loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in the bank's real estate loan department, or the coverage may be determined by other criteria. Depending on each bank's internal practices, such loans may or may not include loans secured by junior liens on real estate; loans secured by commercial properties; loans secured by farm properties; etc. Thus, at the reporting bank's option, the coverage of "real estate loans" in these four schedules and one memorandum item for a bank with less than $300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Loans secured by real estate" category that the bank is required to report in Schedule RC-C, part I, item 1.

"Installment loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in the bank's installment loan department or those made on an installment basis, or the coverage may be determined by other criteria. Depending on each bank's internal practices, such loans may or may not include business installment loans; installment loans for farmers; some loans secured by junior liens on real estate; some single payment loans; some loans with irregular payment schedules or with balloon payments; some loans arising out of prearranged overdraft plans; etc. Thus, at the reporting bank's option, the coverage of "installment loans" in these four schedules and one memorandum item for a bank with less than $300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Other loans to individuals for household, family, and other personal expenditures" category that the bank is required to report in Schedule RC-C, part I, item 6.b.

"Credit cards and related plans" -- As each reporting bank determines for itself, depending on its internal practices, such loans may or may not include business as well as consumer use of such cards; may or may not cover prearranged overdraft plans as well as credit cards; etc. Thus, at the reporting bank's option, the coverage of "credit cards and related plans" for these four schedules and one memorandum item for a bank with less than $300 million in assets and with no foreign offices is not necessarily the same as the coverage

of the "Credit cards and related plans" category that the bank is required to report in Schedule RC-C, part I, item 6.a.

"Commercial (time and demand) and all other loans" -- This category is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories as reported in these four schedules. This residual category will consist mainly of loans for commercial and agricultural purposes and loans to financial institutions but, depending on each reporting bank's internal practices and choices for reporting in these four schedules, it may or may not include, for example, commercial real estate loans, business installment loans, business credit card loans, consumer single payment loans, junior lien loans, etc. Thus, the coverage of "commercial (time and demand) and all other loans" for these four schedules and one memorandum item for a bank with less than $300 million in assets and with no foreign offices is unlikely to be the same as the coverage of the "Commercial and industrial loans" category that the bank is required to report in Schedule RC-C, part I, item 4.

"Agricultural loans" -- As each reporting bank determines for itself, such loans may be, for example, those loans made or booked in an agricultural loan department, or the coverage may be determined by other criteria. Depending on each bank's internal practices, such loans may or may not include loans secured by farmland or other farm real estate; loans to farmers secured by nonfarm property; consumer installment loans made to farmers; etc. Thus, at each reporting bank's option, the coverage of "agricultural loans" in these four schedules for a bank with less than $300 million in assets and with no foreign offices is not necessarily the same as the coverage of the "Loans to finance agricultural production and other loans to farmers" category that the bank is required to report in Schedule RC-C, part I, item 3.

While, for purposes of reporting in Schedules RC-K, RC-N, RI, and RI-B, part I, and in the Schedule RC-C, part I, memorandum item by banks with less than $300 million in assets and with no foreign offices, the definitions of the above five categories are left to the choice of each reporting bank, each bank must use consistent definitions and coverages of these categories in each of the four schedules and the memorandum item.

For the two additional loan category memoranda items that appear in some of these four schedules for banks with assets of $100 million or more but less than $300 million (i.e., for those banks filing the FFIEC 033), "Tax-exempt obligations (other than securities and leases) of states and political subdivisions in the U.S." in Schedule RI and "Loans to foreign governments and official institutions" in Schedule RI-B, part I, the definitions and coverages of these two categories when used in these schedules must conform with the relevant portions of the definitions and coverages of the two corresponding loan categories in Schedule RC-C, part I, items 8 and 7, respectively.

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" (on the FFIEC 034, item 12.c, "Total assets and losses deferred pursuant to 12 U.S.C. 1823(j)"), and Schedule RC, item 29, "Total liabilities, limited-life preferred stock, and equity capital (and losses deferred pursuant to 12 U.S.C. 1823(j))," which must be equal, must be derived from unrounded numbers and then rounded in order to ensure that these two items are equal as reported.

Negative Entries

Except for the items listed below, negative entries are not appropriate on the Report of Condition and shall not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. The Report of Condition items for which negative entries may be made, if appropriate, are:

(1) Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."

(2) Schedule RC, item 26.a, "Undivided profits and capital reserves."

(3) Schedule RC, item 26.b, "Net unrealized holding gains (losses) on available-for-sale securities."

(4) Schedule RC, item 27, "Cumulative foreign currency translation adjustments" (for banks with foreign offices).

(5) Schedule RC-C, item 10, "Lease financing receivables (net of unearned income)" (item 9 in the FFIEC 034).

(6) Schedule RC-M, items 8.b.(1), 8.b.(2), and 8.b.(3), on "Investments in unconsolidated subsidiaries and associated companies."

(7) Schedule RC-M, item 11, "Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC."

(8) Schedule RC-R, items 3.a and 3.c, "Tier 1 capital," and "Total risk-based capital," respectively.

(9) Schedule RC-R, item 8, "On-balance sheet asset values excluded from and deducted in the calculation of the risk-based capital ratio."

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

On the Report of Income, negative entries may appear as appropriate. Income items with a debit balance and expense items with a credit balance must be reported in parentheses.

Verification

All addition and subtraction should be double-checked before reports are submitted. Totals and subtotals in supporting materials should be cross-checked to corresponding items elsewhere in the reports.

Before a report is submitted, all amounts should be compared with the corresponding amounts in the previous report. If there are any unusual changes from the previous report, a brief explanation of the changes should be attached to the submitted reports.

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

Transactions Occurring Near the End of a Reporting Period

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

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

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

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

SEPARATE BRANCH REPORTS

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

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF CONDITION

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions.

SCHEDULE RC - BALANCE SHEET

The form of Schedule RC, Balance Sheet, in the Report of Condition is identical for all banks regardless of size and regardless of the location of the bank's offices. Consequently, certain Schedule RC items related to foreign offices are not applicable to banks with domestic offices only. For banks filing one of the three versions of the Report of Condition for a bank with domestic offices only (FFIEC 032, 033, or 034), Schedule RC includes items 13.b, 13.b.(1), and 13.b.(2) for deposits in foreign offices and item 27, "Cumulative foreign currency translation adjustments." The boxes for these items are shaded and no amounts are to be reported for these items.

ASSETS

Item No. **Caption and Instructions**

1 **Cash and balances due from depository institutions**. On the FFIEC 031, the sum of items 1.a and 1.b must equal Schedule RC-A, item 5, column A, "Total." On the FFIEC 032 and 033, the sum of items 1.a and 1.b must equal Schedule RC-A, item 5, "Total." Schedule RC-A is not applicable to banks filing the FFIEC 034 report forms.

Treatment of reciprocal balances with depository institutions -- Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. Net "due from" balances should be reported in items 1.a and 1.b below, as appropriate. Net "due to" balances should be reported as deposit liabilities in Schedule RC, item 13 below. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. See also the Glossary entry for "reciprocal balances."

1.a **Noninterest-bearing balances and currency and coin**. Report the total of all noninterest-bearing balances due from depository institutions, currency and coin, cash items in process of collection, and unposted debits. On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 032 and 033, the components of this item will also be included in the appropriate items of Schedule RC-A.

For purposes of these reports, deposit accounts "due from" other depository institutions that are overdrawn are to be reported as borrowings in Schedule RC, item 16.a, except overdrawn "due from" accounts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the

Item No. **Caption and Instructions**

1.a (cont.) period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted). For further information, refer to the Glossary entry for "overdraft."

Cash items in process of collection include:

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

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

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

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

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

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

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

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

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

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

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

Item No. **Caption and Instructions**

1.a (cont.)

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

Exclude from cash items in process of collection:

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

(2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 4, "Other" assets). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips is considered part of the reporting bank's balances due from depository institutions.

(3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 4, "Other" assets).

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

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

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

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

Item No. **Caption and Instructions**

1.a (cont.) Include as noninterest-bearing balances due from depository institutions:

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

(2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 4, "Other" assets.)

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

Exclude from noninterest-bearing balances due from depository institutions:

(1) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions").

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

1.b **Interest-bearing balances**. Report all interest-bearing balances due from depository institutions whether in the form of savings or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Include balances due from commercial banks in the U.S., other depository institutions in the U.S., Federal Home Loan Banks, banks in foreign countries, and foreign central banks.

On the FFIEC 031, the components of this item will also be included in the appropriate items of Schedule RC-A, column A. On the FFIEC 032 and 033, the components of this item will also be included in the appropriate items of Schedule RC-A.

Exclude from interest-bearing balances:

(1) Loans to depository institutions (report in Schedule RC-C, part I, item 2).

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

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

2 **Securities**:

2.a **Held-to-maturity securities**. Report the amount from Schedule RC-B, item 7, column A, "Total amortized cost."

2.b **Available-for-sale securities**. Report the amount from Schedule RC-B, item 7, column D, "Total fair value."

Item No. **Caption and Instructions**

3 **Federal funds sold and securities purchased under agreements to resell**. Report the dollar amount outstanding of funds lent in the form of:

(1) Federal funds sold, i.e., immediately available funds lent under agreements or contracts that mature in one business day or roll over under a continuing contract, regardless of the nature of the transaction or the collateral involved (i.e., whether unsecured, secured, or involving a resale agreement in securities, loans, or any other instruments), excluding overnight lending for commercial and industrial purposes. Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. "Federal funds sold" includes securities purchased under agreements to resell that involve the receipt of immediately available funds and mature in one business day or roll over under a continuing contract.

(2) Security resale agreements that mature in more than one business day, if the agreement requires the bank to resell the identical security purchased or a security that meets the definition of substantially the same in the case of a dollar roll.

(3) Purchases of participations in pools of securities that mature in more than one business day.

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

See the Glossary entries for "federal funds transactions" and "repurchase/resale agreements."

Exclude from federal funds sold and securities purchased under agreements to resell:

(1) Sales of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions") (report in Schedule RC, item 4.a, "Loans and leases, net of unearned income").

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

(3) Resale agreements that mature in more than one business day involving assets other than securities (report in Schedule RC, item 4.a, "Loans and leases, net of unearned income").

(4) So-called yield maintenance dollar repurchase agreements (see the Glossary entry for "repurchase/resale agreements").

Item No. **Caption and Instructions**

4 **Loans and lease financing receivables**:

4.a **Loans and leases, net of unearned income**. On the FFIEC 034, report the amount from Schedule RC-C, part I, item 11. On the FFIEC 032 and 033, report the amount from Schedule RC-C, part I, item 12. On the FFIEC 031, report the amount from Schedule RC-C, part I, item 12, column A.

4.b **LESS: Allowance for loan and lease losses**. Report the allowance for loan and lease losses as determined in accordance with the instructions in the Glossary entry for "allowance for loan and lease losses." On the FFIEC 034, for the report period ending December 31, this item (plus any portions of the allowance for credit losses related to off-balance sheet credit exposures) must equal Report of Income Schedule RI-B, part II, item 6, "Balance end of current period." On the FFIEC 031, 032, and 033, this item (plus any portions of the allowance for credit losses related to off-balance sheet credit exposures) must equal Report of Income Schedule RI-B, part II, item 6, "Balance end of current period."

4.c **LESS: Allocated transfer risk reserve**. If the reporting bank is required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 351 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies, report in this item the dollar amount required to be maintained in such a reserve.

If the reporting bank is not required to establish and maintain an allocated transfer risk reserve, report a zero or the word "none."

4.d **Loans and leases, net of unearned income, allowance, and reserve**. Report the amount derived by subtracting items 4.b and 4.c from item 4.a.

5 **Trading assets**. Banks that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other off-balance sheet commodity and equity contracts, other financial instruments, and other assets for resale, (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this item the value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be consistently valued at fair value.

Do not include in this item the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are generally reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. Loans and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases, net of unearned income," and in Schedule RC-C (including Memorandum item 5 of part I).

Trading assets include but are not limited to U.S. Treasury securities, U.S. Government agency obligations, securities issued by states and political subdivisions in the U.S., other bonds, notes, and debentures, certificates of deposit, commercial paper, and bankers acceptances. Trading assets also include the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts held for trading purposes. Revaluation gains and

Item No. **Caption and Instructions**

5 (cont.) losses (i.e., assets and liabilities) from the "marking to market" of the reporting bank's interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule RC, item 15.b, "Trading liabilities," as appropriate. (See the Glossary entry for "offsetting.")

For those banks filing the FFIEC 031 or 032 that must complete Schedule RC-D, this item must equal Schedule RC-D, item 12, "Total trading assets."

6 **Premises and fixed assets**. Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture and fixtures purchased directly or acquired by means of a capital lease. Any method of depreciation or amortization conforming to accounting principles that are generally acceptable for financial reporting purposes may be used. However, depreciation for premises and fixed assets may be based on a method used for federal income tax purposes if the results would not be materially different from depreciation based on the asset's estimated useful life.

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

Include as premises and fixed assets:

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

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

(3) Remodeling costs to existing premises.

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

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

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

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

(8) The amount of capital lease property (with the bank as lessee): premises, furniture, fixtures, and equipment. See the discussion of accounting with bank as lessee in the Glossary entry for "lease accounting."

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

Item No. **Caption and Instructions**

6 (cont.) Exclude from premises and fixed assets:

(1) Original paintings, antiques, and similar valuable objects (report in Schedule RC-F, item 4, "Other" assets).

(2) Favorable leasehold rights (report in Schedule RC, item 10, "Intangible assets").

7 **Other real estate owned**. Report the total amount of other real estate owned from Schedule RC-M, item 8.a.(3). For further information on other real estate owned, see the instruction to Schedule RC-M, item 8.a, and the Glossary entry for "foreclosed assets."

8 **Investments in unconsolidated subsidiaries and associated companies**. Report the total amount of the bank's investments in unconsolidated subsidiaries and associated companies from Schedule RC-M, item 8.b.(3). For further information on unconsolidated subsidiaries and associated companies, see the instruction to Schedule RC-M, item 8.b.

9 **Customers' liability to this bank on acceptances outstanding**. Report the full amount (with the exceptions noted below) of customers' liability to the reporting bank on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding.

The amount of customers' liability to the reporting bank on its acceptances that have not yet matured should be reduced only when: (1) the customer anticipates its liability to the reporting bank on an outstanding acceptance by making a payment to the bank in advance of the acceptance's maturity that immediately reduces the customer's indebtedness to the bank on such an acceptance; or (2) the reporting bank acquires and holds its own acceptance. See the Glossary entry for "bankers acceptances" for further information.

10 **Intangible assets**. Report the total amount of intangible assets from Schedule RC-M, item 6.d. For further information on intangible assets, see the instruction to Schedule RC-M, item 6.

11 **Other assets**. Report the amount from Schedule RC-F, item 5, "Total."

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
12.a	**12**	**Total assets**. Report the sum of items 1 through 11. On the FFIEC 031, 032, and 033, this item must equal Schedule RC, item 29, "Total liabilities, limited-life preferred stock, and equity capital."
12.b	-	**Losses deferred pursuant to 12 U.S.C. 1823(j)**. Report the unamortized amount of agricultural loan losses that the bank has deferred pursuant to 12 U.S.C. 1823(j). The amount reported in this item must equal Schedule RC, item 28.b.
12.c	-	**Total assets and losses deferred pursuant to 12 U.S.C. 1823(j)**. Report the sum of items 12.a and 12.b. This item must equal item 29, "Total liabilities, limited-life preferred stock, equity capital, and losses deferred pursuant to 12 U.S.C. 1823(j)."

LIABILITIES

Item No. **Caption and Instructions**

13 **Deposits**: (For a discussion of noninterest-bearing and interest-bearing deposits, see the Glossary entry for "deposits.")

13.a **In domestic offices**. On the FFIEC 032, 033, and 034, report the total of all deposits in the reporting bank. On the FFIEC 031, report the total of all deposits in domestic offices of the reporting bank. On the FFIEC 034, this item must equal the sum of Schedule RC-E, item 8, columns A and C. On the FFIEC 031, 032, and 033, this item must equal the sum of Schedule RC-E, (part I), item 9, columns A and C.

This item must also equal the sum of items 13.a.(1) and 13.a.(2) below.

13.a.(1) **Noninterest-bearing**. On the FFIEC 032, 033, and 034, report the total of all noninterest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all noninterest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices. Noninterest-bearing deposits include total demand deposits and noninterest-bearing time and savings deposits.

13.a.(2) **Interest-bearing**. On the FFIEC 032, 033, and 034, report the total of all interest-bearing deposits included in Schedule RC-E, Deposit Liabilities. On the FFIEC 031, report the total of all interest-bearing deposits in domestic offices included in Schedule RC-E, part I, Deposits in Domestic Offices.

13.b **In foreign offices, Edge and Agreement subsidiaries, and IBFs**. Item 13.b does not apply to banks with domestic offices only that file the FFIEC 032, 033, and 034.

On the FFIEC 031, report the total of all deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs. This item must equal the amount reported in Schedule RC-E, part II, item 7, "Total." This item must also equal the sum of items 13.b.(1) and 13.b.(2) below.

13.b.(1) **Noninterest-bearing**. Item 13.b.(1) does not apply to banks with domestic offices only that file the FFIEC 032, 033, and 034.

On the FFIEC 031, report the total of all noninterest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

13.b.(2) **Interest-bearing**. Item 13.b.(2) does not apply to banks with domestic offices only that file the FFIEC 032, 033, and 034.

On the FFIEC 031, report the total of all interest-bearing deposits in foreign offices reported in Schedule RC-E, part II, Deposits in Foreign Offices.

Item No. **Caption and Instructions**

14 **Federal funds purchased and securities sold under agreements to repurchase**. Report the dollar amount outstanding of funds borrowed in the form of:

(1) Federal funds purchased, i.e., immediately available funds borrowed under agreements or contracts that mature in one business day or roll over under a continuing contract, regardless of the nature of the transaction or the collateral involved (i.e., whether unsecured, secured, or involving a repurchase agreement in securities, loans, or any other instruments). Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed. "Federal funds purchased" includes securities sold under agreements to repurchase that involve the receipt of immediately available funds and mature in one business day or roll over under a continuing contract.

(2) Security repurchase agreements that mature in more than one business day, if the agreement requires the bank to repurchase the identical security sold or a security that meets the definition of substantially the same in the case of a dollar roll.

(3) Sales of participations in pools of securities that mature in more than one business day.

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

See the Glossary entries for "federal funds transactions" and "repurchase/resale agreements."

Exclude from federal funds purchased:

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

(2) Due bills created representing the bank's receipt of payment and similar instruments, whether collateralized or uncollateralized (report in Schedule RC, item 16, "Other borrowed money"). See the Glossary entry for "due bills."

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

(4) Repurchase agreements that mature in more than one business day involving assets other than securities (report in Schedule RC, item 16).

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

15.a **Demand notes issued to the U.S. Treasury**. Report the dollar amount outstanding of all interest-bearing demand notes issued by the bank to the U.S. Treasury. If the bank participates in the Treasury Tax and Loan note program, funds received for credit to the U.S. Government are demand deposits on the day received and become note balances on the following business day.

Item No. **Caption and Instructions**

15.b **Trading liabilities**. Report the amount of liabilities from the reporting bank's trading activities. Include liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "short position") and revaluation losses from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts into which the reporting bank has entered for trading, dealer, customer accommodation, and similar purposes. For those banks that must complete Schedule RC-D, Trading Assets and Liabilities, on the FFIEC 031 and 032, the amount reported in this item must equal Schedule RC-D, item 15.

16 **Other borrowed money**. Report in the appropriate subitem by remaining maturity the amount borrowed by the consolidated bank:

(1) on its promissory notes;

(2) on notes and bills rediscounted (including commodity drafts rediscounted);

(3) on loans sold under repurchase agreements that mature in more than one business day and sales of participations in pools of loans that mature in more than one business day;

(4) by transferring financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) in transactions that do not satisfy the criteria for sale treatment under FASB Statement No. 125 (see the Glossary entry for "transfers of financial assets" for further information);

(5) by the creation of due bills representing the bank's receipt of payment and similar instruments, whether collateralized or uncollateralized (see the Glossary entry for "due bills");

(6) from Federal Reserve Banks and Federal Home Loan Banks;

(7) by overdrawing "due from" balances with depository institutions, except overdrafts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted);

(8) on purchases of so-called "term federal funds" (as defined in the Glossary entry for "federal funds transactions");

(9) on notes and debentures issued by consolidated subsidiaries of the reporting bank;

(10) through mortgages, liens, or other encumbrances on bank premises and other real estate owned and obligations under capitalized leases; and

(11) on any other obligation for the purpose of borrowing money not reported elsewhere.

Item No. **Caption and Instructions**

16 (cont.) Also include any borrowings by an Employee Stock Ownership Plan (ESOP) that the reporting bank must report as a borrowing on its own balance sheet in accordance with generally accepted accounting principles. For further information, see AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

Exclude from other borrowed money:

(1) federal funds purchased and securities sold under agreements to repurchase (report in Schedule RC, item 14);

(2) liability for short positions (report in Schedule RC, item 15.b);

(3) subordinated notes and debentures (report in Schedule RC, item 19).

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

For banks filing the FFIEC 031, for a discussion of borrowings in foreign offices, see the Glossary entry for "borrowings and deposits in foreign offices."

16.a **With a remaining maturity of one year or less**. Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of one year or less. Include in this item those overdrawn "due from" balances with depository institutions that are reportable as "Other borrowed money," as described in the instructions to Schedule RC, item 16, above.

16.b **With a remaining maturity of more than one year through three years**. Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of more than one year through three years.

16.c **With a remaining maturity of more than three years.** Report the total amount of the reporting bank's "Other borrowed money" with a remaining maturity of more than three years.

17 Not applicable.

18 **Bank's liability on acceptances executed and outstanding**. Report the full amount (except as noted below) of the liability represented by drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and that are outstanding.

The bank's liability on acceptances executed and outstanding should be reduced prior to the maturity of such acceptances only when the reporting bank acquires and holds its own acceptances, i.e., only when the acceptances are not outstanding. See the Glossary entry for "bankers acceptances" for further information.

19 **Subordinated notes and debentures**. Report the amount of subordinated notes and debentures (including mandatory convertible debt) (see the Glossary entry for "subordinated notes and debentures"). Also include the amount of outstanding limited-life preferred stock including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of limited-life preferred stock.)

Item No.	Caption and Instructions
20	**Other liabilities**. Report the amount from Schedule RC-G, item 5, "Total."
21	**Total liabilities**. Report the sum of items 13 through 20.
22	Not applicable.

EQUITY CAPITAL

Item No. **Caption and Instructions**

23 **Perpetual preferred stock and related surplus**. Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value. (See the Glossary entry for "preferred stock" for the definition of perpetual preferred stock.)

24 **Common stock**. Report the aggregate par or stated value of common stock issued.

25 **Surplus**. Report the net amount formally transferred to the surplus account, including capital contributions, adjustments arising from treasury stock transactions, and any amount received for common stock in excess of its par or stated value on or before the report date.

Do not include any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 22 or 23, as appropriate).

26.a **Undivided profits and capital reserves**. Report the amount of undivided profits and capital reserves. For purposes of these reports, undivided profits and capital reserves should be reported net of the carrying value of any treasury stock and net of the carrying value of any unearned Employee Stock Ownership Plan (ESOP) shares. The amount of the undivided profits and capital reserves should reflect the transfer of net income, declaration of dividends, transfers to surplus, and any other appropriate entries. (For further information, see the Glossary entry for "treasury stock" and AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans.")

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

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

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

(2) Reserve for undeclared cash dividends -- includes amounts set aside for cash dividends on common and preferred stock not yet declared. (Cash dividends declared but not yet payable should be included in Schedule RC-G, item 4, "Other" liabilities.)

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

(4) Reserve for contingencies -- includes amounts set aside for possible unforeseen or indeterminate liabilities not otherwise reflected on the bank's books and not covered by insurance. This reserve may include, for example, reserves set up to provide for

Item No. **Caption and Instructions**

26.a (cont.) possible losses which the bank may sustain because of lawsuits, the deductible amount under the bank's blanket bond, defaults on obligations for which the bank is contingently liable, or other claims against the bank. A reserve for contingencies represents a segregation of undivided profits. It should not include any element of known losses or of any probable losses the amount of which can be estimated with reasonable accuracy (see the Glossary entry for "loss contingencies" for additional information).

Exclude from undivided profits and capital reserves:

(1) Any portion of the proceeds received from the sale of common stock in excess of its par or stated value (report in Schedule RC, item 25) except where required by state law or regulation.

(2) Any portion of the proceeds received from the sale of preferred stock in excess of its par or stated value (report in Schedule RC, item 22 or 23, as appropriate).

(3) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

26.b **Net unrealized holding gains (losses) on available-for-sale securities**. Report the difference between the amortized cost and the fair value of the reporting bank's available-for-sale securities, net of tax effects, as of the report date.[1] For most banks, all "securities," as that term is defined in FASB Statement No. 115, that are designated as "available-for-sale" will be reported as "Available-for-sale securities" in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables"). These "available-for-sale" assets must be carried on the Report of Condition balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects, must be included in this item.

Also include in this item the unamortized amount of the unrealized holding gain or loss at the date of transfer of any debt security transferred into the held-to-maturity category from the available-for-sale category. When a debt security is transferred from available-for-sale

[1] For example, if the fair value of the reporting bank's available-for-sale securities exceeds the amortized cost of its available-for-sale securities by $100,000 (and the bank has had no other transactions affecting the "net unrealized holding gains (losses)" account), the amount to be reported in Schedule RC, item 26.b, must be reduced by the estimated amount of taxes using the bank's applicable tax rate (federal, state and local). (See the Glossary entry for "income taxes" for a discussion of "applicable tax rate.") If the bank's applicable tax rate (federal, state and local) is 40% and the tax basis of its available-for-sale securities approximates their amortized cost, the bank would report "net unrealized holding gains" of $60,000 [$100,000 - (40% x $100,000)] in Schedule RC, item 26.b. The bank would also have a deferred tax liability of $40,000 which would enter into the determination of the amount of net deferred tax assets or liabilities to report in Schedule RC-F, item 2, or Schedule RC-G, item 2.

Item No.	Caption and Instructions
26.b (cont.)	to held-to-maturity, the unrealized holding gain or loss at the date of transfer continues to be reported in this equity capital account, but must be amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.
27	**Cumulative foreign currency translation adjustments**. Item 27 does not apply to banks with domestic offices only. On the FFIEC 031, report in this item the sum of the bank's foreign currency translation adjustments accumulated in accordance with FASB Statement No. 52. A net debit balance should be reported in parentheses. See the Glossary entry for "foreign currency transactions and translation" for further information.

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
28.a	28	**Total equity capital**. Report the sum of items 23 through 27. On the FFIEC 034, for the report period ending December 31, this item must equal Report of Income Schedule RI-A, item 13, "Equity capital end of current period." On the FFIEC 032 and 033, this item must equal Report of Income Schedule RI-A, item 13, "Equity capital end of current period." On the FFIEC 031, this item must equal Report of Income Schedule RI-A, item 14, "Equity capital end of current period."
28.b	-	**Losses deferred pursuant to 12 U.S.C. 1823(j)**. Report the unamortized amount of agricultural loan losses that the bank has deferred pursuant to 12 U.S.C. 1823(j). The amount reported in this item must equal Schedule RC, item 12.b.
28.c	-	**Total equity capital and losses deferred pursuant to 12 U.S.C. 1823(j)**. Report the sum of items 28.a and 28.b.
29	-	**Total liabilities, equity capital, and losses deferred pursuant to 12 U.S.C. 1823(j)**. Report the sum of items 21 and 28.c. This item must equal Schedule RC, item 12.c, "Total assets and losses deferred pursuant to 12 U.S.C. 1823(j)."
-	29	**Total liabilities and equity capital**. Report the sum of items 21 and 28. This item must equal Schedule RC, item 12, "Total assets."

Memorandum

Item No. **Caption and Instructions**

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

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

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

The list of possible external auditing work is structured with the "most comprehensive level," an audit of the bank, as number 1 and the other levels of auditing work in descending order so that "no external audit work" is number 8.

Banks may be assisted in determining the level of auditing work performed by reviewing the type of report received from the auditor:

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

Begins	"We have examined . . ." or "We have audited . . ."
and	
The final paragraph begins	"In our opinion, the financial statements referred to above . . ."

the bank would respond to this item with a "1" if the financial statements described in the first sentence of the first paragraph of the report are those of the bank or with a "2" if the financial statements are those of the parent holding company.

(b) If the report submitted by the auditor:

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

Memorandum

Item No.	**Caption and Instructions**
1 (cont.)	the bank would respond with:

(i) a "3" if this auditing work was performed by a certified public accounting firm for the Board of Directors as a directors' examination;

(ii) a "4" if this auditing work was performed by any other firm (e.g., a consulting firm, another banking organization) for the Board of Directors as a directors' examination; or

(iii) a "7" if management otherwise engaged the auditor to perform specified auditing work (excluding tax or consulting work) but this auditing work did not constitute a directors' examination.

(c) If the report submitted by the auditor:

Begins "We have reviewed . . . ,"

The second paragraph states "A review consists principally of inquiries . . . ,"

and

The final paragraph begins "Based on our review . . ."

the bank would respond with a "5" in the box to the right.

(d) If the report submitted by the auditor:

Begins "We have compiled . . ."

and

The second paragraph begins "A compilation is limited to presenting . . . "

the bank would respond with a "6" in the box to the right.

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

(1) was an employee of the bank;

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

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

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

SCHEDULE RC-A -- CASH AND BALANCES DUE FROM DEPOSITORY INSTITUTIONS

General Instructions

Schedule RC-A is not applicable to banks filing the FFIEC 034.

On the FFIEC 031, this schedule has two columns for reporting detail on "Cash and balances due from depository institutions." In column A report amounts for the fully consolidated bank, and in column B report amounts for domestic offices only. See the Glossary entry for "domestic office" for the definition of this term. Refer to the General Instructions section of this book for a detailed discussion of consolidation.

On the FFIEC 032 and 033, this schedule has a single column for reporting detail on "Cash and balances due from depository institutions."

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

Treatment of reciprocal balances with depository institutions -- Reciprocal balances arise when two depository institutions maintain deposit accounts with each other, i.e., when a reporting bank has both a "due from" and a "due to" balance with another depository institution. Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. Net "due from" balances should be reported in this schedule. Net "due to" balances should be reported as deposit liabilities in Schedule RC-E. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist. See also the Glossary entry for "reciprocal balances."

Exclude from this schedule:

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

(2) Claims on banks or other depository institutions that the reporting bank holds for trading purposes (report in Schedule RC, item 5, "Trading assets").

(3) Deposit accounts "due to" other depository institutions that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions").

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

Item Instructions

Item No. **Caption and Instructions**

1 **Cash items in process of collection, unposted debits, and currency and coin**. On the FFIEC 031, report this item as a single total for the fully consolidated bank in column A, but with a breakdown between cash items in process of collection and unposted debits (item 1.a) and currency and coin (item 1.b) for domestic offices of the bank in column B. On the FFIEC 032 and 033, report cash items in process of collection and unposted debits in item 1.a and currency and coin in item 1.b.

Cash items in process of collection include:

(1) Checks or drafts in process of collection that are drawn on another depository institution (or on a Federal Reserve Bank) and that are payable immediately upon presentation in the United States (or, for purposes of the FFIEC 031, in the country where the reporting bank's office which is clearing or collecting the check or draft is located). This includes:
   (a) Checks or drafts drawn on other institutions that have already been forwarded for collection but for which the reporting bank has not yet been given credit ("cash letters").
   (b) Checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day.
   (c) Checks or drafts that have been deposited with the reporting bank's correspondent and for which the reporting bank has already been given credit, but for which the amount credited is not subject to immediate withdrawal ("ledger credit" items).

   However, if the reporting bank has been given immediate credit by its correspondent for checks or drafts presented for payment or forwarded for collection and if the funds on deposit are subject to immediate withdrawal, report the amount of such checks or drafts in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks."

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

(3) Such other items in process of collection that are payable immediately upon presentation and that are customarily cleared or collected as cash items by depository institutions in the United States or in such other country where the reporting bank's office which is clearing or collecting the item is located, such as:
   (a) Redeemed United States savings bonds and food stamps.
   (b) Amounts associated with automated payment arrangements in connection with payroll deposits, federal recurring payments, and other items that are credited to a depositor's account prior to the payment date to ensure that the funds are available on the payment date.
   (c) Federal Reserve deferred account balances until credit has been received in accordance with the appropriate time schedules established by the Federal Reserve Banks. At that time, such balances should be reported in Schedule RC-A, item 4, "Balances due from Federal Reserve Banks."
   (d) Checks or drafts drawn on another depository institution that have been deposited in one office of the reporting bank and forwarded for collection to another office of the reporting bank.

Item No. **Caption and Instructions**

1 (cont.)

(e) Brokers' security drafts and commodity or bill-of-lading drafts payable immediately upon presentation in the U.S. (See the Glossary entries for "broker's security draft" and "commodity or bill-of-lading draft" for the definitions of these terms.)

Exclude from cash items in process of collection:

(1) Cash items for which the reporting bank has already received credit, provided that the funds on deposit are subject to immediate withdrawal (report in Schedule RC-A, item 2, 3, or 4, below, as appropriate).

(2) Credit or debit card sales slips in process of collection (report as noncash items in Schedule RC-F, item 4, "Other" assets). However, when the reporting bank has been notified that it has been given credit, the amount of such sales slips should be reported in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate.

(3) Cash items not conforming to the definition of in process of collection, whether or not cleared through Federal Reserve Banks (report in Schedule RC-F, item 4, "Other" assets).

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

Unposted debits are cash items in the bank's possession, drawn on itself, that are immediately chargeable, but that have not been charged to the general ledger deposit control account at the close of business on the report date. All banks including an amount for unposted debits in this item should also see Schedule RC-O, item 1.a or 1.b, "Unposted debits."

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

1.a **Cash items in process of collection and unposted debits**. Report (on the FFIEC 031, in column B) the total amount outstanding (at domestic offices) of cash items in process of collection and unposted debits that are immediately payable upon presentation in the United States.

1.b **Currency and coin**. Report (on the FFIEC 031, in column B) all currency and coin owned and held (in domestic offices) by the reporting bank.

Item No. **Caption and Instructions**

2 **Balances due from depository institutions in the U.S.** On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from U.S. branches and agencies of foreign banks (item 2.a) and balances due from other depository institutions in the U.S. (item 2.b) for the fully consolidated bank in column A. On the FFIEC 032 and 033, report balances due from U.S. branches and agencies of foreign banks in item 2.a and balances due from other depository institutions in the U.S. in item 2.b.

Depository institutions in the U.S. cover:

(1) U.S. branches and agencies of foreign banks (refer to the Glossary entry for "banks, U.S. and foreign" for the definition of this term); and

(2) All other depository institutions in the U.S., i.e.,
   (a) U.S. branches of U.S. banks (refer to the Glossary entry for "banks, U.S. and foreign");
   (b) savings or building and loan associations, homestead associations, and cooperative banks;
   (c) mutual and stock savings banks; and
   (d) credit unions.

For purposes of this schedule, also include Federal Home Loan Banks in "all other depository institutions in the U.S."

Balances due from such institutions cover all interest-bearing and noninterest-bearing balances whether in the form of demand, savings, or time balances, including certificates of deposit, but excluding certificates of deposit held for trading. Balances, as reported in these items, should reflect funds on deposit at other depository institutions in the U.S. for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are to be reported as "cash items in process of collection."

Included in the amounts to be reported here are:

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

(2) Balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 4, "Other" assets.)

Exclude from Schedule RC-A, items 2, 2.a, and 2.b:

(1) Cash items in process of collection (including cash letters and "ledger credit" items) and unposted debits (report in Schedule RC-A, item 1, above);

(2) All balances that the reporting bank's trust department maintains with other depository institutions;

Item No. **Caption and Instructions**

2 (cont.) (3) Loans to depository institutions (report in Schedule RC-C, part I, item 2); and

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

2.a **U.S. branches and agencies of foreign banks (including their IBFs)**. Report (on the FFIEC 031, in column A) all balances due from U.S. branches and agencies of foreign banks (including their IBFs).

2.b **Other depository institutions in the U.S. (including their IBFs)**. Report (on the FFIEC 031, in column A) all balances due from depository institutions in the U.S., other than U.S. branches and agencies of foreign banks.

3 **Balances due from banks in foreign countries and foreign central banks**. On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between balances due from foreign branches of other U.S. banks (item 3.a) and balances due from other banks in foreign countries and foreign central banks (item 3.b) for the fully consolidated bank in column A. On the FFIEC 032 and 033, report balances due from foreign branches of other U.S. banks in item 3.a and balances due from other banks in foreign countries and foreign central banks in item 3.b.

Banks in foreign countries cover:

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

(2) foreign-domiciled branches of foreign banks.

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

For purposes of this item, foreign central banks cover:

(1) Central banks in foreign countries;

(2) Departments of foreign central governments that have, as an important part of their functions, activities similar to those of a central bank;

(3) Nationalized banks and banking institutions owned by central governments that have, as an important part of their functions, activities similar to those of a central bank; and

(4) The Bank for International Settlements (BIS).

Balances due from banks in foreign countries and foreign central banks cover all interest-bearing and noninterest-bearing balances excluding any balances that the reporting bank holds for trading. Balances, as reported in this item, should reflect funds on deposit at other banks in foreign countries and at foreign central banks for which the reporting bank has already received credit. Balances with foreign central banks should include all balances with such entities, including reserve, operating, and investment balances. On the FFIEC 031, balances reported in column A should include "placements and redeposits" between foreign offices of the reporting bank and foreign offices of other banks.

Item No. **Caption and Instructions**

3 (cont.) Exclude from Schedule RC-A, items 3, 3.a, and 3.b:

(1) Balances with U.S. branches and agencies of foreign banks (report in Schedule RC-A, item 2 above);

(2) Loans to foreign central banks (report in Schedule RC-C, part I, item 7);

(3) Loans to banks in foreign countries (report in Schedule RC-C, part I, item 2.c);

(4) Cash items in process of collection and unposted debits (report in Schedule RC-A, item 1 above); and

(5) Any balances held for trading (report in Schedule RC, item 5).

3.a **Foreign branches of other U.S. banks**. Report (on the FFIEC 031, in column A) all balances due from foreign-domiciled branches of other U.S. banks.

3.b **Other banks in foreign countries and foreign central banks**. Report (on the FFIEC 031, in column A) all balances due from banks in foreign countries, other than foreign-domiciled branches of other U.S. banks, and foreign central banks.

4 **Balances due from Federal Reserve Banks**. Report (on the FFIEC 031, in columns A and B, as appropriate) the total balances due from Federal Reserve Banks as shown by the reporting bank's books. This amount includes reserves and other balances. Include the amount of reserve balances actually passed through to a Federal Reserve Bank by the reporting bank on behalf of its respondent depository institutions. On the FFIEC 031, include in column A balances of the bank's Edge and Agreement subsidiaries with a Federal Reserve Bank.

5 **Total**. On the FFIEC 032 and 033, report the sum of items 1 through 4. On the FFIEC 031, report the sum of items 1 through 4 in column A for the fully consolidated bank and in column B for its domestic offices.

Memorandum

Item No. **Caption and Instructions**

1 **Noninterest-bearing balances due from commercial banks in the U.S.** On the FFIEC 032 and 033, report the amount of noninterest-bearing balances due from commercial banks in the U.S. included in Schedule RC-A, items 2.a and 2.b above. On the FFIEC 031, report in column B the amount of noninterest-bearing balances included in Schedule RC-A, item 2, column B, "Balances due from depository institutions in the U.S." See the Glossary entry for "banks, U.S. and foreign" for a definition of commercial banks in the U.S.

SCHEDULE RC-B -- SECURITIES

General Instructions

Exclude from this schedule all securities held for trading. Securities held for trading are to be reported in Schedule RC, item 5, "Trading assets," and, for certain banks that file the FFIEC 031 and 032 report forms, in Schedule RC-D -- Trading Assets and Liabilities.

This schedule has four columns for information on securities, two columns for held-to-maturity securities and two columns for available-for-sale securities.[1] Report the amortized cost and the current fair (market) value of held-to-maturity securities in columns A and B, respectively. Report the amortized cost and the current fair (market) value of available-for-sale debt securities in columns C and D, respectively. Information on equity securities is reported in the columns for available-for-sale securities only (columns C and D). For equity securities with readily determinable fair values, historical cost (not amortized cost) is reported in column C and fair (market) value is reported in column D. For equity securities that do not have readily determinable fair values, historical cost is reported in both columns C and D. See the Glossary entry for "market value of securities" for a discussion of acceptable valuation methods.

Amortized cost is the purchase price of a debt security adjusted for amortization of premium or accretion of discount if the debt security was purchased at other than par or face value. (See the Glossary entry for "premiums and discounts.")

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

For purposes of this schedule, the following events and transactions shall not affect the amounts to be reported for the bank's holdings of securities:

(1) Purchases of securities under agreements to resell and sales of securities under agreements to repurchase -- These transactions are not to be treated as purchases or sales of securities but as lending or borrowing (i.e., financing) transactions collateralized by these securities, if the agreements require the bank to resell or repurchase the identical security purchased or sold or a security that meets the definition of substantially the same in the case of a dollar roll. In these situations, the securities involved are not to be reported as owned by the lending bank or as sold by the borrowing bank. Instead, report purchases of securities under agreements to resell in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell," and sales of securities under agreements to repurchase in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase." For further information, see the Glossary entry for "repurchase/resale agreements."

[1] Available-for-sale securities are generally reported in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables").

General Instructions (cont.)

(2) Purchases and sales of participations in pools of securities -- Similarly, these transactions are not to be treated as purchases or sales of the securities in the pool but as lending or borrowing (i.e., financing) transactions collateralized by the pooled securities. The securities involved are not to be reported as owned by the bank purchasing the participation or as sold by the bank selling the participation. Report purchases of participations in pools of securities in the same manner as described above for purchases of securities under agreements to resell. Report sales of participations in pools of securities in the same manner as described above for sales of securities under agreements to repurchase.

(3) Pledged securities -- The pledging of securities owned by the reporting bank shall not affect the amount of securities to be reported on the balance sheet by the pledging bank. Hence, pledged securities shall continue to be included in the pledging bank's holdings of securities.

(4) Securities borrowed and lent -- The borrowing and lending of securities shall not affect the amount of securities to be reported on the balance sheet by either the borrowing or lending bank. Hence, securities borrowed shall not be included in the borrowing bank's holdings of securities, while securities lent shall continue to be included in the lending bank's holdings of securities. Borrowed and lent securities shall be reported in Schedule RC-L, item 7, "Securities borrowed," and item 8, "Securities lent," respectively.

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

(6) Futures, forward, and option contracts -- Treat such open contracts to buy or sell in the future as off-balance sheet items (report in Schedule RC-L, item 14). Under no circumstances shall the dollar amount of securities reported in this schedule be increased or decreased by the purchase or sale of futures, forward, and option contracts. If a futures, forward, or option contract is exercised and an actual transfer of securities occurs, the effects of the acquisition or disposal of the securities should be reflected in the appropriate items of the Reports of Condition and Income. For further information, see the Glossary entry for "derivative contracts."

Item Instructions

Item No.	Caption and Instructions
1	**U.S. Treasury securities**. Report in the appropriate columns the amortized cost and fair value of all U.S. Treasury securities not held in trading accounts. Include all bills, certificates of indebtedness, notes, and bonds, including those issued under the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program and those that are "inflation-indexed." Exclude all obligations of U.S. Government agencies. Also exclude detached Treasury security coupons and ex-coupon Treasury securities held as the result of either their purchase or the bank's stripping of such securities and Treasury receipts such as CATS, TIGRs, COUGARs, LIONs, and ETRs (report in Schedule RC-B, item 5 below). Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS" for additional information.

Item No. **Caption and Instructions**

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

Exclude from U.S. Government agency obligations:

(1) Loans to the Export-Import Bank and to federally-sponsored lending agencies (report in "All other loans," Schedule RC-C, part I, item 8 on the FFIEC 034; item 9.b on the FFIEC 031, 032, and 033). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.

(2) All holdings of U.S. Government-issued or -guaranteed mortgage pass-through securities (report in Schedule RC-B, item 4.a below).

(3) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by U.S. Government agencies and corporations (report in Schedule RC-B, item 4.b below).

(4) Participations in pools of Federal Housing Administration (FHA) Title I loans, which generally consist of junior lien home improvement loans (report as loans in Schedule RC-C, generally in item 1.c.(2)(b), Loans "secured by junior liens" on 1-to-4 family residential properties).

2.a **Issued by U.S. Government agencies**. Report in the appropriate columns the amortized cost and fair value of all obligations (excluding mortgage-backed securities) not held for trading that have been issued by U.S. Government agencies. For purposes of these reports, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. Government.

Include, among others, debt securities (but not mortgage-backed securities) of the following U.S. Government agencies:

(1) Export-Import Bank (Ex-Im Bank)
(2) Federal Housing Administration (FHA)
(3) Government National Mortgage Association (GNMA)
(4) Maritime Administration
(5) Small Business Administration (SBA)

Include such obligations as:

(1) Small Business Administration (SBA) "Guaranteed Loan Pool Certificates," which represent an undivided interest in a pool of SBA-guaranteed portions of loans for which the SBA has further guaranteed the timely payment of scheduled principal and interest payments.

(2) Participation certificates issued by the Export-Import Bank and the General Services Administration.

Item No. **Caption and Instructions**

2.a (cont.) (3) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in FmHA-insured notes.

2.b **Issued by U.S. Government-sponsored agencies**. Report in the appropriate columns the amortized cost and fair value of all obligations (excluding mortgage-backed securities) not held for trading that have been issued by U.S. Government-sponsored agencies. For purposes of these reports, U.S. Government-sponsored agencies are defined as agencies originally established or chartered by the U.S. Government to serve public purposes specified by the U.S. Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government.

Include, among others, debt securities and mortgage-backed bonds (i.e., bonds that are collateralized by mortgages) of the following government-sponsored agencies:

(1) Federal Agricultural Mortgage Corporation (Farmer Mac)
(2) Federal Farm Credit Banks
(3) Federal Home Loan Banks (FHLBs)
(4) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
(5) Federal Land Banks (FLBs)
(6) Federal National Mortgage Association (FNMA or Fannie Mae)
(7) Financing Corporation (FICO)
(8) Resolution Funding Corporation (REFCORP)
(9) Student Loan Marketing Association (SLMA or Sallie Mae)
(10) Tennessee Valley Authority (TVA)
(11) U.S. Postal Service

3 **Securities issued by states and political subdivisions in the U.S.** Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all securities issued by states and political subdivisions in the United States not held for trading.

States and political subdivisions in the U.S., for purposes of this report, include:

(1) the fifty States of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and
(2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions.

Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as "industrial revenue bonds," are typically issued by local industrial development authorities to benefit private commercial and industrial development. For purposes of these reports, all IDBs that are rated by a nationally-recognized rating service shall be reported in this item (in Schedule RC-B, item 3.c) as securities issued by states and political subdivisions in the U.S. IDBs that are not rated but meet the definition of "security" in FASB Statement No. 115 must be measured in accordance with Statement No. 115 and categorized as loans in Schedule RC-C, part I, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033, unless the bank chooses to review each nonrated IDB it holds in order to determine whether its characteristics are more like those of a

Item No. **Caption and Instructions**

3 (cont.) security or a loan. In such a case, the bank shall categorize nonrated IDBs with more of the characteristics of securities in this item and nonrated IDBs with more of the characteristics of loans in Schedule RC-C, part I, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033.

Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are to be categorized as securities in accordance with the preceding paragraph, also include in this item (in the appropriate subitem) as securities issued by states and political subdivisions in the U.S. all obligations other than IDBs that meet any of the following criteria:

(1) Nonrated obligations of states and political subdivisions in the U.S., other than those specifically excluded below, that the bank considers securities.

(2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating service.

(3) Obligations of state and local governments that are guaranteed by the United States Government (excluding mortgage-backed securities).

(4) Detached state and political subdivision coupons and ex-coupon state and political subdivision securities held as the result of either their purchase or the bank's stripping of such securities.

Exclude from item 3:

(1) All overdrafts of states and political subdivisions in the U.S. (report as loans in Schedule RC-C, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033).

(2) All lease financing receivables of states and political subdivisions in the U.S. (report as leases in Schedule RC-C, item 9 on the FFIEC 034; item 10 on the FFIEC 031, 032, and 033).

(3) All nonrated IDBs that are to be reported as loans in accordance with the reporting treatment described above (report as loans in Schedule RC-C, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033).

(4) All other nonrated obligations of states and political subdivisions in the U.S. that the bank considers loans (report as loans in Schedule RC-C, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033).

(5) All mortgage pass-through securities issued by state and local housing authorities in the U.S. (report in Schedule RC-B, item 4.a below).

(6) Collateralized mortgage obligations (CMOs), real estate mortgage investments conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) issued by state and local housing authorities in the U.S. (report in Schedule RC-B, item 4.b below).

(7) All obligations of states and political subdivisions in the U.S. held by the reporting bank for trading (report in Schedule RC, item 5).

Item No. **Caption and Instructions**

3.a **General obligations**. Report in the appropriate columns the amortized cost and fair value of all general obligation securities of states and political subdivisions in the U.S. not held for trading. General obligations are securities whose principal and interest will be paid from the general tax receipts of the state or political subdivision.

3.b **Revenue obligations**. Report in the appropriate columns the amortized cost and fair value of all revenue bonds and similar obligations of states and political subdivisions in the U.S. not held for trading. Revenue obligations are securities whose debt service is paid solely from the revenues of the projects financed by the securities rather than from general tax funds.

3.c **Industrial development and similar obligations**. Report in the appropriate columns the amortized cost and fair value of all industrial development bonds and similar obligations of states and political subdivisions in the U.S. not held for trading. Industrial development bonds and similar obligations are issued under the auspices of states or political subdivisions for the benefit of a private party or enterprise where that party or enterprise, rather than the government entity, is obligated to pay the principal and interest on the obligation. Exclude mortgage-backed securities issued by state and local housing authorities in the U.S. (report in Schedule RC-B, item 4, below.)

4 **Mortgage-backed securities**. Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all mortgage-backed securities, including mortgage pass-through securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).

Exclude from mortgage-backed securities:

(1) Bonds issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are collateralized by mortgages, i.e., mortgage-backed bonds, (report in Schedule RC-B, item 2.b, Obligations "Issued by U.S. Government-sponsored agencies") and mortgage-backed bonds issued by non-U.S. Government issuers (report in Schedule RC-B, item 5, "Other debt securities," below).

(2) Participation certificates issued by the Export-Import Bank and the General Services Administration (report in Schedule RC-B, item 2.a, Obligations "Issued by U.S. Government agencies").

(3) Participation certificates issued by a Federal Intermediate Credit Bank (report in Schedule RC-B, item 6.b, "All other equity securities").

(4) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in FmHA-insured notes (report in Schedule RC-B, item 2.a).

Item No. **Caption and Instructions**

4.a **Pass-through securities**. Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all holdings of mortgage pass-through securities. In general, a mortgage pass-through security represents an undivided interest in a pool that provides the holder with a pro rata share of all principal and interest payments on the residential mortgages in the pool, and includes certificates of participation in pools of residential mortgages.

Include certificates of participation in pools of residential mortgages even though the reporting bank was the original holder of the mortgages underlying the pool and holds the instruments covering that pool, as may be the case with GNMA certificates issued by the bank and swaps with FNMA and FHLMC. Also include U.S. Government-issued participation certificates (PCs) that represent a pro rata share of all principal and interest payments on a pool of resecuritized participation certificates that, in turn, are backed by residential mortgages, e.g., FHLMC Giant PCs.

Exclude all collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4.b, below).

4.a.(1) **Guaranteed by GNMA**. Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities guaranteed by the Government National Mortgage Association (GNMA) that are not held for trading. Exclude mortgage pass-through securities issued by FNMA and FHLMC (report in Schedule RC-B, item 4.a.(2) below).

4.a.(2) **Issued by FNMA and FHLMC**. Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that are not held for trading. Exclude mortgage pass-through securities that are guaranteed by the Government National Mortgage Association (GNMA) (report in Schedule RC-B, item 4.a.(1) above).

4.a.(3) **Other pass-through securities**. Report in the appropriate columns the amortized cost and fair value of all holdings of mortgage pass-through securities issued by others (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) that are not guaranteed by the U.S. Government and are not held for trading.

If the reporting bank has issued pass-through securities backed by a pool of its own residential mortgages and the certificates are not guaranteed by the U.S. Government, any holdings of these pass-through securities (not held for trading) are to be reported in this item.

4.b **Other mortgage-backed securities**. Report in the appropriate columns of the appropriate subitems the amortized cost and fair value of all mortgage-backed securities other than pass-through securities that are not held for trading.

Item No. **Caption and Instructions**

4.b (cont.) Other mortgage-backed securities include:

(1) All classes of collateralized mortgage obligations (CMOs) and real estate mortgage investments conduits (REMICs).

(2) CMO and REMIC residuals and similar interests.

(3) Stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments).

4.b.(1) **Issued or guaranteed by FNMA, FHLMC, or GNMA**. Report in the appropriate columns the amortized cost and fair value of all classes of CMOs and REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA). For purposes of these reports, also include REMICs issued by the U.S. Department of Veterans Affairs (VA) in this item.

4.b.(2) **Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA**. Report in the appropriate columns the amortized cost and fair value of all classes of CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral consists of GNMA (Ginnie Mae) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates, or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.

4.b.(3) **All other mortgage-backed securities**. Report in the appropriate columns the amortized cost and fair value of all CMOs, REMICs, CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (e.g., other depository institutions, insurance companies, state and local housing authorities in the U.S.) for which the collateral does not consist of GNMA (Ginnie Mae) pass-throughs, FNMA (Fannie Mae) pass-throughs, FHLMC (Freddie Mac) participation certificates, or other mortgage-backed securities (i.e., classes of CMOs or REMICs, CMO or REMIC residuals, and stripped mortgage-backed securities) issued or guaranteed by FNMA, FHLMC, GNMA, or VA.

5 **Other debt securities**. Report in the appropriate columns (of the appropriate subitems on the FFIEC 031, 032, and 033 report forms) the amortized cost and fair value of all foreign debt securities and all other domestic debt securities not held for trading that cannot properly be reported in Schedule RC-B, item 1 through 4 above.

Other domestic debt securities include:

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

(2) Preferred stock of U.S.-chartered corporations that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor.

Item No. **Caption and Instructions**

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

Foreign debt securities include:

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

(2) Debt securities issued by foreign governmental units.

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

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

Exclude from other debt securities:

(1) All holdings of certificates of participation in pools of residential mortgages, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities (such as interest-only strips (IOs), principal-only strips (POs), and similar instruments) (report in Schedule RC-B, item 4 above).

(2) Holdings of bankers acceptances and certificates of deposit, which are not categorized as securities for purposes of this report.

5.a **Other domestic debt securities**. On the FFIEC 031, 032, and 033 only, report in the appropriate columns the amortized cost and fair value of all "Other domestic debt securities" as defined in the instruction to Schedule RC-B, item 5 above. Item 5.a is not applicable to banks filing the FFIEC 034 report forms.

5.b **Foreign debt securities**. On the FFIEC 031, 032, and 033 only, report in the appropriate columns the amortized cost and fair value of all "Foreign debt securities" as defined in the instruction to Schedule RC-B, item 5 above. Item 5.b is not applicable to banks filing the FFIEC 034 report forms.

6 **Equity securities.** Report in columns C and D of the appropriate subitems the appropriate information on all equity securities not held for trading. Equity securities may have been purchased by the reporting bank or acquired for debts previously contracted. Exclude from equity securities preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor (report such preferred stock in Schedule RC-B, item 5 above).

Item No. **Caption and Instructions**

6.a **Investments in mutual funds and other equity securities with readily determinable fair values.** Report in columns C and D the historical cost and fair value, respectively, of all investments in mutual funds and other equity securities with readily determinable fair values. Such securities include, but are not limited to, money market mutual funds, mutual funds that invest solely in U.S. Government securities, common stock of the Federal National Mortgage Association (Fannie Mae), preferred stock and unrestricted voting common stock of the Student Loan Marketing Association (Sallie Mae), and common stock of the Federal Home Loan Mortgage Corporation (Freddie Mac).

The fair value of an equity security is readily determinable if sales or bid-and-asked quotations are currently available on a securities exchange registered with the Securities and Exchange Commission (SEC) or in the over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotations systems or by the National Quotation Bureau. ("Restricted stock," as defined in FASB Statement No. 115, does not meet this definition. For the definition of this term, see the instruction to Schedule RC-B, item 6.b below.) The fair value of an equity security traded only in a foreign market is readily determinable if that foreign market is of a breadth and scope comparable to one of the U.S. markets referred to above.

6.b **All other equity securities**. Report all holdings of equity securities that do not have readily determinable fair values. For purposes of this item, report the historical cost (book value) of these equity securities in both columns C and D.

Include in other equity securities:

(1) Paid-in stock of a Federal Reserve Bank.

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

(3) Stock of a Federal Home Loan Bank.

(4) "Restricted stock," as defined in FASB Statement No. 115, i.e., equity securities for which sale is restricted by governmental or contractual requirement (other than in connection with being pledged as collateral), except if that requirement terminates within one year or if the holder has the power by contract or otherwise to cause the requirement to be met within one year.

(5) Participation certificates issued by a Federal Intermediate Credit Bank, which represent nonvoting stock in the bank.

(6) Minority interests held by the reporting bank in any company not meeting the definition of associated company, except minority holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7), provided that the fair value of any capital stock representing the minority interest is not readily determinable. (See the Glossary entry for "subsidiaries" for the definition of associated company.)

Item No. **Caption and Instructions**

6.b (cont.) (7) Equity holdings in those corporate joint ventures over which the reporting bank does not exercise significant influence, except equity holdings that indirectly represent bank premises (report in Schedule RC, item 6) or other real estate owned (report in Schedule RC, item 7). (See the Glossary entry for "subsidiaries" for the definition of corporate joint venture.)

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

7 **Total**. Report the sum of items 1 through 6. The total of column A for this item must equal Schedule RC, item 2.a, "Held-to-maturity securities." The total of column D for this item must equal Schedule RC, item 2.b, "Available-for-sale securities."

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Item No. **Caption and Instructions**

1 Pledged securities. Report the amortized cost of all held-to-maturity securities and the fair value of all available-for-sale securities included in Schedule RC-B above that are pledged to secure deposits, repurchase transactions, or other borrowings (regardless of the balance of the deposits or other liabilities against which the securities are pledged), as performance bonds under futures or forward contracts, or for any other purpose.

2 Maturity and repricing data for debt securities. Report in the appropriate subitem maturity and repricing data for the bank's holdings of debt securities (reported in Schedule RC-B, items 1 through 5 above). Report the amortized cost of held-to-maturity debt securities and the fair value of available-for-sale debt securities in the appropriate maturity and repricing subitems. Exclude from Memorandum item 2 the bank's holdings of equity securities (reported in Schedule RC-B, item 6 above) (e.g., investments in mutual funds, common stock, preferred stock). Also exclude those debt securities that are reported as "nonaccrual" in Schedule RC-N, column C, item 6 on the FFIEC 033 and 034; item 9 on the FFIEC 031 and 032.

The sum of Memorandum items 2.a.(1) through 2.c.(2) plus the amount of any nonaccrual debt securities included in Schedule RC-N, column C, item 6 on the FFIEC 033 and 034; item 9 on the FFIEC 031 and 032, must equal Schedule RC-B, sum of items 1 through 5, columns A and D.

On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 2. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.)

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

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

A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the "prime rate," or

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Item No. **Caption and Instructions**

2 (cont.) to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the debt security carries at any subsequent time cannot be known at the time of origination.

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

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a debt security without regard to the security's repayment schedule, if any.

Repricing frequency is how often the contract permits the interest rate on a floating rate debt security to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change or the maturity date.

For fixed rate debt securities with scheduled contractual payments, banks whose records provide repricing data on the basis of these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of such fixed rate debt securities. For floating rate debt securities, banks whose records provide data on the length of time between the report date and the date the rate can next change (i.e., the earliest possible repricing opportunity) may adjust these data in an appropriate manner to derive reasonable estimates for the repricing frequencies of their floating rate debt securities.

Callable fixed rate debt securities should be reported in Memorandum items 2.a, 2.b, and 2.d without regard to their next call date unless the security has actually been called. When fixed rate debt securities have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate debt securities should be reported in Memorandum items 2.a and 2.b on the basis of their repricing frequency without regard to their next call date even if the security has actually been called.

Fixed rate mortgage pass-through securities (such as those guaranteed by the Government National Mortgage Association (GNMA) or issued by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and certain banks, savings associations, and securities dealers) and fixed rate Small Business Administration (SBA) "Guaranteed Loan Pool Certificates" should be reported on the basis of the time remaining until their final contractual maturity without regard to either expected prepayments or scheduled contractual payments. Floating rate mortgage pass-through securities and SBA "Guaranteed Loan Pool Certificates" should be reported in Memorandum items 2.a and 2.b on the basis of their repricing frequency.

Fixed rate debt securities that provide the reporting bank with the option to redeem them at one or more specified dates prior to their contractual maturity date, so-called "put bonds," should be reported on the basis of the time remaining until the next "put" date. Floating rate "put bonds" should be reported in Memorandum items 2.a and 2.b on the basis of their repricing frequency without regard to "put" dates.

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2 (cont.) Zero coupon debt securities, including U.S. Treasury bills, should be treated as fixed rate debt securities for purposes of this Memorandum item.

2.a **Securities issued by the U.S. Treasury, U.S. Government agencies, and states and political subdivisions in the U.S.; other non-mortgage debt securities; and mortgage pass-through securities other than those backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of.** Report the bank's holdings of fixed rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate debt securities -- *other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages* -- in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the securities to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

2.a.(1) **Three months or less.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities of three months or less, and

- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

2.a.(2) **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and

- the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually)

2.a.(3) **Over one year through three years.** Report the amount of:

- the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and

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2.a.(3) (cont.)	o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).
2.a.(4)	**Over three years through five years.** Report the amount of: o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).
2.a.(5)	**Over five years through 15 years.** Report the amount of: o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).
2.a.(6)	**Over 15 years.** Report the amount of: o the bank's fixed rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and o the bank's floating rate debt securities -- other than mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages -- which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).
2.b	**Mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with a remaining maturity or repricing frequency of.** Report the bank's holdings of fixed rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the bank's holdings of floating rate mortgage pass-through securities *backed by closed-end first lien 1-4 family residential mortgages* in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the securities to be changed (e.g., daily, monthly, quarterly, semiannually,

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2.b (cont.) annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates. Exclude mortgage pass-through securities that are in nonaccrual status.

For held-to-maturity mortgage pass-through securities, report amortized cost. For available-for-sale mortgage pass-through securities, report fair value.

2.b.(1) **Three months or less.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities of three months or less, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

2.b.(2) **Over three months through 12 months.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually)

2.b.(3) **Over one year through three years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).

2.b.(4) **Over three years through five years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and
- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).

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2.b.(5) **Over five years through 15 years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and

- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).

2.b.(6) **Over 15 years.** Report the amount of:

- the bank's fixed rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and

- the bank's floating rate mortgage pass-through securities backed by closed-end first lien 1-4 family residential mortgages which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

2.c **Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS) with an expected average life of.** Report the bank's holdings of other mortgage-backed securities (including collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and stripped mortgage-backed securities (MBS)) in the appropriate subitems by their expected weighted average life as of the report date. Include both fixed rate and floating rate securities. For held-to-maturity securities, report amortized cost. For available-for-sale securities, report fair value. Exclude all mortgage pass-through securities. Also exclude securities that are in nonaccrual status.

Weighted average life is the dollar-weighted average time in which principal is repaid. For a mortgage-backed security, weighted average life should be based on the prepayment assumptions associated with the pool of loans underlying the security as well as scheduled repayments. Weighted average life is computed by (a) multiplying the amount of each principal reduction by the number of years or months from the date of issuance or the testing date to the date of the principal reduction, (b) summing the results, and (c) dividing the sum by the remaining principal balance as of the date of issuance or the testing date. Because weighted average life should consider expected prepayments, it is not equivalent to contractual maturity. Because it is dollar- and time-weighted, it also is not equivalent to expected final maturity.

Under the Federal Financial Institutions Examination Council's Supervisory Policy Statement on Securities Activities, prior to purchase and at subsequent testing dates, banks must test mortgage derivative products to determine whether they are "high-risk" or "nonhigh-risk." These tests include one for expected weighted average life, although certain mortgage derivative products are not subject to this test. For purposes of this Memorandum item 2.c, mortgage derivative products subject to the expected weighted average life test should be reported based on the average life determined at their most recent testing date

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2.c (cont.) or more current information, if available. For mortgage derivative products not subject to this test, banks should report based on the most recent average life information obtained within the twelve months preceding the report date.

2.c.(1) **Three years or less.** Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of three years or less as of the report date. Include both fixed rate and floating rate securities.

2.c.(2) **Over three years.** Report the bank's holdings of other mortgage-backed securities with an expected weighted average life of over three years as of the report date. Include both fixed rate and floating rate securities.

2.d **Fixed rate and floating rate debt securities with a remaining maturity of one year or less.** Report all debt securities with a remaining maturity of one year or less. Include both fixed rate and floating rate securities. Exclude debt securities that are in nonaccrual status.

For held-to-maturity debt securities, report amortized cost. For available-for-sale debt securities, report fair value.

The fixed rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item will also have been reported by remaining maturity in Schedule RC-B, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above. The floating rate debt securities (excluding "Other mortgage-backed securities") that should be included in this item will have been reported by repricing frequency in Memorandum items 2.a.(1) through 2.a.(6) and 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above include floating rate debt securities with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those debt securities should not be included in this Memorandum item 2.d. The "Other mortgage-backed securities" included in this item will have been reported by expected weighted average life in Memorandum items 2.c.(1) and 2.c.(2) above.

3-6 Not applicable.

7 **Amortized cost of held-to-maturity securities sold or transferred to available-for-sale or trading securities during the calendar year-to-date.** If the reporting bank has sold any held-to-maturity debt securities or has transferred any held-to-maturity debt securities to the available-for-sale or to trading securities during the calendar year-to-date, report the total amortized cost of these held-to-maturity debt securities as of their date of sale or transfer.

Exclude the amortized cost of any held-to-maturity debt security that has been sold near enough to (e.g., within three months of) its maturity date (or call date if exercise of the call is probable) that interest rate risk is substantially eliminated as a pricing factor. Also exclude the amortized cost of any held-to-maturity debt security that has been sold after the collection of a substantial portion (i.e., at least 85 percent) of the principal outstanding at acquisition due to prepayments on the debt security or, if the debt security is a fixed rate security, due to scheduled payments payable in equal installments (both principal and interest) over its term.

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8 **High-risk mortgage securities**. Report in this item all high-risk mortgage securities included in the held-to-maturity and available-for-sale accounts and reported in Schedule RC-B, item 4.b. Report those securities which are deemed to be high-risk under the FFIEC's Supervisory Policy Statement on Securities Activities as of their most recent testing date. Under that policy statement, a "high-risk mortgage security" is defined as any mortgage derivative product (i.e., stripped mortgage-backed securities, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and CMO and REMIC residuals) that at the time of purchase, or at a subsequent testing date, meets any of the following tests. In general, a mortgage derivative product that does not meet any of the following three tests will be considered a "nonhigh-risk mortgage security."

(1) Average Life Test: The mortgage derivative product has an expected weighted average life greater than 10.0 years.

(2) Average Life Sensitivity Test: The expected weighted average life of the mortgage derivative product:
   (a) Extends by more than 4.0 years, assuming an immediate and sustained parallel shift in the yield curve of plus 300 basis points, or
   (b) Shortens by more than 6.0 years, assuming an immediate and sustained parallel shift in the yield curve of minus 300 basis points.

(3) Price Sensitivity Test: The estimated change in the price of the mortgage derivative product is more than 17 percent, due to an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Generally, a CMO floating-rate debt class will not be subject to the average life and average life sensitivity tests if it bears a rate that, at the time of purchase or at a subsequent testing date, is below the contractual cap on the instrument. A CMO floating-rate debt class is a debt class whose rate adjusts at least annually on a one-for-one basis with the debt class's index. The index must be a conventional, widely-used market interest rate index such as LIBOR. Inverse floating rate debt classes are not included in the definition of a floating rate debt class.

For purposes of this Memorandum item, mortgage derivative products should be tested to determine whether they are "high-risk" or "nonhigh-risk" with the frequency set forth in the Supervisory Policy Statement. Thus, institutions must ascertain and document prior to purchase and no less frequently than annually thereafter, that nonhigh-risk mortgage securities remain outside the high-risk category.

8.a **Amortized cost (of high-risk mortgage securities)**. Report the amortized cost of all high-risk mortgage securities included in the held-to-maturity and available-for-sale accounts. The amortized cost of these securities will have been reported in columns A and C of the body of Schedule RC-B.

8.b **Fair value (of high-risk mortgage securities)**. Report the fair (market) value of the high-risk mortgage securities reported in Memorandum item 8.a above. The fair value of these securities will have been reported in columns B and D of the body of Schedule RC-B. Do not combine or otherwise net the fair value of any high-risk mortgage securities with the fair or book value of any related asset, liability, or off-balance sheet derivative instrument.

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9 **Structured notes**. Report in this item all structured notes included in the held-to-maturity and available-for-sale accounts and reported in Schedule RC-B, items 2, 3, and 5. In general, structured notes are debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options or are otherwise commonly known as "structured notes." Include as structured notes any asset-backed securities (other than mortgage-backed securities) which possess the aforementioned characteristics. Exclude from structured notes all "inflation-indexed" securities issued by the U.S. Treasury.

Structured notes include, but are not limited to, the following common structures:

(1) Floating rate debt securities whose payment of interest is based upon a single index of a Constant Maturity Treasury (CMT) rate or a Cost of Funds Index (COFI).

(2) **Step-up Bonds.** Step-up securities initially pay the investor an above-market yield for a short noncall period and then, if not called, "step up" to a higher coupon rate (which will be below current market rates). The investor initially receives a higher yield because of having implicitly sold one or more call options. A step-up bond may continue to contain call options even after the bond has stepped up to the higher coupon rate. A **multistep** bond has a series of fixed and successively higher coupons over its life. At each call date, if the bond is not called, the coupon rate increases.

(3) **Index Amortizing Notes (IANs).** IANs repay principal according to a predetermined amortization schedule that is linked to the level of a specific index (usually the London Interbank Offered Rate - LIBOR - or a specified prepayment rate). As market interest rates increase (or prepayment rates decrease), the maturity of an IAN extends, similar to that of a collateralized mortgage obligation.

(4) **Dual Index Notes.** These bonds have coupon rates that are determined by the difference between two market indices, typically the CMT rate and LIBOR. These bonds often have a fixed coupon rate for a brief period, followed by a longer period of variable rates, e.g., 8 percent fixed for two years, then the 10-year CMT rate plus 300 basis points minus three-month LIBOR.

(5) **De-leveraged Bonds.** These bonds pay investors according to a formula that is based upon a fraction of the increase or decrease in a specified index, such as the CMT rate or the prime rate. For example, the coupon might be the 10-year CMT rate multiplied by 0.5, plus 150 basis points. The de-leveraging multiplier (0.5) causes the coupon to lag overall movements in market yields. A **leveraged** bond would involve a multiplier greater than 1.

(6) **Range Bonds.** Range bonds (or accrual bonds) pay the investor an above-market coupon rate as long as the reference rate is between levels established at issue. For each day that the reference rate is outside this range, the bonds earn no interest. For example, if LIBOR is the reference rate, a bond might pay LIBOR plus 75 basis points for each day that LIBOR is between 3.5 and 5.0 percent. When LIBOR is less than 3.5 percent or more than 5 percent, the bond would accrue no interest.

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Item No.	**Caption and Instructions**
9 (cont.)	(7) **Inverse Floaters.** These bonds have coupons that increase as rates decline and decrease as rates rise. The coupon is based upon a formula, such as 12 percent minus three-month LIBOR.

Exclude from structured notes floating rate debt securities denominated in U.S. dollars whose payment of interest is based upon a single index of a Treasury bill rate, the prime rate, or LIBOR and which do not contain adjusting caps, adjusting floors, leverage, or variable principal redemption. Furthermore, debt securities that do not possess the aforementioned characteristics of a structured note need not be reported as structured notes solely because they are callable as of a specified date at a specified price. In addition, debt securities that in the past possessed the characteristics of a structured note, but which have "fallen through" their structures (e.g., all of the issuer's call options have expired and there are no more adjustments to the interest rate on the security), need not be reported as structured notes.

Generally, municipal and corporate securities that have periodic call options should **not** be reported as structured notes. Although many of these securities have features similar to those found in some structured notes (e.g., step-ups, which generally remain callable after a step-up date), they are **not commonly known** as structured notes. Examples of such callable securities that should **not** be reported as structured notes include:

(1) Callable municipal and corporate bonds which have single (or multiple) explicit call dates and then can be called on any interest payment date after the last explicit call date (i.e., they are continuously callable).

(2) Callable federal agency securities that have continuous call features after an explicit call date, except step-up bonds (which are structured notes).

The mere existence of simple caps and floors does not necessarily make a security a structured note. Securities with **adjusting** caps or floors (i.e., caps or floors that change over time), however, are structured notes. Therefore, the following types of securities should **not** be reported as structured notes:

(1) Variable rate securities, including Small Business Administration "Guaranteed Loan Pool Certificates," **unless** they have features of securities which are commonly known as structured notes (i.e., they are inverse, range, or de-leveraged floaters, index amortizing notes, dual index or variable principal redemption or step-up bonds), or have adjusting caps or floors.

(2) Mortgage-backed securities.

9.a **Amortized cost (of structured notes)**. Report the amortized cost of all structured notes included in the held-to-maturity and available-for-sale accounts. The amortized cost of these securities will have been reported in columns A and C of the body of Schedule RC-B.

9.b **Fair value (of structured notes)**. Report the fair (market) value of structured notes reported in Memorandum item 9.a above. The fair value of these securities will have been reported in columns B and D of the body of Schedule RC-B. Do not combine or otherwise net the fair value of any structured note with the fair or book value of any related asset, liability, or off-balance sheet derivative instrument.

SCHEDULE RC-C -- LOANS AND LEASE FINANCING RECEIVABLES

Part I. Loans and Leases

General Instructions for Part I

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the bank and its customers or the purchase of such assets from others. See the Glossary entries for "loan" and for "lease accounting" for further information.

On the FFIEC 032, 033, and 034, this schedule has one column for information on loans and lease financing receivables. On the FFIEC 031, this schedule has two columns for information on loans and lease financing receivables: column A provides loan and lease detail for the fully consolidated bank and column B provides detail on loans and leases held by the domestic offices of the reporting bank. (See the Glossary entry for "domestic office" for the definition of this term.)

Report the aggregate book value of all loans and leases before deduction of the "Allowance for loan and lease losses," which is to be reported in Schedule RC, item 4.b. Each item in this schedule should be reported net of (1) unearned income (to the extent possible) and (2) deposits accumulated for the payment of personal loans (hypothecated deposits). Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in this schedule in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in item 10 on the FFIEC 034 and in item 11 on the FFIEC 031, 032, and 033, "LESS: Any unearned income on loans reflected in items above." Net unamortized direct loan origination costs shall be added to the related loan balances in each item in this schedule. (See the Glossary entry for "loan fees" for further information.)

Exclude all loans and leases held for trading purposes (report in Schedule RC, item 5, "Trading assets," and, on the FFIEC 031 and 032, in the appropriate items of Schedule RC-D, Trading Assets and Liabilities, if applicable) and all intrabank transactions.

All loans are categorized in Schedule RC-C, part I, according to security, borrower, or purpose. Loans covering two or more categories are sometimes difficult to categorize. In such instances, categorize the entire loan according to the major criterion.

NOTE: On the FFIEC 033 and 034 only, four other schedules in the Reports of Condition and Income (Schedule RC-K, Quarterly Averages; Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets; Schedule RI, Income Statement; and Schedule RI-B, part I, Charge-offs and Recoveries on Loans and Leases) and one Memorandum item to this Schedule RC-C, part I, (Memorandum item 1 on the FFIEC 034; Memorandum item 2 on the FFIEC 033) require that certain data be reported by certain banks in terms of general loan categories that are based upon each bank's own internal loan categorization system. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Report in Schedule RC-C, part I, all loans and leases on the books of the reporting bank even if on the report date they are past due and collection is doubtful. Exclude any loans or leases the bank has sold or charged off. Also exclude assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the bank has obtained

General Instructions for Part I (cont.)

physical possession of the underlying collateral, regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower. Refer to the Glossary entries for "troubled debt restructurings" and "foreclosed assets" for further discussion of these topics.

Also report in the body of Schedule RC-C, part I, and in Schedule RC-C, part I, Memorandum item 5, the carrying value of all loans that are held for sale as part of the consolidated bank's mortgage banking activities or activities of a similar nature involving other types of loans. Loans held for sale shall be reported at the lower of cost or market value as of the report date. The amount by which cost exceeds market value, if any, shall be accounted for as a valuation allowance. For further information, see FASB Statement No. 65, "Accounting for Certain Mortgage Banking Activities."

Exclude, for purposes of this schedule, the following:

(1) All loans of immediately available funds that mature in one business day or roll over under a continuing contract, i.e., federal funds sold (report in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell"). However, report overnight lending for commercial and industrial purposes as loans in this schedule.

(2) All holdings of commercial paper (report in Schedule RC, item 5, if held for trading; report in Schedule RC-B, item 5, "Other debt securities," if held for purposes other than trading).

(3) Contracts of sale or other loans indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

(4) Undisbursed loan funds, sometimes referred to as incomplete loans or loans in process, unless the borrower is liable for and pays the interest thereon. If interest is being paid by the borrower on the undisbursed proceeds, the amount of such undisbursed funds should be included in both loans and deposits. (Do not include loan commitments that have not yet been taken down, even if fees have been paid; see Schedule RC-L, item 1.)

Item Instructions for Part I

Item No.	Caption and Instructions
1	**Loans secured by real estate**. On the FFIEC 032, 033, and 034, report in the appropriate subitem all loans secured by real estate. On the FFIEC 031, report this item as a single total for the fully consolidated bank in column A but with a breakdown of loans secured by real estate into seven categories for domestic offices in column B. Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the bank or purchased from others, that are secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate. See the Glossary entry for "loan secured by real estate" for the definition of this term. Include as loans secured by real estate: (1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

Part I. (cont.)

Item No.	Caption and Instructions

1 (2) Loans secured by properties and guaranteed by governmental entities in foreign countries.

(3) Participations in pools of Federal Housing Administration (FHA) Title I home improvement loans that are secured by liens (generally, junior liens) on residential properties.

Exclude from loans secured by real estate:

(1) Obligations (other than securities and leases) of states and political subdivisions in the U.S. secured by real estate (report in Schedule RC-C, part I, item 7 below on the FFIEC 034; Schedule RC-C, part I, item 8 below on the FFIEC 031, 032, and 033).

(2) All loans and sales contracts indirectly representing other real estate (report in Schedule RC, item 7, "Other real estate owned").

(3) Loans to real estate companies, real estate investment trusts, mortgage lenders, and foreign non-governmental entities that specialize in mortgage loan originations and that service mortgages for other lending institutions when the real estate mortgages or similar liens on real estate are not sold to the bank but are merely pledged as collateral (report in Schedule RC-C, part I, item 2, "Loans to depository institutions," or as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033, as appropriate).

(4) Notes issued and insured by the Farmers Home Administration and instruments (certificates of beneficial ownership and insured note insurance contracts) representing an interest in Farmers Home Administration-insured notes (report in Schedule RC-B, item 2.a, Securities "Issued by U.S. Government agencies").

(5) Bonds issued by the Federal National Mortgage Association or by the Federal Home Loan Mortgage Corporation that are collateralized by residential mortgages (report in Schedule RC-B, item 2.b, Securities "Issued by U.S. Government-sponsored agencies").

(6) Pooled residential mortgages for which participation certificates have been issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation (report in Schedule RC-B, item 4.a).

1.a **Construction and land development**. Report (on the FFIEC 031, in column B) loans secured by real estate with original maturities of 60 months or less made to finance land development (i.e., the process of improving land -- laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings. For this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures.

Include loans secured by real estate the proceeds of which are to be used to acquire and improve developed and undeveloped property.

Part I. (cont.)

Item No. **Caption and Instructions**

1.a (cont.) Also include loans made under Title I or Title X of the National Housing Act that conform to the definition of construction stated above and that are secured by real estate.

Exclude from construction and land development loans:

(1) Loans to acquire and hold vacant land (report in Schedule RC-C, part I, item 1.b, 1.c, 1.d, or 1.e, depending upon the type of structure eventually to be constructed on the property or, if unknown, according to the type of structure for which the area is primarily zoned).

(2) Loans secured by real estate that have original maturities greater than 60 months (report in Schedule RC-C, part I, item 1.b, 1.c, 1.d, or 1.e, as appropriate).

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

1.b **Secured by farmland**. Report (on the FFIEC 031, in column B) loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

Include loans secured by farmland that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by any party other than FmHA or SBA.

Exclude, however, loans extended, serviced, collected, and insured by FmHA (report in Schedule RC-B, item 2.a, Securities "Issued by U.S. Government agencies"). Also exclude loans for farm property construction and land development purposes with original maturities of 60 months or less (report in Schedule RC-C, part I, item 1.a).

1.c **Secured by 1-4 family residential properties**. Report in the appropriate subitem (on the FFIEC 031, in column B) revolving and permanent loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens on:

(1) Nonfarm property containing 1 to 4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (e.g., row houses, townhouses, or the like).

(2) Mobile homes where (a) state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where (b) the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property.

(3) Individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

(4) Vacant lots in established single-family residential sections or in areas set aside primarily for 1 to 4 family homes.

Part I. (cont.)

Item No. **Caption and Instructions**

1.c (cont.) (5) Housekeeping dwellings with commercial units combined where use is primarily residential and where only 1 to 4 family dwelling units are involved.

Exclude loans for 1 to 4 family residential property construction and land development purposes with original maturities of 60 months or less (report in Schedule RC-C, part I, item 1.a).

1.c.(1) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report (on the FFIEC 031, in column B) the amount outstanding under revolving, open-end lines of credit secured by 1-to-4 family residential properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

1.c.(2) **All other loans secured by 1-4 family residential properties**. Report in the appropriate subitem the amount of all permanent loans secured by 1-to-4 family residential properties (i.e., closed-end first mortgages or junior liens).

1.c.(2)(a) **Secured by first liens**. Report (on the FFIEC 031, in column B) the amount of all permanent loans secured by first liens on 1-to-4 family residential properties.

1.c.(2)(b) **Secured by junior liens**. Report (on the FFIEC 031, in column B) the amount of all permanent loans secured by junior (i.e., other than first) liens on 1-to-4 family residential properties. Include loans secured by junior liens in this item even if the bank also holds a loan secured by a first lien on the same 1-to-4 family residential property and there are no intervening junior liens.

1.d **Secured by multifamily (5 or more) residential properties**. Report (on the FFIEC 031, in column B) all other permanent nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens. Specifically, include loans on:

(1) Nonfarm properties with 5 or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis.

(2) 5 or more unit housekeeping dwellings with commercial units combined where use is primarily residential.

(3) Cooperative-type apartment buildings containing 5 or more dwelling units.

(4) Vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties.

Exclude loans for multifamily residential property construction and land development purposes with original maturities of 60 months or less (report in Schedule RC-C, part I, item 1.a). Also exclude loans secured by nonfarm nonresidential properties (report in Schedule RC-C, part I, item 1.e).

Part I. (cont.)

Item No. Caption and Instructions

1.e **Secured by nonfarm nonresidential properties**. Report (on the FFIEC 031, in column B) loans secured by real estate as evidenced by mortgages or other liens on business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, "homes" for aged persons and orphans, golf courses, recreational facilities, and similar properties.

Exclude loans for nonfarm nonresidential property construction and land development purposes with original maturities of 60 months or less (report in Schedule RC-C, part I, item 1.a).

2 **Loans to depository institutions**. On the FFIEC 034, report as a single total and, on the FFIEC 031, 032, and 033, report in the appropriate subitem, all loans (other than those secured by real estate), including overdrafts, to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes.

Depository institutions cover:

(1) commercial banks in the U.S., including:

(a) U.S. branches and agencies of foreign banks, U.S. branches and agencies of foreign official banking institutions, and investment companies that are chartered under Article XII of the New York State banking law and are majority-owned by one or more foreign banks; and
(b) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks;

(2) depository institutions in the U.S., other than commercial banks, including:

(a) credit unions;
(b) mutual or stock savings banks;
(c) savings or building and loan associations;
(d) cooperative banks; and
(e) other similar depository institutions; and

(3) banks in foreign countries, including:

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

See the Glossary entry for "banks, U.S. and foreign" and "depository institutions in the U.S." for further discussion of these terms.

Include as loans to depository institutions:

(1) Loans to depository institutions for the purpose of purchasing or carrying securities.

(2) Loans to depository institutions for which the collateral is a mortgage instrument and not the underlying real property. Report loans to depository institutions where the collateral is the real estate itself, as evidenced by mortgages or similar liens, in Schedule RC-C, part I, item 1.

Part I. (cont.)

Item No.	**Caption and Instructions**
2 (cont.)	(3) Purchases of mortgages and other loans under agreements to resell that do not involve the lending of immediately available funds or that mature in more than one business day, if acquired from depository institutions.
	(4) Loan participations acquired from depository institutions that must be treated as secured borrowings rather than sales in accordance with generally accepted accounting principles. (See the Glossary entry for "transfers of financial assets" for further information.)
	(5) The reporting bank's own acceptances discounted and held in its portfolio when the account party is another depository institution.
	Exclude from loans to depository institutions:
	(1) All transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."
	(2) Loans secured by real estate, even if extended to depository institutions (report in Schedule RC-C, part I, item 1).
	(3) Loans to holding companies of depository institutions (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).
	(4) Loans to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).
	(5) Loans to finance companies and insurance companies (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).
	(6) Loans to brokers and dealers in securities, investment companies, and mutual funds (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; report as loans for purchasing or carrying securities in Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).
	(7) Loans to Small Business Investment Companies (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).
	(8) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities (as described in Federal Reserve Regulation U) and loans to "plan lenders" (as defined in Federal Reserve Regulation G) (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; report as loans for purchasing or carrying securities in Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).

Part I. (cont.)

Item No.	**Caption and Instructions**
2 (cont.)	(9) Loans to federally-sponsored lending agencies (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033). Refer to the Glossary entry for "federally-sponsored lending agency" for the definition of this term.
	(10) Dollar exchange acceptances created by other banks or by foreign governments and official institutions (report on the FFIEC 034 in Schedule RC-C, part I, item 5 or 8, as appropriate; report on the FFIEC 031, 032, and 033 in Schedule RC-C, part I, item 5 or 7, as appropriate).
	(11) Loans to foreign governments and official institutions, including foreign central banks (report on the FFIEC 034 in Schedule RC-C, part I, item 8; report on the FFIEC 031, 032, and 033 in Schedule RC-C, part I, item 7). See the Glossary entry for "foreign governments and official institutions" for the definition of this term.

NOTE: Items 2.a through 2.c are not applicable to banks filing the FFIEC 034 report forms.

2.a **To commercial banks in the U.S.** On the FFIEC 032 and 033, report in the appropriate subitem all loans and other instruments evidencing loans to domestic commercial banks and their branches in the U.S. On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between loans to U.S. branches and agencies of foreign banks (Schedule RC-C, part I, item 2.a.(1)) and loans to other commercial banks in the U.S. (Schedule RC-C, part I, item 2.a.(2)) for the fully consolidated bank in column A.

Refer to the instruction to Schedule RC-C, part I, item 2 above, and to the Glossary entry for "banks, U.S. and foreign" for further discussion of the term "commercial banks in the U.S."

Exclude from Schedule RC-C, part I, items 2.a, 2.a.(1), and 2.a.(2) loans to other domestic depository institutions such as savings banks, savings and loan associations, and credit unions (report in Schedule RC-C, part I, item 2.b below).

2.a.(1) **To U.S. branches and agencies of foreign banks**. Report (on the FFIEC 031 in column A) all loans to U.S. branches and agencies of foreign banks.

Exclude loans to U.S.-chartered banks that are owned by foreign banks or by foreign official banking institutions (report in Schedule RC-C, part I, item 2.a.(2) below).

2.a.(2) **To other commercial banks in the U.S.** Report (on the FFIEC 031 in column A) all loans to commercial banks in the U.S., other than U.S. branches and agencies of foreign banks.

2.b **To other depository institutions in the U.S.** Report (on the FFIEC 031, in columns A and B, as appropriate) loans to depository institutions, other than commercial banks, domiciled in the U.S. Refer to the instruction to Schedule RC-C, part I, item 2 above, and to the Glossary entry for "depository institutions in the U.S." for further discussion of the term "depository institutions in the U.S."

Exclude loans to commercial banks in the U.S. (report in Schedule RC-C, part I, item 2.a above).

Part I. (cont.)

Item No. Caption and Instructions

NOTE: Item 2.c is not applicable to banks filing the FFIEC 034 report forms.

2.c **To banks in foreign countries**. On the FFIEC 032 and 033, report in the appropriate subitem all loans and other instruments that represent loans to banks and their branches domiciled outside the U.S. On the FFIEC 031, report this item as a single total for the domestic offices of the bank in column B, but with a breakdown between loans to foreign branches of other U.S. banks (Schedule RC-C, part I, item 2.c.(1)) and loans to other banks in foreign countries (Schedule RC-C, part I, item 2.c.(2)) for the fully consolidated bank in column A.

See the instruction to Schedule RC-C, part I, item 2 above, and to the Glossary entry for "banks, U.S. and foreign" for further discussion of the term "banks in foreign countries."

Exclude loans to U.S. branches and agencies of foreign banks (report in Schedule RC-C, part I, item 2.a above);

2.c.(1) **To foreign branches of other U.S. banks**. Report (on the FFIEC 031, in column A) all loans to foreign branches of other U.S. banks.

2.c.(2) **To other banks in foreign countries**. Report (on the FFIEC 031, in column A) all loans to banks in foreign countries, other than foreign-domiciled branches of other U.S. banks.

3 **Loans to finance agricultural production and other loans to farmers**. Report (on the FFIEC 031, in columns A and B, as appropriate) loans for the purpose of financing agricultural production. Include such loans whether secured (other than by real estate) or unsecured and whether made to farm and ranch owners and operators (including tenants) or to nonfarmers. All other loans to farmers, other than those excluded below, should also be reported in this item.

Include as loans to finance agricultural production and other loans to farmers:

(1) Loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of livestock.

(2) Loans and advances made for the purpose of financing fisheries and forestries, including loans to commercial fishermen.

(3) Agricultural notes and other notes of farmers that the bank has discounted for, or purchased from, merchants and dealers, either with or without recourse to the seller.

(4) Loans to farmers that are guaranteed by the Farmers Home Administration (FmHA) or by the Small Business Administration (SBA) and that are extended, serviced, and collected by a party other than the FmHA or SBA.

(5) Loans and advances to farmers for purchases of farm machinery, equipment, and implements.

Part I. (cont.)

Item No.	Caption and Instructions
3 (cont.)	(6) Loans and advances to farmers for all other purposes associated with the maintenance or operations of the farm, including purchases of private passenger automobiles and other retail consumer goods and provisions for the living expenses of farmers or ranchers and their families.

Loans to farmers for household, family, and other personal expenditures (including credit cards and related plans) that are not readily identifiable as being made to farmers need not be broken out of Schedule RC-C, part I, item 6 for inclusion in this item.

Exclude from loans to finance agricultural production and other loans to farmers:

(1) Loans secured by real estate (report in Schedule RC-C, part I, item 1).

(2) Loans to farmers for commercial and industrial purposes, e.g., when a farmer is operating a business enterprise as well as a farm (report in Schedule RC-C, part I, item 4).

(3) Loans to farmers for the purpose of purchasing or carrying stocks, bonds, and other securities (report as all other loans in Schedule RC-C, part I, item 8, on the FFIEC 034; report as loans for purchasing or carrying securities in Schedule RC-C, part I, item 9, on the FFIEC 031, 032, and 033).

(4) Loans to farmers secured by oil or mining production payments (report in Schedule RC-C, part I, item 4).

(5) Notes insured by the Farmers Home Administration (FmHA) and instruments (certificates of beneficial ownership, insured note insurance contracts) representing an interest in FmHA-insured notes (report in Schedule RC-B, item 2.a, Securities "Issued by U.S. Government agencies"). Such notes and instruments are backed by loans made, serviced, and collected by the Farmers Home Administration and were issued prior to January 1, 1975.

4 **Commercial and industrial loans**. Report (on the FFIEC 031, in columns A and B, as appropriate) loans for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment. On the FFIEC 031, 032, and 033, report in the appropriate subitem commercial and industrial loans to U.S. and non-U.S. addressees. Commercial and industrial loans may take the form of direct or purchased loans. Include the reporting bank's own acceptances that it holds in its portfolio when the account party is a commercial or industrial enterprise. Also include loans to individuals for commercial, industrial, and professional purposes but not for investment or personal expenditure purposes. Exclude all commercial and industrial loans held for trading.

Part I. (cont.)

Item No.	**Caption and Instructions**
4 (cont.)	Include loans of the types listed below. These descriptions may overlap and are not all inclusive.

(1) Loans for commercial, industrial, and professional purposes to:

(a) mining, oil- and gas-producing, and quarrying companies;
(b) manufacturing companies of all kinds, including those which process agricultural commodities;
(c) construction companies;
(d) transportation and communications companies and public utilities;
(e) wholesale and retail trade enterprises and other dealers in commodities;
(f) cooperative associations including farmers' cooperatives;
(g) service enterprises such as hotels, motels, laundries, automotive service stations, and nursing homes and hospitals operated for profit;
(h) insurance agents; and
(i) practitioners of law, medicine, and public accounting.

(2) Loans for the purpose of financing capital expenditures and current operations.

(3) Loans to business enterprises guaranteed by the Small Business Administration.

(4) Loans to farmers for commercial and industrial purposes (when farmers operate a business enterprise as well as a farm).

(5) Loans supported by letters of commitment from the Agency for International Development.

(6) Loans made to finance construction that are not secured by real estate.

(7) Loans to merchants or dealers on their own promissory notes secured by the pledge of their own installment paper.

(8) Loans extended under credit cards and related plans that are readily identifiable as being issued in the name of a commercial or industrial enterprise.

(9) Dealer flooring or floor-plan loans.

(10) Loans collateralized by production payments (e.g., oil or mining production payments). Treat as a loan to the original seller of the production payment rather than to the holder of the production payment. For example, report in this item, as a loan to an oil company, a loan made to a nonprofit organization collateralized by an oil production payment; do not include in Schedule RC-C, part I, item 8 on the FFIEC 034 or item 9 on the FFIEC 031, 032, and 033 as a loan to the nonprofit organization.

(11) Loans and participations in loans secured by conditional sales contracts made to finance the purchase of commercial transportation equipment.

(12) Commercial and industrial loans guaranteed by foreign governmental institutions.

(13) Overnight lending for commercial and industrial purposes.

Part I. (cont.)

Item No.	**Caption and Instructions**
4 (cont.)	Exclude from commercial and industrial loans:

(1) Loans secured by real estate, even if for commercial and industrial purposes (report in Schedule RC-C, part I, item 1).

(2) Loans to depository institutions (report in Schedule RC-C, part I, item 2).

(3) Loans to nondepository financial institutions such as real estate investment trusts, mortgage companies, and insurance companies (report as all other loans in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

(4) Loans for the purpose of purchasing or carrying securities (report in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

(5) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in Schedule RC-C, part I, item 3).

(6) Loans to nonprofit organizations, such as hospitals or educational institutions (report as all other loans in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033), except those for which oil or mining production payments serve as collateral which are to be reported in this item.

(7) Holdings of acceptances accepted by other banks (report in Schedule RC-C, part I, item 5).

(8) Holdings of own acceptances when the account party is another bank (report in Schedule RC-C, part I, item 2) or a foreign government or official institution (report in Schedule RC-C, part I, item 8 on the FFIEC 034; item 7 on the FFIEC 031, 032, and 033).

(9) Equipment trust certificates (report in Schedule RC-B, item 5, "Other debt securities").

(10) Any commercial or industrial loans held by the reporting bank for trading (report in Schedule RC, item 5, "Trading assets").

NOTE: Items 4.a and 4.b are not applicable to banks filing the FFIEC 034 report forms.

4.a **To U.S. addressees (domicile)**. Report (on the FFIEC 031, in columns A and B, as appropriate) all commercial and industrial loans to U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

4.b **To non-U.S. addressees (domicile)**. Report (on the FFIEC 031, in columns A and B, as appropriate) all commercial and industrial loans to non-U.S. addressees. For a detailed discussion of U.S. and non-U.S. addressees, see the Glossary entry for "domicile."

Part I. (cont.)

Item No. **Caption and Instructions**

5 **Acceptances of other banks**. Report (on the FFIEC 031, in columns A and B, as appropriate) the bank's holdings of all bankers acceptances accepted by other banks and not held for trading. On the FFIEC 031 and 032, report in the appropriate subitem acceptances of U.S. banks and of foreign banks. Acceptances accepted by other banks may be purchased in the open market or discounted by the reporting bank. For further information, see the Glossary entry for "bankers acceptances."

Exclude acceptances accepted by the reporting bank, discounted, and held in its portfolio. Such acceptances are to be reported in other items of Schedule RC-C, part I, according to the account party.

NOTE: Items 5.a and 5.b are not applicable to banks filing the FFIEC 033 and 034 report forms.

5.a **Of U.S. banks**. Report (on the FFIEC 031, in columns A and B, as appropriate) the bank's holdings of bankers acceptances accepted by other U.S. banks. U.S. banks include both the U.S. and foreign branches of U.S. banks. See the Glossary entry for "banks, U.S. and foreign" for the definition of U.S. banks.

5.b **Of foreign banks**. Report (on the FFIEC 031, in columns A and B, as appropriate) the bank's holdings of bankers acceptances accepted by foreign banks. Foreign banks include both the U.S. and foreign branches of foreign banks. See the Glossary entry for "banks, U.S. and foreign" for the definition of foreign banks.

6 **Loans to individuals for household, family, and other personal expenditures**. On the FFIEC 032, 033, and 034, report in the appropriate subitem all credit cards and related plans and other loans to individuals for household, family, and other personal expenditures. On the FFIEC 031, report this item as a single total for domestic offices in column B, but with a breakdown between credit cards and related plans (as described below in item 6.a) and other loans to individuals for household, family, and other personal expenditures (as described below in item 6.b) for the fully consolidated bank in column A. Include all loans to individuals for household, family, and other personal expenditures that are not secured by real estate, whether direct loans or purchased paper. Exclude loans to individuals for the purpose of purchasing or carrying securities (report in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

Deposits accumulated by borrowers for the payment of personal loans (i.e., hypothecated deposits) should be netted against the related loans.

6.a **Credit cards and related plans**. Report (on the FFIEC 031, in column A) all extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. Report the total amount outstanding of all funds advanced under these plans by the reporting bank, regardless of whether there is a period before interest charges are made. Report only such credit carried on the books of the reporting bank as loans that is outstanding on the report date, even if the plan is shared with other banks or organizations and even if accounting and billing are done by a correspondent bank or the accounting center of a plan administered by others.

Part I. (cont.)

Item No. Caption and Instructions

6.a (cont.) Do not net credit balances resulting from overpayment of account balances on credit cards and related plans. On the FFIEC 032, 033, and 034, report credit balances in Schedule RC-E, item 1, columns A and B. On the FFIEC 031, report credit balances in Schedule RC-E, part I, item 1, columns A and B, or part II, item 1, as appropriate.

Exclude from credit cards and related plans:

(1) Credit extended under such plans to business enterprises (report in Schedule RC-C, part I, item 4, "Commercial and industrial loans").

(2) All ordinary (unplanned) overdrafts on transaction accounts not associated with check credit or revolving credit operations (report in other items of Schedule RC-C, part I, as appropriate).

(3) All credit extended to individuals through credit cards and related plans secured by real estate (report in Schedule RC-C, part I, item 1).

If the bank acts only as agent or correspondent for other banks or nonbank corporations and carries no credit card or related plan assets on its books, enter a "zero" or the word "none." Banks that do not participate in any such plan should also enter a zero or the word "none."

6.b **Other**. Report (on the FFIEC 031, in column A) all other loans to individuals for household, family, and other personal expenditures (other than those secured by real estate and other than those for purchasing or carrying securities). Include loans for such purposes as:

(1) purchases of private passenger automobiles, pickup trucks, household appliances, furniture, trailers, or boats;
(2) repairs or improvements to the borrower's residence (not secured by real estate);
(3) educational expenses, including student loans;
(4) medical expenses;
(5) personal taxes;
(6) vacations;
(7) consolidation of personal (nonbusiness) debts;
(8) purchases of real estate or mobile homes (not secured by real estate) to be used as a residence by the borrower's family; and
(9) other personal expenditures.

Such loans may take the form of:

(1) Installment loans, demand loans, single payment time loans, and hire purchase contracts, and should be reported as loans to individuals for household, family, and other personal expenditures regardless of size or maturity and regardless of whether the loans are made by the consumer loan department or by any other department of the bank.

(2) Retail installment sales paper purchased by the bank from merchants or dealers, finance companies, and others.

Part I. (cont.)

Item No. **Caption and Instructions**

6.b (cont.) Exclude from other loans to individuals for household, family, and other personal expenditures:

(1) All direct and purchased loans, regardless of purpose, secured by real estate as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages), on real estate (report in Schedule RC-C, part I, item 1).

(2) Loans to individuals not secured by real estate for the purpose of investing in real estate when the real estate is not to be used as a residence or vacation home by the borrower or by members of the borrower's family (report as all other loans in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

(3) Loans to individuals for commercial, industrial, and professional purposes and for "floor plan" or other wholesale financing (report in Schedule RC-C, part I, item 4).

(4) Loans to individuals for the purpose of purchasing or carrying securities (report in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

(5) Loans to individuals for investment (as distinct from commercial, industrial, or professional) purposes other than those for purchasing or carrying securities (report as all other loans in Schedule RC-C, part I, item 8 on the FFIEC 034; item 9 on the FFIEC 031, 032, and 033).

(6) Loans to merchants, automobile dealers, and finance companies on their own promissory notes, secured by the pledge of installment paper or similar instruments (on the FFIEC 034, report in Schedule RC-C, part I, item 4 or item 8, as appropriate; on the FFIEC 031, 032, and 033, report in Schedule RC-C, part I, item 4, or as all other loans in Schedule RC-C, part I, item 9, as appropriate).

(7) Loans to farmers, regardless of purpose (to the extent they can be readily identified, report in Schedule RC-C, part I, item 3).

(8) All credit extended to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans (report in Schedule RC-C, part I, item 6.a).

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
-	7	**Loans to foreign governments and official institutions**. Report (on the FFIEC 031, in columns A and B, as appropriate) all loans (other than those secured by real estate), including planned and unplanned overdrafts, to governments in foreign countries, to their official institutions, and to international and regional institutions. See the Glossary entry for "foreign governments and official institutions" for the definition of this term. Include bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange. Exclude acceptances that are held for trading. Exclude from loans to foreign governments and official institutions: (1) Loans to nationalized banks and other banking institutions owned by foreign governments and not functioning as central banks, banks of issue, or development banks (report in the appropriate subitem of Schedule RC-C, part I, item 2). (2) Loans to U.S. branches and agencies of foreign official banking institutions (report as a loan to a commercial bank in the U.S. in Schedule RC-C, part I, item 2.a). (3) Loans to foreign-government-owned nonbank corporations and enterprises (report in Schedule RC-C, part I, item 4 or 9, as appropriate).
7	8	**Obligations (other than securities and leases) of states and political subdivisions in the U.S.** Report all obligations of states and political subdivisions in the United States (including those secured by real estate), other than leases and other than those obligations reported as securities issued by such entities in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.," or item 4, "Mortgage-backed securities." Exclude all such obligations held for trading. States and political subdivisions in the U.S. include: (1) the fifty States of the United States and the District of Columbia and their counties, municipalities, school districts, irrigation districts, and drainage and sewer districts; and (2) the governments of Puerto Rico and of the U.S. territories and possessions and their political subdivisions. Treatment of industrial development bonds (IDBs). Industrial development bonds (IDBs), sometimes referred to as "industrial revenue bonds," are typically issued by local industrial development authorities to benefit private commercial

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
7 (cont.)	**8** (cont.)	and industrial development. For purposes of these reports, all IDBs that are rated by a nationally-recognized rating service shall be reported in Schedule RC-B, item 3, as securities issued by states and political subdivisions in the U.S. IDBs that are not rated but meet the definition of "security" in FASB Statement No. 115 must be measured in accordance with Statement No. 115 and categorized as loans in this item unless the bank chooses to review each nonrated IDB it holds in order to determine whether its characteristics are more like those of a security or a loan. In such a case, the bank shall categorize nonrated IDBs with more of the characteristics of securities in Schedule RC-B, item 3, and nonrated IDBs with more of the characteristics of loans in this item. Treatment of other obligations of states and political subdivisions in the U.S. In addition to those IDBs that are to be categorized in this item in accordance with the preceding paragraph, also include in this item all obligations (other than securities) of states and political subdivisions in the U.S. except those that meet any of the following criteria: (1) Industrial development bonds (IDBs) that are to be categorized as securities in accordance with the reporting treatment described above (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3). (2) Notes, bonds, and debentures (including tax warrants and tax-anticipation notes) that are rated by a nationally-recognized rating service (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3). (3) Mortgage-backed securities issued by state and local housing authorities (report as securities in Schedule RC, item 2, and Schedule RC-B, item 4). (4) Obligations of state and local governments that are guaranteed by the United States Government (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3). (5) Nonrated obligations of states and political subdivisions in the U.S. that the bank considers securities (report as securities in Schedule RC, item 2, and Schedule RC-B, item 3). (6) Lease financing receivables of states and political subdivisions in the U.S. (report as leases in Schedule RC-C, part I, item 9, on the FFIEC 034; in Schedule RC-C, part I, item 10, on the FFIEC 031, 032, and 033). (7) Obligations of states and political subdivisions in the U.S. held by the reporting bank for trading purposes (report in Schedule RC, item 5).

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
8	9	**Other loans**. On the FFIEC 034, report as a single total all loans for purchasing or carrying securities and all other loans that cannot properly be reported in one of the preceding items in this schedule. On the FFIEC 032 and 033, report in the appropriate subitem all loans for purchasing or carrying securities and all other loans that cannot properly be reported in one of the preceding items in this schedule. On the FFIEC 031, report this item as a single total for the fully consolidated bank in column A but with a breakdown between loans for purchasing or carrying securities (item 9.a) and all other loans (item 9.b) for domestic offices in column B.

Loans for purchasing or carrying securities include:

(1) All loans to brokers and dealers in securities (other than those secured by real estate and those to depository institutions).

(2) All loans, whether secured (other than by real estate) or unsecured, to any other borrower for the purpose of purchasing or carrying securities, such as:

(a) Loans made to provide funds to pay for the purchase of securities at settlement date.

(b) Loans made to provide funds to repay indebtedness incurred in purchasing securities.

(c) Loans that represent the renewal of loans to purchase or carry securities.

(d) Loans to investment companies and mutual funds, but excluding loans to Small Business Investment Companies.

(e) Loans to "plan lenders" as defined in Section 207.4(a) of Federal Reserve Regulation G.

(f) Loans to lenders other than brokers, dealers, and banks whose principal business is to extend credit for the purpose of purchasing or carrying securities as described in Section 221.3(q) of Federal Reserve Regulation U, unless the loan is excepted by that section.

For purposes of the Report of Condition, the purpose of a loan collateralized by "stock" is determined as follows:

(1) For loans that are collateralized in whole or in part by "margin stock," as defined by Federal Reserve Regulation U, the purpose of the loan is determined by the latest Statement of Purpose (Form FR U-1) on file.

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
8 (cont.)	**9** (cont.)	(2) For loans that are collateralized by "stock" other than "margin stock," the bank may determine the purpose of the loan according to the most current information available. Exclude from loans for purchasing or carrying securities: (1) Loans to banks in foreign countries that act as brokers and dealers in securities (report in Schedule RC-C, part I, item 2, on the FFIEC 034; Schedule RC-C, part I, item 2.c, on the FFIEC 031, 032, and 033). (2) Loans to depository institutions for the purpose of purchasing or carrying securities (report in Schedule RC-C, part I, item 2, on the FFIEC 034; in subitems of Schedule RC-C, part I, item 2, as appropriate, on the FFIEC 031, 032, and 033). (3) Transactions reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell." (4) Loans secured by real estate (report in Schedule RC-C, part I, item 1). All other loans include all loans and discounts (other than loans for purchasing or carrying securities) that cannot properly be reported in one of the preceding items in Schedule RC-C, part I, such as: (1) Unplanned overdrafts to deposit accounts (except overdrafts of depository institutions, which are to be reported in Schedule RC-C, part I, item 2; overdrafts of states and political subdivisions in the U.S., which are to be reported in Schedule RC-C, part I, item 7 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033; and, on the FFIEC 031, 032, and 033 only, overdrafts of foreign governments and official institutions, which are to be reported in Schedule RC-C, part I, item 7). (2) Loans (other than those secured by real estate) to nonprofit organizations (e.g., churches, hospitals, educational and charitable institutions, clubs, and similar associations) except those collateralized by production payments where the proceeds ultimately go to a commercial or industrial organization (which are to be reported in Schedule RC-C, part I, item 4). (3) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those secured by real estate.

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
8 (cont.)	**9** (cont.)	(4) Loans (other than those secured by real estate) to real estate investment trusts and to mortgage companies that specialize in mortgage loan originations and warehousing or in mortgage loan servicing. (Exclude outright purchases of mortgages or similar instruments by the bank from such companies, which are to be reported in Schedule RC-C, part I, item 1.) (5) Loans to holding companies of other depository institutions. (6) Loans to insurance companies. (7) Loans to finance companies, mortgage finance companies, factors and other financial intermediaries, short-term business credit institutions that extend credit to finance inventories or carry accounts receivable, and institutions whose functions are predominantly to finance personal expenditures (exclude loans to financial corporations whose sole function is to borrow money and relend it to its affiliated companies or a corporate joint venture in which an affiliated company is a joint venturer). (8) Loans to federally-sponsored lending agencies (see the Glossary entry for "federally-sponsored lending agency" for the definition of this term). (9) Loans to investment banks. (10) Loans and advances made to the bank's own trust department. (11) Loans to other domestic and foreign financial intermediaries whose functions are predominantly the extending of credit for business purposes, such as investment companies that hold stock of operating companies for management or development purposes. (12) Loans to Small Business Investment Companies. (13) On the FFIEC 034, loans to foreign governments, their official institutions, and international and regional institutions (other than those secured by real estate), including planned and unplanned overdrafts. (14) On the FFIEC 034, bankers acceptances accepted by the reporting bank and held in its portfolio when the account party is a foreign government or official institution, including such acceptances of the purpose of financing dollar exchange. Exclude from all other loans extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report such planned overdrafts in other items of Schedule RC-C, part I, as

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
8 (cont.)	**9** (cont.)	appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to depository institutions in Schedule RC-C, part I, item 2, and overdrafts under consumer credit card and check-credit plans as loans to individuals in Schedule RC-C, part I, item 6. Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule RC-C, part I, item 2.

NOTE: Items 9.a and 9.b are not applicable to banks filing the FFIEC 034 report forms.

-	**9.a**	**Loans for purchasing or carrying securities**. Report (on the FFIEC 031, in column B) all loans for purchasing or carrying securities (in domestic offices) as described above.
-	**9.b**	**All other loans**. Report (on the FFIEC 031, in column B) all other loans (in domestic offices) as described above.
9	**10**	**Lease financing receivables (net of unearned income)**. On the FFIEC 033 and 034, report as a single total all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes. On the FFIEC 032, report in the appropriate subitem all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the bank for leasing to U.S. and non-U.S. addressees. On the FFIEC 031, report this item as a single total for domestic offices in column B but with a breakdown between lease financing receivables of U.S. addressees (item 10.a) and lease financing receivables of non-U.S. addressees (item 10.b) for the fully consolidated bank in column A. These balances should include the estimated residual value of leased property and must be net of unearned income. For further discussion of leases where the bank is the lessor, refer to the Glossary entry for "lease accounting." Include all lease financing receivables of states and political subdivisions in the U.S.

NOTE: Items 10.a and 10.b are not applicable to banks filing the FFIEC 033 and 034 report forms.

-	**10.a**	**Of U.S. addressees (domicile)**. Report (on the FFIEC 031, in column A) all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to U.S. addressees (see the Glossary entry for "domicile").
-	**10.b**	**Of non-U.S. addressees (domicile)**. Report (on the FFIEC 031, in column A) all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to non-U.S. addressees (see the Glossary entry for "domicile").

Part I. (cont.)

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
10	11	**LESS: Any unearned income on loans reflected in items above**. To the extent possible, the preferred treatment is to report the specific loan categories net of unearned income. A reporting bank should enter (on the FFIEC 031, in columns A and B of this item, as appropriate) unearned income only to the extent that it is included in (i.e., not deducted from) the various loan items (items 1 through 8 on the FFIEC 034; items 1 through 9 on the FFIEC 031, 032, and 033) of this Schedule RC-C, part I. If a bank reports each loan item net of unearned income, enter a zero or the word "none." Do not include unearned income on lease financing receivables in this item (on the FFIEC 034, deduct from Schedule RC-C, part I, item 9; on the FFIEC 031, 032, and 033, deduct from Schedule RC-C, part I, item 10).
11	12	**Total loans and leases, net of unearned income**. On the FFIEC 034, report the sum of items 1 through 9 less the amount reported in item 10. On the FFIEC 032 and 033, report the sum of items 1 through 10 less the amount reported in item 11. On the FFIEC 031, report in columns A and B, as appropriate, the sum of items 1 through 10 less the amount reported in item 11.

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
-	1	Not applicable.
1	2	**Loans and leases restructured and in compliance with modified terms**. For purposes of this item, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal, regardless of whether such loans and leases are secured or unsecured, regardless of whether such credits are guaranteed by the government or by others, and (except as noted in the following paragraph) regardless of the effective interest rate on such credits. However, exclude from this item all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full. However, a restructured obligation that is in compliance with its modified terms and yields a market rate (i.e., the recorded amount of the obligation bears an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the bank is willing to accept for a new extension of credit with comparable risk) need not continue to be reported as a troubled debt restructuring in this Memorandum item in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a restructured loan. Also, a loan to a purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a restructured loan. For further information, see the Glossary entry for "troubled debt restructurings." Include in this item all restructured loans and leases as defined above that are in compliance with their modified terms, that is, restructured loans and leases (1) on which no contractual payments of principal or interest scheduled under the modified repayment terms are due and unpaid or (2) on which contractual payments of both principal and interest scheduled under the modified repayment terms are less than 30 days past due. Exclude from this item (1) those restructured loans and leases on which under the modified repayment terms either principal or interest is 30 days or more past due (report in Schedule RC-N, column A or B, as appropriate) and (2) those restructured loans and leases that are in nonaccrual status under the modified repayment terms (report in Schedule RC-N, column C). On the FFIEC 033 and 034, this Schedule RC-C memorandum item (but not the body of Schedule RC-C itself) and four other schedules in the Reports of Condition and Income permit banks to report loan detail in terms of general

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
1 (cont.)	**2** (cont.)	loan categories that are based upon each bank's own internal loan categorization system. While the definitions for the general loan categories are left to the choice of each reporting bank, each bank must use consistent definitions for these categories in each of the four schedules and this memorandum item. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book. On the FFIEC 031 and 032, the loan and lease categories specified in this memorandum item correspond to the loan and lease category definitions for Schedule RC-C above. On the FFIEC 031, report this memorandum item on a fully consolidated basis in column A only. Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C, part I. All lease amounts must be reported net of unearned income.

FFIEC 034 Item No.	FFIEC 033 Item No.	FFIEC 031 and 032 Item No.	Caption and Instructions
1.a	**2.a**	**-**	**Real estate loans**. Report real estate loans (other than those secured by 1-to-4 family residential properties) that have been restructured and are in compliance with their modified terms. For purposes of this memorandum item, real estate loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes.
1.b	**2.b**	**-**	**All other loans and all lease financing receivables**. Report all loans other than real estate loans and all lease financing receivables (as defined for Schedule RC-C, part I, item 9 on the FFIEC 034; item 10 on the FFIEC 033) that have been restructured and are in compliance with their modified terms. Exclude all loans to individuals for household, family, and other personal expenditures.
-	**-**	**2.a**	**Loans secured by real estate**. Report in the appropriate subitem loans secured by real estate (corresponds to Schedule RC-C, part I, item 1, excluding those loans secured by 1-to-4 family residential properties in Schedule RC-C, part I, item 1.c) that have been restructured and are in compliance with their modified terms.
-	**-**	**2.a.(1)**	**To U.S. addressees (domicile)**. Report loans to U.S. addressees that are secured by real estate (other than those secured by 1 to 4 family residential properties) that have been restructured and are in compliance with their modified terms.

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 033 Item No.	FFIEC 031 and 032 Item No.	Caption and Instructions
-	-	2.a.(2)	**To non-U.S. addressees (domicile)**. Report loans to non-U.S. addressees that are secured by real estate (other than those secured by 1 to 4 family residential properties) that have been restructured and are in compliance with their modified terms.
-	-	2.b	**All other loans and all lease financing receivables**. Report all loans other than loans secured by real estate (corresponds to Schedule RC-C, part I, items 2 through 5 and 7 through 9) and all lease financing receivables (corresponds to Schedule RC-C, part I, item 10) that have been restructured and are in compliance with their modified terms. Exclude all loans to individuals for household, family, and other personal expenditures (corresponds to Schedule RC-C, part I, item 6).
-	-	2.c	**Commercial and industrial loans to and lease financing receivables of non-U.S. addressees (domicile) included in Memorandum item 2(b) above**. Report commercial and industrial loans to non-U.S. addressees (corresponds to Schedule RC-C, part I, item 4.b) and lease financing receivables of non-U.S. addressees (corresponds to Schedule RC-C, part I, item 10.b) that have been restructured and are in compliance with their modified terms. These loans and leases will have been included in Memorandum item 2.b above.

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2	3	**Maturity and repricing data for loans and leases (excluding those in nonaccrual status)**. Report in the appropriate subitem maturity and repricing data for the bank's loans and leases. Loans and leases are to be reported in this Memorandum item regardless of whether they are current or are reported as "past due and still accruing" in Schedule RC-N, columns A and B. However, exclude those loans and leases that are reported as "nonaccrual" in Schedule RC-N, column C. On the FFIEC 034, the sum of Memorandum items 2.a.(1) through 2.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 5, column C, must equal Schedule RC-C, sum of items 1 through 9. On the FFIEC 033, the sum of Memorandum items 3.a.(1) through 3.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 5, column C, must equal Schedule RC-C, sum of items 1 through 10. On the FFIEC 031 and 032, the sum of Memorandum items 3.a.(1) through 3.b.(6) plus total nonaccrual loans and leases from Schedule RC-N, sum of items 1 through 8, column C, must equal Schedule RC-C, sum of items 1 through 10 (column A on the FFIEC 031).

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2 (cont.)	**3** (cont.)	On the FFIEC 031, banks that have more than one office in foreign countries (including offices of consolidated foreign subsidiaries but excluding "shell" branches, excluding offices in Puerto Rico or U.S. territories and possessions, and excluding IBFs) have the option of excluding the smallest of such non-U.S. offices from Memorandum item 3. Such banks may omit the smallest of their offices in foreign countries (other than "shell" branches) when arrayed by total assets provided that the assets of the excluded offices do not exceed 50 percent of the total assets of the bank's offices (excluding "shells") in foreign countries and do not exceed 10 percent of the total consolidated assets of the reporting bank as of the report date. (Note: In determining the total assets of offices in foreign countries eligible for exclusion from these memorandum items, banks should exclude not only "shell" branches but also offices in Puerto Rico and U.S. territories and possessions, domestic offices of Edge and Agreement subsidiaries, and IBFs even though these are sometimes referred to as "foreign" offices. Also, the asset totals for all offices in foreign countries should be the component of the total consolidated assets, i.e., should exclude all intrabank transactions.) For purposes of this memorandum item, the following definitions apply: A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the loan or lease, and is known to both the borrower and the lender. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the loan on a predetermined basis, with the exact rate of interest over the life of the loan known with certainty to both the borrower and the lender when the loan is acquired. Examples of predetermined-rate transactions are: (1) Loans that carry a specified interest rate, for, say, six months and thereafter carry a rate equal to a specific percentage over the initial rate. (2) Loans that carry a specified interest rate while the loan amount is below a certain threshold amount but carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 10% when the unpaid balance of amounts advanced is $100,000 or less, and 8% when the unpaid balance is more than $100,000). A floating rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination. When the rate on a loan with a floating rate has reached a contractual floor or ceiling level, the loan is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2 (cont.)	**3** (cont.)	Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a loan or lease without regard to the loan's or lease's repayment schedule, if any. Repricing frequency is how often the contract permits the interest rate on a floating rate loan to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change or the final maturity of the loan. For fixed rate loans and leases with scheduled contractual payments, banks whose records provide repricing data on the basis of these scheduled contractual payments, with or without the effect of anticipated prepayments, may adjust these data in an appropriate manner to derive reasonable estimates for the final contractual maturities of such fixed rate loans and leases. For floating rate loans, banks whose records provide data on the length of time between the report date and the date the rate can next change (i.e., the earliest possible repricing opportunity) may adjust these data in an appropriate manner to derive reasonable estimates for the repricing frequencies of their floating rate loans. Loan amounts should be reported net of unearned income to the extent that they have been reported net of unearned income in Schedule RC-C, part I, items 1 through 8 on the FFIEC 034; items 1 through 9 on the FFIEC 031, 032, and 033. Leases must be reported net of unearned income. Fixed rate loans and leases that are past due (with respect to principal or interest) and still accruing should be reported according to the time remaining to final contractual maturity without regard to delinquency status. Floating rate loans that are past due (with respect to principal or interest) and still accruing should be reported according to repricing frequency without regard to delinquency status. Report all unplanned overdrafts as fixed rate loans with a remaining maturity of three months or less in Memorandum item 2.b.(1) on the FFIEC 034 and in Memorandum item 3.b.(1) on the FFIEC 031, 032, and 033. Report all leases, net of unearned income, as fixed rate instruments in Memorandum item 2.b on the FFIEC 034 and in Memorandum item 3.b on the FFIEC 031, 032, and 033 according to the amount of time remaining to final contractual maturity without regard to repayment schedules.

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2 (cont.)	**3** (cont.)	Report fixed rate and floating rate loans made solely on a demand basis (i.e., without an alternate maturity date or without repayment terms) as having a remaining maturity or repricing frequency of three months or less in Memorandum items 2.a.(1) and 2.b.(1), as appropriate, on the FFIEC 034 and in Memorandum items 3.a.(1) and 3.b.(1), as appropriate, on the FFIEC 031, 032, and 033. Fixed rate demand loans that have an alternate maturity date or repayment terms are to be reported in this Memorandum item according to the amount of time remaining to the alternate maturity date or final payment due date. Floating rate demand loans that have an alternate maturity date or repayment terms are to be reported according to repricing frequency in Memorandum items 2.a and 2.b, as appropriate, on the FFIEC 034 and in Memorandum items 3.a and 3.b, as appropriate, on the FFIEC 031, 032, and 033. Fixed rate "credit cards and related plans" are considered to have a remaining maturity of over one year through three years and should be reported in Memorandum item 2.b.(3) on the FFIEC 034 and in Memorandum item 3.b.(3) on the FFIEC 031, 032, and 033, regardless of the actual maturity experience or expectation. Floating rate "credit cards and related plans" (e.g., where the rate varies, or can be varied, periodically) are to be reported in Memorandum item 2.b on the FFIEC 034 and in Memorandum item 3.b on the FFIEC 031, 032, and 033 according to repricing frequency. Where the bank in its contract with the borrower simply reserves the right to change the interest rate on the "credit card or related plan," the plan should be considered to have a fixed rate. Student loans whose interest rate is adjusted periodically by the U.S. Government by means of interest payments that include an amount of "additional interest" should be treated as floating rate loans and should be reported in Memorandum item 2.b on the FFIEC 034 and in Memorandum item 3.b on the FFIEC 031, 032, and 033 according to the frequency with which the interest rate is adjusted. Fixed rate loans secured by real estate that are held by the bank for sale and delivery to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or other secondary market participants under the terms of a binding commitment should be reported in Memorandum item 2.a or 2.b, as appropriate, on the FFIEC 034 and in Memorandum item 3.a or 3.b, as appropriate, on the FFIEC 031, 032, and 033 on the basis of the time remaining until the delivery date specified in the commitment. Floating rate loans secured by real estate that are held by the bank for sale and delivery in the secondary market under the terms of a binding commitment should be

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2 (cont.)	**3** (cont.)	reported in Memorandum item 2.a or 2.b, as appropriate, on the FFIEC 034 and in Memorandum item 3.a or 3.b, as appropriate, on the FFIEC 031, 032, and 033 according to their repricing frequency regardless of the delivery date specified in the commitment. For floating rate loans on which the borrower has the option at each repricing date to choose the next repricing date, the repricing frequency of a loan should be determined by reference to the repricing option currently in effect as of the report date.
2.a	**3.a**	**Closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or repricing frequency of.** Report the dollar amount of the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the loans to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or final maturity dates. Exclude loans that are in nonaccrual status.
2.a.(1)	**3.a.(1)**	**Three months or less.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities of three months or less, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).
2.a.(2)	**3.a.(2)**	**Over three months through 12 months.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2.a.(3)	**3.a.(3)**	**Over one year through three years.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).
2.a.(4)	**3.a.(4)**	**Over three years through five years.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).
2.a.(5)	**3.a.(5)**	**Over five years through 15 years.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).
2.a.(6)	**3.a.(6)**	**Over 15 years.** Report the amount of: o the bank's fixed rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and o the bank's floating rate closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2.b	3.b	**All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) with a remaining maturity or repricing frequency of.** Report the dollar amount of the bank's fixed rate loans and leases -- *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to the amount of time remaining to their final contractual maturities (without regard to repayment schedules, if any). Report the dollar amount of the bank's floating rate loans -- *other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices)* -- in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the loans to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or final maturity dates. Exclude loans that are in nonaccrual status.
2.b.(1)	3.b.(1)	**Three months or less.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities of three months or less, and o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).
2.b.(2)	3.b.(2)	**Over three months through 12 months.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three months through 12 months, and o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).
2.b.(3)	3.b.(3)	**Over one year through three years.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over one year through three years, and

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2.b.(3) (cont.)	**3.b.(3)** (cont.)	o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every two years).
2.b.(4)	**3.b.(4)**	**Over three years through five years.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over three years through five years, and o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every five years or more frequently, but less frequently than every three years (e.g., every five years, every four years).
2.b.(5)	**3.b.(5)**	**Over five years through 15 years.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over five years through 15 years, and o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced every 15 years or more frequently, but less frequently than every five years (e.g., every 15 years, every ten years).
2.b.(6)	**3.b.(6)**	**Over 15 years.** Report the amount of: o the bank's fixed rate loans and leases -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- with remaining maturities (without regard to repayment schedules, if any) of over 15 years, and o the bank's floating rate loans -- other than closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) -- which can be repriced less frequently than every 15 years (e.g., every 20 years, every 25 years).

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2.c	3.c	**Fixed rate and floating rate loans and leases with a remaining maturity of one year or less.** Report all loans and leases with a remaining maturity of one year or less. Include both fixed rate and floating rate loans and leases. On the FFIEC 034, the fixed rate loans and leases included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above. The floating rate loans included in this item will have been reported by repricing frequency in Memorandum items 2.a.(1) through 2.a.(6) and 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.a.(1), 2.a.(2), 2.b.(1), and 2.b.(2) above include floating rate loans with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those loans should not be included in this Memorandum item 2.c. On the FFIEC 031, 032, and 033, the fixed rate loans and leases included in this item will also have been reported in Schedule RC-C, part I, Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2) above. The floating rate loans included in this item will have been reported by repricing frequency in Memorandum items 3.a.(1) through 3.a.(6) and 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.a.(1), 3.a.(2), 3.b.(1), and 3.b.(2) above include floating rate loans with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those loans should not be included in this Memorandum item 3.c.
2.d	3.d	**Fixed rate and floating rate loans secured by nonfarm nonresidential properties (in domestic offices) with a remaining maturity of over five years.** Report all loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031)) with a remaining maturity of over five years. Include both fixed rate and floating rate loans secured by nonfarm nonresidential properties. On the FFIEC 034, the fixed rate loans secured by nonfarm nonresidential properties included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.b.(5) and 2.b.(6) above. The floating rate loans secured by nonfarm nonresidential properties included in this item will have been reported by repricing frequency in Memorandum items 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.b.(5) and 2.b.(6) above may include floating rate loans with a remaining maturity of five years or less, but with a repricing frequency of over five years; those loans should not be included in this Memorandum item 2.d. On the FFIEC 031, 032, and 033, the fixed rate loans secured by nonfarm nonresidential properties included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 3.b.(5)

Part I. (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
2.d (cont.)	**3.d** (cont.)	and 3.b.(6) above. The floating rate loans secured by nonfarm nonresidential properties included in this item will have been reported by repricing frequency in Memorandum items 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.b.(5) and 3.b.(6) above may include floating rate loans with a remaining maturity of five years or less, but with a repricing frequency of over five years; those loans should not be included in this Memorandum item 3.d.
2.e	**3.e**	**Fixed rate and floating rate commercial and industrial loans with a remaining maturity of over three years.** Report all commercial and industrial loans (as defined for Schedule RC-C, part I, item 4, (column A on the FFIEC 031)) with a remaining maturity of over three years. Include both fixed rate and floating rate commercial and industrial loans. On the FFIEC 034, the fixed rate commercial and industrial loans included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 2.b.(4), 2.b.(5), and 2.b.(6) above. The floating rate commercial and industrial loans included in this item will have been reported by repricing frequency in Memorandum items 2.b.(1) through 2.b.(6) above. However, Memorandum items 2.b.(4), 2.b.(5), and 2.b.(6) above may include floating rate loans with a remaining maturity of three years or less, but with a repricing frequency of over three years; those loans should not be included in this Memorandum item 2.e. On the FFIEC 031, 032, and 033, the fixed rate commercial and industrial loans included in this item will also have been reported by remaining maturity in Schedule RC-C, part I, Memorandum items 3.b.(4), 3.b.(5), and 3.b.(6) above. The floating rate commercial and industrial loans included in this item will have been reported by repricing frequency in Memorandum items 3.b.(1) through 3.b.(6) above. However, Memorandum items 3.b.(4), 3.b.(5), and 3.b.(6) above may include floating rate loans with a remaining maturity of three years or less, but with a repricing frequency of over three years; those loans should not be included in this Memorandum item 3.e.
3	**-**	Not applicable.

Part I. (cont.)

Memoranda

Item No.	Caption and Instructions

4 **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-C, part I, items 4 and 9, above (on the FFIEC 034, items 4 and 8, above)**. Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, that are reported in the FFIEC 034, in Schedule RC-C, part I, items 4, "Commercial and industrial loans," and 8, "All other loans;" in the FFIEC 032 and 033 in Schedule RC-C, part I, items 4, "Commercial and industrial loans," and 9.b, "All other loans;" and in the FFIEC 031 in Schedule RC-C, part I, items 4, "Commercial and industrial loans," and 9, "Other loans," column A.

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule RC-C, part I, item 1, above. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

5 **Loans and leases held for sale**. Report in this item the carrying value of all loans and leases that are held for sale and included in Schedule RC-C, part I, above. Loans and leases held for sale shall be reported at the lower of cost or market value as of the report date. The amount by which cost exceeds market value, if any, shall be accounted for as a valuation allowance.

6 **Adjustable rate closed-end loans secured by first liens on 1-4 family residential properties**. Report the amount of closed-end loans secured by first liens on 1-4 family residential properties (in domestic offices) included in Schedule RC-C, part I, item 1.c.(2)(a), (column B on the FFIEC 031), above, that have a floating or adjustable interest rate.

A floating or adjustable rate is a rate that varies, or can vary, in relation to an index, to some other interest rate such as the rate on certain U.S. Government securities, or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the loan carries at any subsequent time cannot be known at the time of origination. For purposes of this item, even if the rate on a loan with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the loan is to be reported in this item as an adjustable rate loan.

Also include in this item amortizing fixed rate loans secured by first liens on 1-4 family residential properties that have original maturities of one year or less and require a balloon payment at maturity.

Schedule RC-C, Part II. Loans to Small Businesses and Small Farms

General Instructions

Schedule RC-C, part II, is to be completed only as of the June 30 report date.

Schedule RC-C, part II, requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined below. This information is being collected pursuant to Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

For purposes of this schedule, "**loans to small businesses**" consist of the following:

(1) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031,) "Loans secured by nonfarm nonresidential properties" (in domestic offices), and

(2) Loans with original amounts of $1 million or less that have been reported in Schedule RC-C, part I, item 4, "Commercial and industrial loans," on the FFIEC 034; item 4.a, "Commercial and industrial loans to U.S. addressees," on the FFIEC 032 and 033; and item 4.a, column B, "Commercial and industrial loans to U.S. addressees" in domestic offices, on the FFIEC 031.

For purposes of this schedule, "**loans to small farms**" consist of the following:

(1) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 1.b, (column B on the FFIEC 031,) "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices), and

(2) Loans with original amounts of $500,000 or less that have been reported in Schedule RC-C, part I, item 3, (column B on the FFIEC 031,) "Loans to finance agricultural production and other loans to farmers" (in domestic offices).

The following guidelines should be used to determine the "**original amount**" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was <u>most recently</u> approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

The "**amount currently outstanding**" for a loan is its carrying value, i.e., the amount at which the loan is reported in Schedule RC-C, part I, item 1.b, 1.e, 3, or 4, above.

Except as noted below for "corporate" or "business" credit card programs, when determining "original amounts" and reporting the number and amount currently outstanding for a category of loans in this part II, multiple loans to one borrower should be combined and reported on an aggregate basis rather

Part II. (cont.)

General Instructions (cont.)

than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

A bank that offers "corporate" or "business" credit card programs under which credit cards are issued to one or more of a company's employees for business-related use should treat each company's program as a single extension of credit to that company. The credit limits for all of the individual credit cards issued to the company's employees should be totalled and this total should be treated as the "original amount" of the "corporate" or "business" credit card program established for this company. The company's program should be reported as one loan and the amount currently outstanding would be the sum of the credit card balances as of the June 30 report date on each of the individual credit cards issued to the company's employees. However, when aggregated data for each individual company in a "corporate" or "business" credit card program are not readily determinable from the bank's credit card records, the bank should develop reasonable estimates of the number of "corporate" or "business" credit card programs in existence as of the June 30 report date, the "original amounts" of these programs, and the "amounts currently outstanding" for these programs and should then report information about these programs on the basis of its reasonable estimates. In no case should the individual credit cards issued to a company's employees under a "corporate" or "business" credit card program be reported as separate individual loans to small businesses.

Loans to Small Businesses

Item No.	Caption and Instructions
1	**Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e, and all or substantially all of the dollar volume of your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4, have original amounts of $100,000 or less**.

If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by nonfarm nonresidential properties" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(b) the average size of the amount currently outstanding for your bank's "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and

(c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by nonfarm nonresidential properties" (in domestic offices) and "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 2.a and 2.b below, skip items 3 and 4, and go to item 5.

Part II. (cont.)

Item No.	**Caption and Instructions**
1 (cont.)	If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," skip items 2 through 4, and go to item 5. Otherwise, place an "X" in the box marked "NO," skip items 2.a and 2.b, complete items 3 and 4 below, and go to item 5.
2	**Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.
2.a	**Number of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031), "Loans secured by nonfarm nonresidential properties" (in domestic offices).
2.b	**Number of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 4, (column B on the FFIEC 031), "Commercial and industrial loans (to U.S. addressees)" (in domestic offices).
3	**Number and amount currently outstanding of "Loans secured by nonfarm nonresidential properties" (in domestic offices) reported in Schedule RC-C, part I, item 1.e**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 3.a through 3.c, column B, must be less than or equal to Schedule RC-C, part I, item 1.e (column B on the FFIEC 031).
3.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

Part II. (cont.)

Item No.	Caption and Instructions
3.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
3.c	**With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by nonfarm nonresidential properties" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by nonfarm nonresidential properties" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.
4	**Number and amount currently outstanding of "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) reported in Schedule RC-C, part I, item 4**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan and for the treatment of "corporate" or "business" credit card programs. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 4.a through 4.c, column B, must be less than or equal to Schedule RC-C, part I, item 4 on the FFIEC 034, item 4.a on the FFIEC 032 and 033, and item 4.a, column B on the FFIEC 031.
4.a	**With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

Part II. (cont.)

Item No.	Caption and Instructions
4.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
4.c	**With original amounts of more than $250,000 through $1,000,000**. Add up the total carrying value of all currently outstanding "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Commercial and industrial loans (to U.S. addressees)" (in domestic offices) with "original amounts" of more than $250,000 through $1,000,000). Report this number in column A.

Agricultural Loans to Small Farms

Item No.	Caption and Instructions
5	**Indicate in the appropriate box at the right whether all or substantially all of the dollar volume of your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b, and all or substantially all of the dollar volume of your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3, have original amounts of $100,000 or less**. If: (a) the average size of the amount currently outstanding for your bank's "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (b) the average size of the amount currently outstanding for your bank's "Loans to finance agricultural production and other loans to farmers" (in domestic offices) as reported in Schedule RC-C, part I, above, is $100,000 or less, and (c) your lending officers' knowledge of your bank's loans or other relevant information pertaining to "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) and your "Loans to finance agricultural production and other loans to farmers" (in domestic offices) indicates that all or substantially all of the dollar volume of your bank's loans in each of these two

Part II. (cont.)

Item No.	Caption and Instructions
5 (cont.)	categories has "original amounts" (as described above in the General Instructions to this part II) of $100,000 or less,

place an "X" in the box marked "YES," complete items 6.a and 6.b below, and do not complete items 7 and 8 below.

If your bank has no loans outstanding in both of these two loan categories, place an "X" in the box marked "NO," and do not complete items 6 through 8.

Otherwise, place an "X" in the box marked "NO," skip items 6.a and 6.b, and complete items 7 and 8 below.

6 **Report the total number of loans currently outstanding for each of the following Schedule RC-C, part I, loan categories**. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

6.a **Number of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 1.b, (column B on the FFIEC 031), "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices).

6.b **Number of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3**. Count the number of individual loans currently outstanding whose carrying values add up to the amount reported in Schedule RC-C, part I, item 3, (column B on the FFIEC 031), "Loans to finance agricultural production and other loans to farmers" (in domestic offices).

7 **Number and amount currently outstanding of "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) reported in Schedule RC-C, part I, item 1.b**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans.

7.a **With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Part II. (cont.)

Item No.	**Caption and Instructions**
7.a (cont.)	Count the number of individual "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.
7.b	**With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.
7.c	**With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B. Count the number of individual "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans secured by farmland (including farm residential and other improvements)" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.
8	**Number and amount currently outstanding of "Loans to finance agricultural production and other loans to farmers" (in domestic offices) reported in Schedule RC-C, part I, item 3**. See the General Instructions to this part II for the guidelines for determining the "original amount" of a loan. Multiple loans to one borrower should be combined and reported on an aggregate basis rather than as separate individual loans to the extent that the loan systems in which the bank's business and/or farm loan data are maintained can provide aggregate individual borrower data without undue cost to the reporting institution. However, if the burden of such aggregation would be excessive, the institution may report multiple loans to one borrower as separate individual loans. The sum of the amounts currently outstanding reported in items 8.a through 8.c, column B, must be less than or equal to Schedule RC-C, part I, item 3 (column B on the FFIEC 031).

Part II. (cont.)

Item No.	Caption and Instructions

8.a **With original amounts of $100,000 or less**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of $100,000 or less). Report this number in column A.

8.b **With original amounts of more than $100,000 through $250,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $100,000 through $250,000). Report this number in column A.

8.c **With original amounts of more than $250,000 through $500,000**. Add up the total carrying value of all currently outstanding "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000 and report this total amount in column B. Do not add up the "original amounts" of each of these loans and report the total original amount in column B.

Count the number of individual "Loans to finance agricultural production and other loans to farmers" (in domestic offices) whose carrying values were included in the amount reported in column B for this item (i.e., those "Loans to finance agricultural production and other loans to farmers" (in domestic offices) with "original amounts" of more than $250,000 through $500,000). Report this number in column A.

Examples of Reporting in Schedule RC-C, Part II

(1) A bank has a "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $70,000 and this amount is included in Schedule RC-C, part I, item 1.e. The bank made this loan to the borrower in the original amount of $75,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is $100,000 or less, the bank would report the $70,000 amount currently outstanding in part II, item 3.a, column B.

(2) The bank has a second "Loan secured by nonfarm nonresidential property" which has a carrying value on the June 30 report date of $60,000 and this amount is included in Schedule RC-C, part I, item 1.e. The bank made this loan to the borrower in the original amount of $125,000, so

Examples of Reporting in Schedule RC-C, Part II (cont.)

it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $100,000 through $250,000 range, the bank would report the $60,000 amount currently outstanding in part II, item 3.b, column B.

(3) The bank has a "Commercial and industrial loan" which has a carrying value on the June 30 report date of $200,000 and this amount is included in Schedule RC-C, part I, item 4. The bank made this loan to the borrower in the original amount of $250,000, so it would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $250,000 which is the upper end of the more than $100,000 through $250,000 range, the bank would report the $200,000 amount currently outstanding in part II, item 4.b, column B.

(4) The bank has a second "Commercial and industrial loan" which has a carrying value on the June 30 report date of $90,000 and this amount is included in Schedule RC-C, part I, item 4. The bank made this loan to the borrower in the original amount of $500,000 and sold loan participations for $400,000 while retaining $100,000. Nevertheless, based on the entire amount of the credit that was originated by the bank, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire loan is $500,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $90,000 amount currently outstanding in part II, item 4.c, column B.

(5) The bank has a third "Commercial and industrial loan" which has a carrying value on the June 30 report date of $55,000 and this amount is included in Schedule RC-C, part I, item 4. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $750,000 and the bank's original share of this credit was $75,000. Based on the entire amount of the credit that was originated by the other lender, the loan would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the entire credit is $750,000 which falls within the more than $250,000 through $1,000,000 range, the bank would report the $55,000 amount currently outstanding in part II, item 4.c, column B.

(6) The bank has another "Commercial and industrial loan" and it has a carrying value on the June 30 report date of $120,000. This amount is included in Schedule RC-C, part I, item 4. This loan represents a participation purchased by the bank from another lender. The original amount of the entire credit is $1,250,000 and the bank's original share of this credit was $250,000. Because the original amount of the entire credit exceeds $1,000,000, the loan would <u>not</u> be considered a "loan to a small business" and would <u>not</u> be reported in Schedule RC-C, part II.

(7) The bank has a "Loan secured by nonfarm nonresidential property" and a "Commercial and industrial loan" to the same borrower. The first loan has a carrying value on the June 30 report date of $375,000 and this amount is included in Schedule RC-C, part I, item 1.e. This "Loan secured by nonfarm nonresidential property" was made in the original amount of $400,000. The second loan has a carrying value on the June 30 report date of $650,000 and this amount is included in Schedule RC-C, part I, item 4. This "Commercial and industrial loan" was made in the original amount of $750,000.

Case I: The bank's loan system <u>can provide</u> aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original

amount of $1,150,000 and therefore the loans would not be considered "loans to a small business" and would not be reported in Schedule RC-C, part II.

Examples of Reporting in Schedule RC-C, Part II (cont.)

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $400,000 original amount, the "Loan secured by nonfarm nonresidential property" would be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $375,000 amount currently outstanding in part II, item 3(c), column B, and count this loan as one loan for purposes of part II, item 3.c, column A. Since the "Commercial and industrial loan" is being handled separately and its original amount is $750,000, it would also be considered a "loan to a small business" and would be reported in Schedule RC-C, part II. Because the original amount of this loan falls within the more than $250,000 through $1,000,000 range, the bank would report the $650,000 amount currently outstanding in part II, item 4.c, column B, and count this loan as one loan for purposes of part II, item 4.c, column A.

(8) The bank has a "Loan secured by farmland (including farm residential and other improvements)" which has a carrying value on the June 30 report date of $225,000. The bank made this loan to the borrower in the original amount of $260,000 and the loan is secured by a first lien on the borrower's farmland. The bank has a second "Loan secured by farmland" to this same borrower and it is secured by a second lien on the borrower's property. This second lien loan has a carrying value of $50,000 and the original amount of the loan is the same as its carrying value. The carrying values of both loans (the $225,000 first lien loan and the $50,000 second lien loan) are included in Schedule RC-C, part I, item 1.b.

Case I: The bank's loan system can provide aggregate individual borrower data without undue cost to the reporting institution. The loan system indicates that this borrower's two loans have a combined original amount of $310,000 and therefore the two loans together would be considered a single "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the two combined loans falls within the more than $250,000 through $500,000 range, the bank would report the $275,000 combined total of the amounts currently outstanding for the two loans in part II, item 7.c, column B, and count these two loans to the same borrower as one loan for purposes of part II, item 7.c, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data without undue cost to the reporting institution. Therefore, the borrower's two loans would be treated as separate loans for purposes of Schedule RC-C, part II. Based on its $260,000 original amount, the first lien loan would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $225,000 amount currently outstanding in part II, item 7.c, column B, and count this loan as one loan for purposes of part II, item 7.c, column A. Since the second lien loan is being handled separately and its original amount is $50,000, it would also be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of this loan is less than $100,000, the bank would report the $50,000 amount currently outstanding in part II, item 7(a), column B, and count this loan as one loan for purposes of part II, item 7.a, column A.

(9) The bank has one final "Loan secured by farmland" which has a carrying value on the June 30 report date of $5,000 and this amount is included in Schedule RC-C, part I, item 1.b. The bank made this loan to the borrower in the original amount of $300,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan falls within the more than $250,000 through $500,000 range, the bank would report the $5,000 amount currently outstanding in part II, item 7.c, column B.

Examples of Reporting in Schedule RC-C, Part II (cont.)

(10) The bank has granted a $150,000 line of credit to a farmer that is not secured by real estate. The farmer has received advances twice under this line of credit and, rather than having signed a single note for the entire $150,000 amount of the line of credit, has signed separate notes for each advance. One note is in the original amount of $30,000 and the other is in the original amount of $50,000. The carrying values of the two notes on the June 30 report date are the same as their original amounts and these amounts are included in Schedule RC-C, part I, item 3. For loans drawn down under lines of credit, the original amount of the loan is the size of the line of credit when it was most recently approved, extended, or renewed prior to the report date. In this case, the line of credit was most recently approved for $150,000.

Case I: The bank's loan system can provide aggregate individual borrower data for multiple advances under lines of credit without undue cost to the reporting institution. Thus, even though a separate note was signed each time the farmer borrowed under the line of credit, the loan system combines all information about the farmer's separate borrowings under the line of credit. Therefore, the loan system indicates that the farmer has a line of credit for $150,000 and that the amount currently outstanding under the line of credit for the combined carrying values of the two borrowings under the line of credit is $80,000. Because the line of credit was most recently approved for $150,000, this $150,000 original amount for the line of credit would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Therefore, the original amount of the line of credit falls within the more than $100,000 through $250,000 range and the bank would report the $80,000 combined total of the amounts currently outstanding for the two notes in part II, item 8.b, column B, and count these two notes to the farmer under the line of credit as one loan for purposes of part II, item 8.b, column A.

Case II: The bank's loan system cannot provide aggregate individual borrower data for lines of credit without undue cost to the reporting institution. Therefore, the farmer's two notes under the line of credit would be treated as separate loans for purposes of Schedule RC-C, part II. The original amount of the line of credit is $150,000 and each of the two notes would be considered a "loan to a small farm" that would be reported in Schedule RC-C, part II. Because each of the two notes indicates that it is part of a $150,000 line of credit and the $150,000 original amount of the line of credit falls within the more than $100,000 through $250,000 range, the bank would report both the $30,000 and $50,000 amounts currently outstanding in part II, item 8.b, column B, and count these as two loans for purposes of part II, item 8.b, column A.

(11) The bank has one other "Loan to finance agricultural production and other loans to a farmer" which has a carrying value on the June 30 report date of $75,000 and this amount is included in Schedule RC-C, part I, item 3. The bank made this loan to the borrower in the original amount of $100,000, so it would be considered a "loan to a small farm" and would be reported in Schedule RC-C, part II. Because the original amount of the loan is exactly $100,000 which is the upper end of the $100,000 or less range, the bank would report the $75,000 amount currently outstanding in part II, item 8.a, column B.

SCHEDULE RC-D - TRADING ASSETS AND LIABILITIES

General Instructions

Schedule RC-D is to be completed only by banks filing the FFIEC 031 and 032 report forms that have $1 billion or more in total assets or $2 billion or more in par/notional amount of off-balance sheet interest rate, foreign exchange rate, and other commodity and equity contracts.

Banks that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other off-balance sheet commodity and equity contracts, other financial instruments, and other assets for resale (or repurchase), (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell (or repurchase) in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this schedule the value of such items or positions on the report date. Assets, liabilities, and other financial instruments held for trading shall be consistently valued at fair value.

Do not include in this schedule the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Available-for-sale securities are generally reported in Schedule RC, item 2.b, and in Schedule RC-B, columns C and D. However, a bank may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., nonrated industrial development obligations) that the bank has designated as "available-for-sale" which are reported for purposes of the Report of Condition in a balance sheet category other than "Securities" (e.g., "Loans and lease financing receivables"). Loans and leases held for sale should be reported in Schedule RC, item 4.a, "Loans and leases, net of unearned income," and in Schedule RC-C (including part I, Memorandum item 5).

Item Instructions

Item No. **Caption and Instructions**

ASSETS

1 **U.S. Treasury securities (in domestic offices)**. Report the total value of securities issued by the U.S. Treasury (as defined for Schedule RC-B, item 1, "U.S. Treasury securities") held for trading (in domestic offices).

2 **U.S. Government agency obligations (in domestic offices)**. Report the total value of all obligations of U.S. Government agencies (as defined for Schedule RC-B, item 2, "U.S. Government agency obligations") held for trading (in domestic offices).

3 **Securities issued by states and political subdivisions in the U.S. (in domestic offices)**. Report the total value of all securities issued by states and political subdivisions in the United States (as defined for Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S.") held for trading (in domestic offices).

4 **Mortgage-backed securities (in domestic offices)**. Report in the appropriate subitem the total value of all mortgage-backed securities held for trading (in domestic offices).

Item No. **Caption and Instructions**

4.a **Pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA**. Report the total value of all pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (as defined for Schedule RC-B, item 4.a.(1), Pass-through securities "Guaranteed by GNMA," and item 4.a.(2), Pass-through securities "Issued by FNMA and FHLMC") held for trading (in domestic offices).

4.b **Other mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA**. Report the total value of all other mortgage-backed securities issued by FNMA, FHLMC, or GNMA (as defined for Schedule RC-B, item 4.b.(1), Other mortgage-backed securities "Issued or guaranteed by FNMA, FHLMC, or GNMA") held for trading (in domestic offices).

4.c **All other mortgage-backed securities**. Report the total value of all other mortgage-backed securities (as defined for Schedule RC-B, item 4.a.(3), "Other pass-through securities," item 4.b.(2), Other mortgage-backed securities "Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA," and item 4.b.(3) "All other mortgage-backed securities") held for trading (in domestic offices).

5 **Other debt securities (in domestic offices)**. Report the total value of all other debt securities (as defined for Schedule RC-B, item 5, "Other debt securities") held for trading (in domestic offices).

6 **Certificates of deposit (in domestic offices)**. Report the total value of certificates of deposit (see the Glossary entry for "deposits" for the definition of this term) held for trading (in domestic offices).

7 **Commercial paper (in domestic offices)**. Report the total value of commercial paper (see the Glossary entry for "commercial paper" for the definition of this term) held for trading (in domestic offices).

8 **Bankers acceptances (in domestic offices)**. Report the total value of bankers acceptances (see the Glossary entry for "bankers acceptances" for the definition of this term) held for trading (in domestic offices).

9 **Other trading assets (in domestic offices)**. Report the total value of all trading assets (in domestic offices) that cannot properly be reported in items 1 through 8. Exclude revaluation gains on off-balance sheet interest rate, foreign exchange rate, and other commodity and equity contracts (in domestic offices) (report in item 11 below).

10 **Trading assets in foreign offices**. (Item 10 is not applicable to banks filing the FFIEC 032 report form.) On the FFIEC 031 only, report the total value of all assets held for trading in foreign offices. Exclude revaluation gains on off-balance sheet interest rate, foreign exchange rate, and other commodity and equity contracts in foreign offices (report in item 11.b below).

11 **Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts**. Report (on the FFIEC 031, in the appropriate subitem) the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting bank's interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts executed with the same counterparty

Item No. **Caption and Instructions**

11 (cont.) that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 14 below, as appropriate. (For further information, see the Glossary entry for "offsetting.")

11.a **In domestic offices**. (Item 11.a is not applicable to banks filing the FFIEC 032 report form.) On the FFIEC 031 only, report the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts held for trading purposes in domestic offices. To the extent that the bank performs its "marking to market" of these contracts on a consolidated basis and nets the resulting revaluation gains and losses (i.e., assets and liabilities) for other financial reporting purposes as described in the instruction to item 11 above, but cannot readily determine separate asset amounts for its domestic offices and for its foreign offices, the asset amounts reported in this item may include revaluation gains and losses on contracts with the same counterparty in both domestic and foreign offices.

11.b **In foreign offices**. (Item 11.b is not applicable to banks filing the FFIEC 032 report form.) On the FFIEC 031 only, report the amount of revaluation gains (i.e., assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts held for trading purposes in foreign offices.

12 **Total trading assets**. Report the sum of items 1 through 11. This amount must equal Schedule RC, item 5, "Trading assets."

LIABILITIES

13 **Liability for short positions**. Report the total amount of the reporting bank's liabilities resulting from sales of assets that the reporting bank does not own (see the Glossary entry for "short position").

14 **Revaluation losses on interest rate, foreign exchange rate, and other commodity and equity contracts**. Report the amount of revaluation losses (i.e., liabilities) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts held for trading purposes. Revaluation gains and losses (i.e., assets and liabilities) from the "marking to market" of the reporting bank's interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts executed with the same counterparty that meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting arrangement) may be reported on a net basis using this item and item 11 above, as appropriate. (For further information, see the Glossary entry for "offsetting.")

15 **Total trading liabilities**. Report the sum of items 13 and 14. This amount must equal Schedule RC, item 15.b, "Trading liabilities."

SCHEDULE RC-E -- DEPOSIT LIABILITIES

General Instructions

A complete discussion of deposits is included in the Glossary entry entitled "deposits." That discussion addresses the following topics and types of deposits in detail:

(1) Federal Deposit Insurance Act definition of deposits;
(2) transaction accounts;
(3) demand deposits;
(4) NOW accounts;
(5) ATS accounts;
(6) telephone or preauthorized transfer accounts;
(7) nontransaction accounts;
(8) savings deposits;
(9) money market deposit accounts;
(10) other savings deposits;
(11) time deposits;
(12) time certificates of deposit;
(13) time deposits, open account;
(14) interest-bearing deposit accounts; and
(15) noninterest-bearing deposit accounts.

Additional discussions pertaining to deposits will also be found under separate Glossary entries for:

(1) borrowings and deposits in foreign offices;
(2) brokered deposits;
(3) cash management arrangements;
(4) dealer reserve accounts;
(5) hypothecated deposits;
(6) letter of credit (for letters of credit sold for cash and travelers letters of credit);
(7) overdraft;
(8) pass-through reserve balances;
(9) placements and takings; and
(10) reciprocal balances.

On the FFIEC 031 only, Schedule RC-E consists of two parts. Part I covers the deposit liabilities of the domestic offices of the consolidated bank. Part II covers the deposit liabilities of the foreign offices (including Edge and Agreement subsidiaries and IBFs) of the consolidated bank. (See the Glossary entries for "domestic office" and "foreign office" for the definitions of these terms.)

NOTE: For information about the reporting of deposits for deposit insurance and FICO assessment purposes, refer to Schedule RC-O.

NOTE: For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

(Part I. Deposits in Domestic Offices)

Definitions

The term "deposits" is defined in the Glossary and generally follows the definitions of deposits used in the Federal Deposit Insurance Act and in Federal Reserve Regulation D.

Reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

The following are not reported as deposits:

(1) Deposits received in one office of the bank for deposit in another office of the bank.

(2) Outstanding drafts (including advices or authorizations to charge the bank's balance in another depository institution) drawn in the regular course of business by the reporting bank on other depository institutions.

(3) Trust funds held in the bank's own trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business (report separately in Schedule RC-O, item 3, "Uninvested trust funds (cash) held in the bank's own trust department").

(4) Deposits accumulated for the payment of personal loans (i.e., hypothecated deposits), which should be netted against loans in Schedule RC-C, Loans and Lease Financing Receivables.

(5) All obligations arising from assets sold under agreements to repurchase.

(6) Overdrafts in deposit accounts. Overdrafts are to be reported as loans in Schedule RC-C and not as negative deposits. Overdrafts in one or more transaction accounts within a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that are established under a bona fide cash management arrangement by this customer are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. For reporting and deposit insurance assessment purposes, such accounts function as, and are regarded as, one account rather than multiple separate accounts. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) See the Glossary entry for "cash management arrangements" for information on bona fide cash management arrangements.

(7) Time deposits sold (issued) by the reporting bank that it has subsequently purchased in the secondary market (typically as a result of the bank's trading activities) and has not resold as of the report date. For purposes of these reports, a bank that purchases a time deposit it has issued is regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the bank has cancelled a liability as opposed to having acquired an asset for its portfolio.

The following are reported as deposits:

(1) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department of the reporting bank other than the trust department.

(2) Credit items that could not be posted to the individual deposit accounts but that have been credited to the control accounts of the various deposit categories on the general ledger.

Definitions (cont.)

(3) Credit items not yet posted to deposit accounts that are carried in suspense or similar nondeposit accounts and are material in amount. As described in the Glossary entry for "suspense accounts," the items included in such accounts should be reviewed and material amounts reported in the appropriate balance sheet accounts. NOTE: Deposits carried in suspense accounts that have not been reclassified as deposits and reported in Schedule RC-E must be reported as unposted credits in Schedule RC-O, item 2.

(4) Escrow funds.

(5) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(6) Credit balances resulting from customers' overpayments of account balances on credit cards and related plans.

(7) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).

(8) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.

(9) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.

(10) Refundable loan commitment fees received or held by the reporting bank prior to loan closing.

(11) Refundable stock subscription payments received or held by the reporting bank prior to the issuance of the stock. (Report nonrefundable stock subscription payments in Schedule RC-G, item 4, "Other liabilities.")

In addition, the gross amount of debit items ("throw-outs," "bookkeepers' cutbacks," or "rejects") that cannot be posted to the individual deposit accounts without creating overdrafts or for some other reason (e.g., stop payment, missing endorsement, post or stale date, or account closed), but which have been charged to the control accounts of the various deposit categories on the general ledger, should be credited to (added back to) the appropriate deposit control totals and reported in Schedule RC-F, item 4, "Other" assets.

The Monetary Control Act of 1980 and the resulting revision to Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," established, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." The distinction between transaction and nontransaction accounts is discussed in detail in the Glossary entry for "deposits." NOTE: Money market deposit accounts (MMDAs) are regarded as savings deposits and are specifically excluded from the "transaction account" classification.

Summary of Transaction Account Classifications (See the Glossary entry for "deposits" for detailed definitions and further information.)

A. Always regarded as transaction accounts:

1. Demand deposits.

2. NOW accounts.

3. ATS accounts.

4. Accounts (other than savings deposits) from which payments may be made to third parties by means of an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

5. Accounts (other than savings deposits) that permit third party payments through use of checks, drafts, negotiable instruments, or other similar instruments.

B. Deposits or accounts that are regarded as transaction accounts if the following specified conditions exist:

1. Accounts that otherwise meet the definition of savings deposits but that authorize or permit the depositor to exceed the transfer and withdrawal rules for a savings deposit.

2. Any deposit or account that otherwise meets the definition of a time deposit but that allows withdrawals within the first six days after the date of 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, unless the deposit or account meets the definition of a savings deposit. Any such deposit or account that meets the definition of a savings deposit shall be reported as a savings deposit, otherwise it shall be reported as a demand deposit, which is a transaction account.

3. The remaining balance of a time deposit from which a partial early withdrawal is made, unless the remaining balance either (a) is subject to additional early withdrawal penalties of at least seven days' simple interest on amounts withdrawn within six days after each partial withdrawal (in which case the deposit or account continues to be reported as a time deposit) or (b) is placed in an account that meets the definition of a savings deposit (in which case the deposit or account shall be reported as a savings deposit). Otherwise, the deposit or account shall be reported as a demand deposit, which is a transaction account.

C. Not regarded as transaction accounts (unless specified above):

1. Savings deposits (including accounts commonly known as money market deposit accounts (MMDAs)).

2. Accounts that permit telephone or preauthorized transfers or transfers by ATMs or RSUs to repay loans made or serviced by the same depository institution.

3. Accounts that permit telephone or preauthorized withdrawals where the proceeds are to be mailed to or picked up by the depositor.

4. Accounts that permit transfers to other accounts of the depositor at the same institution through ATMs or RSUs.

Column Instructions

Deposits as summarized above are divided into two general categories, "Transaction Accounts" (columns A and B) and "Nontransaction Accounts (including MMDAs)" (column C).

Column A - Total transaction accounts. Report in column A the total of all transaction accounts as summarized above and fully defined in the Glossary entry for "deposits." With the exceptions noted in the item instructions and the Glossary entry, the term "transaction account" is defined as 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 third party payments or transfers to third persons or others, or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Column B - Memo: Total demand deposits. Report in column B all demand deposits, including any matured time or savings deposits without automatic renewal provisions, unless the deposit agreement specifically provides for the funds to be transferred at maturity to another type of account (i.e., other than a demand deposit) (see the Glossary entry for "deposits").

NOTE: Demand deposits are, of course, one type of transaction account and, therefore, amounts reported in this column should be included in the total of transaction accounts that is reported in column A.

Column C - Total nontransaction accounts (including MMDAs). Report in column C all deposits other than transaction accounts as summarized above and defined in the Glossary entry for "deposits." Include in column C all interest-bearing and noninterest-bearing savings deposits and time deposits together with all interest paid by crediting savings and time deposit accounts.

Item Instructions

Item No. **Caption and Instructions**

1 **Deposits of individuals, partnerships, and corporations**. Report in the appropriate column all deposits of individuals, partnerships, and corporations, wherever located.

Include in this item:

(1) Deposits related to the personal, household, or family activities of both farm and nonfarm individuals and to the business activities of sole proprietorships.

(2) Deposits of corporations and organizations (other than depository institutions), regardless of whether they are operated for profit, including but not limited to:

(a) mutual funds and other nondepository financial institutions;

(b) foreign government-owned nonbank commercial and industrial enterprises; and

(c) quasi-governmental organizations such as post exchanges on military posts and deposits of a company, battery, or similar organization (unless the reporting bank has been designated by the U.S. Treasury as a depository for such funds and appropriate security for the deposits has been pledged, in which case, report in Schedule RC-E, item 2).

Item No. **Caption and Instructions**

1 (cont.)

(3) Dealer reserve accounts (see the Glossary entry for "dealer reserve accounts" for the definition of this term).

(4) Deposits of U.S. Government agencies and instrumentalities such as the:

(a) Banks for Cooperatives,
(b) Export-Import Bank of the U.S.,
(c) Federal Deposit Insurance Corporation,
(d) Federal Financing Bank,
(e) Federal Home Loan Banks,
(f) Federal Home Loan Mortgage Corporation,
(g) Federal Intermediate Credit Banks,
(h) Federal Land Banks,
(i) Federal National Mortgage Association,
(j) National Credit Union Administration Central Liquidity Facility,
(k) National Credit Union Share Insurance Fund,
(l) Office of Thrift Supervision, and
(m) Student Loan Marketing Association.

(5) Deposits of trust funds standing to the credit of other banks and all trust funds held or deposited in any department (except the trust department) of the reporting bank if the beneficiary is an individual, partnership, or corporation.

(6) Credit balances on credit cards and related plans as a result of customer overpayment.

(7) Deposits of a federal or state court held for the benefit of individuals, partnerships, or corporations, such as bankruptcy funds and escrow funds.

Exclude from this item deposits of:

(1) The U.S. Government (report in Schedule RC-E, item 2).

(2) States and political subdivisions in the U.S. (report in Schedule RC-E, item 3).

(3) Commercial banks in the U.S. (report in Schedule RC-E, item 4).

(4) Other depository institutions in the U.S. (report in Schedule RC-E, item 5).

(5) Banks in foreign countries (report in Schedule RC-E, item 7 on the FFIEC 034; item 6 on the FFIEC 031, 032, and 033).

2 **Deposits of U.S. Government**. Report in the appropriate column all deposits of federal public funds made by or for the account of the United States or some department, bureau, or official thereof.

Include in this item:

(1) U.S. Treasury Tax and Loan Accounts, including deposits of federal income tax withheld from employee salaries, from interest and dividend payments, and from

Item No. **Caption and Instructions**

2 (cont.) distributions or payments from pensions, annuities, and other deferred income including IRAs; social security tax deposits and other federal tax payments; and the proceeds from sales of U.S. Savings Bonds.

NOTE: Only deposits credited to the U.S. Treasury Tax and Loan demand deposit accounts that represent funds received as of the close of business of the "current" day should be reported as Treasury Tax and Loan Demand Deposits. (The "current" day's deposits should reflect those deposits on the bank's books standing to the credit of the U.S. Treasury's Tax and Loan Account as of the report date.) Funds credited to Tax and Loan Demand Deposit Accounts as of the close of business on previous days should already have been remitted to the Federal Reserve Bank (and thus excluded from this report) or automatically converted into open-ended interest-bearing notes (to be reported in Schedule RC, item 15.a), depending on the option selected by the reporting institution.

(2) Deposits standing to the credit of certain quasi-governmental institutions when the reporting bank has been designated by the U.S. Treasury as a depository for such funds.

(3) Deposits of the U.S. Postal Service and local post offices.

Exclude from this item deposits of U.S. Government agencies and instrumentalities. (Such deposits are to be reported in Schedule RC-E, item 1 above.)

3 **Deposits of states and political subdivisions in the U.S.** Report in the appropriate column all deposits standing to the credit of states, counties, municipalities, and local housing authorities; school, irrigation, drainage, and reclamation districts; or other instrumentalities of one or more states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions.

Also include deposits of funds advanced to states and political subdivisions by U.S. Government agencies and corporations and deposits of withheld income taxes of states and political subdivisions.

4 **Deposits of commercial banks in the U.S.** Report in the appropriate column all deposits of commercial banks located in the U.S.

Commercial banks in the U.S. cover:

(1) U.S. branches and agencies of foreign banks;

(2) all other commercial banks in the U.S., i.e., U.S. branches of U.S. banks.

Refer to the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.

For purposes of these reports, U.S. branches and agencies of foreign banks include U.S. branches and agencies of foreign official banking institutions and investment companies that are chartered under Article XII of the New York State banking law and that are majority-owned by one or more foreign banks.

Item No.	Caption and Instructions
4 (cont.)	For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances." Exclude from this item deposits of the following depository institutions: (1) Building or savings and loan associations, homestead associations, cooperative banks, credit unions, and mutual or stock savings banks (report in Schedule RC-E, item 5 below). (2) Banks in foreign countries (on the FFIEC 034, report in Schedule RC-E, item 7 below; on the FFIEC 031, 032, and 033, report in Schedule RC-E, item 6 below). (See the Glossary entry for "banks, U.S. and foreign" for the definition of this term.) (3) On the FFIEC 031, IBFs (report in part II of Schedule RC-E).
5	**Deposits of other depository institutions in the U.S.** Report in the appropriate column all deposits of depository institutions in the U.S. other than commercial banks. Refer to the Glossary entry for "depository institutions in the U.S." for a complete discussion of this term. Include deposits of the following: (1) building or savings and loan associations, homestead associations, and cooperative banks; (2) mutual and stock savings banks; and (3) credit unions. For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
6	-	**Certified and official checks**. Report the following: (1) Unpaid depositors' checks that have been certified. (2) Cashiers' checks, money orders, and other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and that are outstanding on the report date.

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
6 (cont.)	-	(3) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented).
		(4) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party.
		(5) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank.
		(6) Outstanding travelers' checks, travelers' letters of credit and other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the reporting bank or its agents.
		(7) Outstanding drafts and bills of exchange accepted by the reporting bank or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent.
-	6	**Deposits of banks in foreign countries**. Report in the appropriate column all deposits of banks located in foreign countries.
		Banks in foreign countries cover:
		(1) foreign-domiciled branches of other U.S. banks; and
		(2) foreign-domiciled branches of foreign banks.
		See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms.
		Exclude from this item deposits of foreign official institutions and foreign central banks (to be reported in Schedule RC-E, item 7 below) and deposits of U.S. branches and agencies of foreign banks and New York State investment companies (to be reported in Schedule RC-E, item 4 above).
		For the appropriate treatment of deposits of depository institutions for which the reporting bank is serving as a pass-through agent for federal required reserves, see the Glossary entry for "pass-through reserve balances."

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
7	-	**Deposits of banks in foreign countries, foreign governments, and foreign official institutions**. Report in the appropriate column all deposits of banks located in foreign countries and of foreign governments and official institutions (including foreign central banks). Banks in foreign countries cover (1) foreign-domiciled branches of other U.S. banks and (2) foreign-domiciled branches of foreign banks. See the Glossary entry for "banks, U.S. and foreign" for further discussion of these terms. Refer to the Glossary entry for "foreign governments and official institutions" for the definition of this term. Exclude from this item deposits of: (1) U.S. branches and agencies of foreign banks and of foreign official banking institutions (report in Schedule RC-E, item 4 above). (2) New York State investment companies (chartered under Article XII of the New York State Banking Code) that perform a banking business and that are majority-owned by one or more foreign banks (report in Schedule RC-E, item 4 above). (3) Foreign government-owned nonbank commercial and industrial enterprises (report in Schedule RC-E, item 1 above).
-	7	**Deposits of foreign governments and official institutions**. Report in the appropriate columns all deposits of foreign governments and official institutions. (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.) Exclude from this item deposits of: (1) U.S. branches and agencies of foreign official banking institutions (report in Schedule RC-E, item 4 above). (2) Nationalized banks and other banking institutions that are owned by foreign governments and that do not function as central banks, banks of issue, or development banks (report in Schedule RC-E, item 6 above). (3) Foreign government-owned nonbank commercial and industrial enterprises (report in Schedule RC-E, item 1 above).

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
-	8	**Certified and official checks**. Report the following: (1) Unpaid depositors' checks that have been certified. (2) Cashiers' checks, money orders, and other officers' checks issued for any purpose including those issued in payment for services, dividends, or purchases that are drawn on the reporting bank by any of its duly authorized officers and that are outstanding on the report date. (3) Funds received or held in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business (including accounts where funds are remitted by the reporting bank only when it has been advised that the checks or drafts have been presented). (4) Funds received or held in connection with traveler's checks and money orders sold (but not drawn) by the reporting bank, until the proceeds of the sale are remitted to another party, and funds received or held in connection with other such checks used (but not drawn) by the reporting bank, until the amount of the checks is remitted to another party. (5) Checks drawn by the reporting bank on, or payable at or through, a Federal Reserve Bank or a Federal Home Loan Bank. (6) Outstanding travelers' checks, travelers' letters of credit and other letters of credit (less any outstanding drafts accepted thereunder) sold for cash or its equivalent by the reporting bank or its agents. (7) Outstanding drafts and bills of exchange accepted by the reporting bank or its agents for money or its equivalent, including drafts accepted against a letter of credit issued for money or its equivalent. (8) On the FFIEC 031, checks or drafts drawn by, or on behalf of, a non-U.S. office of the reporting bank on an account maintained at a U.S. office of the reporting bank. Such drafts are, for Report of Condition and federal deposit insurance assessment purposes, the same as officers' checks. This would include "London checks," "Eurodollar bills payable checks," and any other credit items that the domestic bank issues in connection with such transactions.
8	9	**Total**. On the FFIEC 034, report in each column the sum of items 1 through 7 above. On the FFIEC 031, 032, and 033, report in each column the sum of items 1 through 8 above. The sum of columns A and C of this item must equal Schedule RC, item 13.a, "Deposits in domestic offices."

Memoranda

Item No.	Caption and Instructions
1	**Selected components of total deposits**. The amounts to be reported in Memorandum items 1.a through 1.e below are included as components of total deposits (in domestic offices) (on the FFIEC 034, Schedule RC-E, sum of item 8, columns A and C; on the FFIEC 031, 032, and 033, Schedule RC-E, sum of item 9, columns A and C).
1.a	**Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts**. Report in this Memorandum item the total of all IRA and Keogh Plan deposits included in total deposits (in domestic offices) (on the FFIEC 034, Schedule RC-E, sum of item 8, columns A and C; on the FFIEC 031, 032, and 033, Schedule RC-E, sum of item 9, columns A and C).
1.b	**Total brokered deposits**. Report in this Memorandum item the total of all brokered deposits included in total deposits (in domestic offices) (on the FFIEC 034, Schedule RC-E, sum of item 8, columns A and C; on the FFIEC 031, 032, and 033, Schedule RC-E, sum of item 9, columns A and C), regardless of size or type of deposit instrument. (See the Glossary entry for "brokered deposits" for the definition of this term.)
1.c	**Fully insured brokered deposits**. Report in the appropriate subitem all fully insured brokered deposits (as defined in the Glossary entry for "brokered deposits") included in Schedule RC-E, Memorandum item 1.b above.
1.c.(1)	**Issued in denominations of less than $100,000**. Report in this item those brokered deposits issued by the bank in denominations of less than $100,000.
1.c.(2)	**Issued either in denominations of $100,000 or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less**. Report in this item: (1) those brokered deposits issued by the bank in denominations of exactly $100,000; and (2) those brokered deposits issued by the bank in denominations greater than $100,000 that have been participated out by the broker in shares of $100,000 or less.
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 issued in denominations of less than $100,000 with a remaining maturity of one year or less**. Report in this item those brokered deposits issued by the bank in denominations of less than $100,000 with a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. The brokered deposits included in this item will have been reported in Schedule RC-E, Memorandum item 1.c.(1) above.
1.d.(2)	**Brokered deposits issued in denominations of $100,000 or more with a remaining maturity of one year or less**. Report in this item those brokered deposits issued by the bank in denominations of $100,000 or more with a remaining maturity of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a brokered deposit. The brokered deposits included in this item will have been reported in Schedule RC-E, Memorandum item 1.b above.

Memoranda

Item No. **Caption and Instructions**

1.e **Preferred deposits**. 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 $350,000 in deposits at a bank which, under state law, is required to pledge securities to cover only the uninsured portion of such deposits ($250,000 in this example). The bank has pledged securities with a value of $300,000 to secure these deposits. Only $250,000 of the political subdivision's $350,000 in deposits (the uninsured amount) 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 $1,000,000 in public deposits under the program and $700,000 of this amount is uninsured. 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" in the Call Report.

2 **Components of total nontransaction accounts**. Memorandum item 2 divides total nontransaction accounts into two major categories, savings deposits (Memorandum items 2.a.(1) and 2.a.(2)) and time deposits (Memorandum items 2.b and 2.c). The sum of Memorandum items 2.a.(1) and 2.a.(2) equals total savings deposits. The sum of Memorandum items 2.b and 2.c equals total time deposits. The sum of Memorandum items 2.a.(1) and 2.a.(2) (savings deposits) and Memorandum items 2.b and 2.c (time deposits) equals total nontransaction deposits reported on the FFIEC 034 in item 8, column C, above, and on the FFIEC 031, 032, and 033 in item 9, column C, above.

Memoranda

Item No.	**Caption and Instructions**
2 (cont.)	Include as time deposits in Memorandum items 2.b and 2.c: (1) All time deposits (as defined in the Glossary entry for "deposits") with original maturities of seven days or more that are not classified as transaction accounts. (2) Interest paid by crediting time deposit accounts.
2.a	**Savings deposits**. Report in the appropriate subitem all savings deposits included in column C above. See the Glossary entry for "deposits" for the definition of savings deposits. Include as savings deposits in Memorandum items 2.a.(1) and 2.a.(2) interest paid by crediting savings deposit accounts. Exclude from Memorandum items 2.a.(1) and 2.a.(2): (1) NOW accounts, ATS accounts, and telephone or preauthorized transfer accounts that meet the definition of a transaction account (report in Schedule RC-E, column A as transaction accounts). (2) Special passbook or statement accounts, such as "90-day notice accounts," "golden passbook accounts," or deposits labeled as "savings certificates," that have a specified original maturity of seven days or more (report as time deposits in Schedule RC-E, Memorandum item 2.b or 2.c below). (3) Interest accrued on savings deposits but not yet paid or credited to a deposit account (exclude from this schedule and report in Schedule RC-G, item 1.a, "Interest accrued and unpaid on deposits (in domestic offices)").
2.a.(1)	**Money market deposit accounts (MMDAs)**. Report in this item the total amount of all money market deposit accounts (MMDAs) that are included in Schedule RC-E, column C above. See the Glossary entry for "deposits" for the definition of money market deposit accounts.
2.a.(2)	**Other savings deposits**. Report in this item the total amount of all other savings deposits that are included in Schedule RC-E, column C above. This item includes those accounts commonly known as passbook savings and statement savings. See the Glossary entry for "deposits" for the definition of other savings deposits.
2.b	**Total time deposits of less than $100,000**. Report in this item all time deposits included in Schedule RC-E, column C above with balances of less than $100,000. This item includes both time certificates of deposit and open-account time deposits with balances of less than $100,000, regardless of negotiability or transferability. Exclude from this item all time deposits with balances of $100,000 or more (report in Schedule RC-E, Memorandum item 2.c below).

Memoranda

Item No. **Caption and Instructions**

2.c **Total time deposits of $100,000 or more**. Report in this item all time deposits included in Schedule RC-E, column C above with balances of $100,000 or more. This item includes both time certificates of deposit and open-account time deposits with balances of $100,000 or more, regardless of negotiability or transferability. Include in this item brokered deposits issued to brokers or dealers in the form of large ($100,000 or more) certificates of deposit, regardless of whether the underlying depositors' shares are in denominations of less than $100,000. Exclude from this item time deposits with balances of less than $100,000 (report in Schedule RC-E, Memorandum item 2.b above).

NOTE: Banks should include as time deposits of $100,000 or more those time deposits originally issued in denominations of less than $100,000 but that, because of interest paid or credited, or because of additional deposits, now have a balance of $100,000 or more.

3 **All NOW accounts**. Report in this item the outstanding balances of all NOW accounts that are included in column A of Schedule RC-E above. (See the Glossary entry for "deposits" for the definition of NOW accounts.)

4 Not applicable.

5 **Maturity and repricing data for time deposits of less than $100,000**. Report in the appropriate subitem maturity and repricing data for the bank's time deposits of less than $100,000, i.e., the bank's time certificates of deposit of less than $100,000 and the bank's open-account time deposits of less than $100,000. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item 2.b above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 5.a.(1) through 5.a.(4) must equal Schedule RC-E, Memorandum item 2.b above.

For purposes of this memorandum item and Schedule RC-E, Memorandum item 6, the following definitions apply:

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

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

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

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit.

Memoranda

Item No.	**Caption and Instructions**
5 (cont.)	Repricing frequency is how often the contract permits the interest rate on a floating rate time deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the date the rate can next change or the maturity date. Time deposits held in Individual Retirement Accounts (IRAs) and Keogh Plan accounts should be reported without regard to distribution schedules that may be in effect for funds held in certain depositors' accounts. Such time deposits should be reported in this Memorandum item and in Schedule RC-E, Memorandum item 6, in the same manner as time deposits not held in IRAs and Keogh Plan accounts. Noninterest-bearing time deposits should be treated as fixed rate time deposits and reported according to the amount of time remaining to final contractual maturity in this Memorandum item and in Schedule RC-E, Memorandum item 6. Fixed rate time deposits that are callable at the option of the issuing bank should be reported according to their remaining maturity without regard to their next call date unless the time deposit has actually been called. When fixed rate time deposits have been called, they should be reported on the basis of the time remaining until the call date. Callable floating rate time deposits should be reported on the basis of their repricing frequency without regard to their next call date even if the time deposit has actually been called. Fixed rate time deposits that provide depositors with the option to redeem them at one or more specified dates prior to their contractual maturity date without penalty should be reported according to their remaining maturity without regard to "put" dates. If the redemption option has been exercised, however, such deposits should be reported on the basis of the time remaining until the date on which the time deposit will be redeemed. Floating rate time deposits that provide depositors with redemption options without penalty should be reported on the basis of their repricing frequency without regard to "put" dates.
5.a	**Time deposits of less than $100,000 with a remaining maturity or repricing frequency of.** Report the dollar amount of the bank's fixed rate time deposits of less than $100,000 in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Also report the dollar amount of the bank's floating rate time deposits of less than $100,000 in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the certificates of deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates.
5.a.(1)	**Three months or less.** Report the dollar amount of: o the bank's fixed rate time deposits of less than $100,000 with remaining maturities of three months or less, and o the bank's floating rate time deposits of less than $100,000 which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

Memoranda

Item No. **Caption and Instructions**

5.a.(2 **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of less than $100,000 with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of less than $100,000 which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

5.a.(3) **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of less than $100,000 with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of less than $100,000 which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every 2 years).

5.a.(4) **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of less than $100,000 with remaining maturities of over three years, and
- the bank's floating rate time deposits of less than $100,000 which can be repriced less frequently than every three years (e.g., every five years, every four years).

5.b **Fixed rate and floating rate time deposits of less than $100,000 with a remaining maturity of one year or less.** Report all time deposits of less than $100,000 with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of less than $100,000.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 5.a.(1) and 5.a.(2) above. The floating rate time deposits that should be included in this item will have been reported by repricing frequency in Memorandum items 5.a.(1) through 5.a.(4) above. However, Memorandum items 5.a.(1) and 5.a.(2) above include floating rate time deposits with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those time deposits should not be included in this Memorandum item 5.b.

6 **Maturity and repricing data for time deposits of $100,000 or more.** Report in the appropriate subitem maturity and repricing data for the bank's time deposits of $100,000 or more, i.e., the bank's time certificates of deposit of $100,000 or more and the bank's open-account time deposits of $100,000 or more. The time deposits included in this item will have been reported in Schedule RC-E, Memorandum item 2.c above. Therefore, the sum of the amounts reported in Schedule RC-E, Memorandum items 6.a.(1) through 6.a.(4) must equal Schedule RC-E, Memorandum item 2.c above. Refer to the definitions and other instructions about time deposits in Schedule RC-E, Memorandum item 5 above.

Memoranda

Item No. **Caption and Instructions**

6.a **Time deposits of $100,000 or more with a remaining maturity or repricing frequency of.** Report the dollar amount of the bank's fixed rate time deposits of $100,000 or more in the appropriate subitems according to the amount of time remaining to their final contractual maturities. Also report the dollar amount of the bank's floating rate time deposits of $100,000 or more in the appropriate subitems according to their repricing frequencies, that is, how often the contract permits the interest rates on the certificates of deposit to be changed (e.g., daily, monthly, quarterly, semiannually, annually) without regard to the length of time between the report date and the dates the rates can next change or maturity dates.

6.a.(1) **Three months or less.** Report the dollar amount of:

- the bank's fixed rate time deposits of $100,000 or more with remaining maturities of three months or less, and
- the bank's floating rate time deposits of $100,000 or more which can be repriced quarterly or more frequently (e.g., quarterly, monthly, weekly, daily).

6.a.(2) **Over three months through 12 months.** Report the dollar amount of:

- the bank's fixed rate time deposits of $100,000 or more with remaining maturities of over three months through 12 months, and
- the bank's floating rate time deposits of $100,000 or more which can be repriced annually or more frequently, but less frequently than quarterly (e.g., annually, semiannually).

6.a.(3) **Over one year through three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of $100,000 or more with remaining maturities of over one year through three years, and
- the bank's floating rate time deposits of $100,000 or more which can be repriced every three years or more frequently, but less frequently than annually (e.g., every three years, every 2 years).

6.a.(4) **Over three years.** Report the dollar amount of:

- the bank's fixed rate time deposits of $100,000 or more with remaining maturities of over three years, and
- the bank's floating rate time deposits of $100,000 or more which can be repriced less frequently than every three years (e.g., every five years, every four years).

Memoranda

Item No. **Caption and Instructions**

6.b **Fixed rate and floating rate time deposits of $100,000 or more with a remaining maturity of one year or less.** Report all time deposits of $100,000 or more with a remaining maturity of one year or less. Include both fixed rate and floating rate time deposits of $100,000 or more.

The fixed rate time deposits that should be included in this item will also have been reported by remaining maturity in Schedule RC-E, Memorandum items 6.a.(1) and 6.a.(2) above. The floating rate time deposits that should be included in this item will have been reported by repricing frequency in Memorandum items 6.a.(1) through 6.a.(4) above. However, Memorandum items 6.a.(1) and 6.a.(2) above include floating rate time deposits with a remaining maturity of more than one year, but with a repricing frequency of one year or less; those time deposits should not be included in this Memorandum item 6.b.

Schedule RC-E, Part II. Deposits in Foreign Offices (FFIEC 031 only)

Part II of Schedule RC-E is not applicable to banks filing the FFIEC 032, 033, and 034 report forms.

For purposes of this report, IBFs are to be treated as foreign offices and their deposit liabilities should be reported only in Schedule RC-E, part II. Also included in this part are deposits of all offices of Edge and Agreement subsidiaries and deposits of offices in foreign countries.

The definition of deposits in Schedule RC-E, part I, will apply directly to deposits of branches in Puerto Rico and U.S. territories and possessions and to the domestic offices of Edge and Agreement subsidiaries. However, for all other "foreign offices," the definition of deposits in Schedule RC-E, part I, must be adjusted for any differences in statutory and regulatory requirements and in institutional practices in foreign countries.

For these other foreign offices include as deposits:

(1) Liabilities readily identifiable as deposits because of name or definition.

(2) All foreign office liabilities identical to those described for domestic offices that have different names in different countries.

(3) Liabilities that, owing to law, custom, or banking practice in foreign countries, have characteristics similar to those defined for Schedule RC-E, part I.

(4) Any other foreign office liability that is treated as a deposit by the laws, local custom, or banking practice of the country in which it is booked.

Report any nondeposit borrowing of an office in a foreign country as a borrowing in Schedule RC, item 16, "Other borrowed money," or in other items, as appropriate.

When it is not clear whether a liability in a foreign office should be treated as a deposit or as a borrowing, treat it as a deposit. Report all deposits in IBFs in Schedule RC-E, part II, whether in the form of deposits, borrowings, placements, or similar instruments. Exclude IBF liabilities in the form of federal funds purchased and securities sold under agreements to repurchase (report in Schedule RC, item 14) and in the form of accrued liabilities, such as interest accrued but unpaid (report in Schedule RC, item 20).

For a discussion of deposits in foreign offices, see the Glossary entry for "borrowings and deposits in foreign offices."

Reciprocal balances between foreign offices of the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

Part II. Deposits in Foreign Offices (cont.)

Item Instructions

Item No.	Caption and Instructions
1	**Deposits of individuals, partnerships, and corporations**. Report all balances in foreign offices standing to the credit of individuals, partnerships, and corporations (as defined for Schedule RC-E, part I, item 1).
2	**Deposits of U.S. banks (including IBFs and foreign offices of U.S. banks)**. Report all deposit balances in foreign offices of the reporting bank standing to the credit of banks headquartered and chartered in the United States. Include both U.S. and non-U.S. branches of U.S. commercial banks and IBFs established by U.S. commercial banks. Exclude U.S. branches and agencies of foreign banks and IBFs established by such branches and agencies. (See the Glossary entry for "banks, U.S. and foreign" for the definition of U.S. banks.)
3	**Deposits of foreign banks (including U.S. branches and agencies of foreign banks, including their IBFs)**. Report all balances in foreign offices of the reporting bank standing to the credit of banks headquartered and chartered in foreign countries. Include both U.S. and non-U.S. branches of foreign banks and IBFs established by U.S. branches and agencies of foreign banks. Exclude foreign offices of U.S. banks. (See the Glossary entry for "banks, U.S. and foreign" for the definition of foreign banks.)
4	**Deposits of foreign governments and official institutions**. Report all balances in foreign offices standing to the credit of foreign governments and official institutions, including foreign central banks. (See the Glossary entry for "foreign governments and official institutions" for the definition of this term.)
5	**Certified and official checks**. Report all certified and official checks issued by foreign offices of the reporting bank (as defined for Schedule RC-E, part I, item 8). Also report all other liabilities that, owing to law, custom, or banking practice in foreign countries, have characteristics similar to those specified for domestic offices.
6	**All other deposits**. Report all balances in foreign offices standing to the credit of the U.S. Government, states and political subdivisions in the U.S., and depository institutions in the U.S. other than commercial banks (as defined for Schedule RC-E, part I, items 2, 3, and 5).
7	**Total**. Report the sum of items 1 through 6. This item must equal Schedule RC, item 13.b, "Deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

Memorandum

Item No.	Caption and Instructions
1	**Time deposits with a remaining maturity of one year or less**. Report all time deposits in foreign offices with remaining maturities of one year or less. Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of a time deposit. The time deposits included in this item will also have been reported in Schedule RC-E, Part II, item 7 above.

SCHEDULE RC-F -- OTHER ASSETS

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1 **Income earned, not collected on loans.** Report the amount of interest, commissions, and other income earned or accrued on loans and applicable to current or prior periods that has not yet been collected. Exclude income earned or accrued on assets other than loans (e.g., securities) that has not yet been collected (report in Schedule RC-F, item 4).

2 **Net deferred tax assets**. Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in Schedule RC-G, item 2, "Net deferred tax liabilities." If the result for each tax jurisdiction is a net credit balance, enter a zero or the word "none" in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

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

3 **Interest-only strips receivable (not in the form of a security) on.** As defined in FASB Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," an interest-only strip receivable is the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset. This includes, for example, contractual rights to future interest cash flows that exceed contractually specified servicing fees on financial assets that have been sold. Report in the appropriate subitem interest-only strips receivable not in the form of a security that are measured at fair value like available-for-sale securities. Report unrealized gains (losses) on these interest-only strips receivable in Schedule RC, item 26.b, "Net unrealized holding gains (losses) on available-for-sale securities."

Exclude from this item interest-only strips receivable in the form of a security, which should be reported as available-for-sale securities in Schedule RC, item 2.b, or as trading assets in Schedule RC, item 5, as appropriate. Also exclude interest-only strips not in the form of a security that are held for trading, which should be reported in Schedule RC, item 5.

3.a **Mortgage loans.** Report the fair value of interest-only strips receivable (not in the form of a security) on mortgage loans.

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

Item No. **Caption and Instructions**

4 **Other**. Report the amount of all other assets (other than those reported in Schedule RC-F, items 1, 2, and 3 of above) which cannot properly be reported in Schedule RC, items 1 through 10.

Itemize and describe, with clear but concise captions, each component of all other assets that is greater than $25,000 and exceeds 25 percent of the amount reported for this item. Enter the dollar amount of such components in the inset boxes provided. The descriptions of these amounts should not exceed 50 characters in length (including spacing between words).

Include as all other assets:

(1) Income earned but not collected on assets other than loans (e.g., securities).

(2) Prepaid expenses (i.e., those applicable as a charge against operations in future periods).

(3) Accrued interest on securities purchased.

(4) Cash items not conforming to the definition of "Cash items in process of collection" found in the instruction to Schedule RC, item 1.a.

(5) Credit or debit card sales slips in process of collection until the reporting bank has been notified that it has been given credit (report thereafter in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, on the FFIEC 034, in Schedule RC-M, item 3.a, "Noninterest-bearing balances due from commercial banks in the U.S.," if credit has been given by a commercial bank in the U.S., and on the FFIEC 031, 032, and 033 in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S.," or item 3, "Balances due from banks in foreign countries and foreign central banks," as appropriate).

(6) Automobiles, boats, equipment, appliances, and similar property repossessed or otherwise acquired for debts previously contracted.

(7) The current amount outstanding of margin accounts placed with brokers or others in connection with the purchase or sale of futures contracts (see the Glossary entry for "derivative contracts" for further information).

(8) Purchased computer software, net of accumulated amortization, and unamortized costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of FASB Statement No. 86.

(9) Bullion (e.g., gold or silver) not held for trading purposes.

(10) Original art objects, including paintings, antique objects, and similar valuable decorative articles (report at cost unless there has been a decline in value, judged to be other than temporary, in which case the object should be written down to its fair value).

(11) Securities or other assets held in charitable trusts (e.g., Clifford Trusts).

Item No. **Caption and Instructions**

4 (cont.) (12) Cash surrender value of life insurance policies for which the bank is the beneficiary. (Policies acquired after November 14, 1985, should be reported at the amount that could be realized under the insurance contracts as of the report date. For further information, see FASB Technical Bulletin No. 85-4.)

(13) Cost of issuing subordinated notes and debentures, net of accumulated amortization.

(14) Furniture and equipment rented to others under operating leases, net of accumulated depreciation.

(15) Ground rents.

(16) Customers' liability for deferred payment letters of credit.

Exclude from all other assets:

(1) Redeemed U.S. savings bonds and food stamps (report in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and also on the FFIEC 031, 032, and 033 in Schedule RC-A, item 1, "Cash items in process of collection, unposted debits, and currency and coin").

(2) Real estate owned or leasehold improvements to property intended for future use as banking premises (report in Schedule RC, item 6, "Premises and fixed assets").

(3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule RC, item 6, "Premises and fixed assets").

(4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property, and real estate collateral underlying a loan when the bank has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower (report as "All other real estate owned" in Schedule RC-M, item 8.a.(2)).

(5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule RC-C).

(6) Securities or other assets held in safekeeping for customers (which are not to be reflected on any basis in the balance sheet) unless the bank is authorized to and actually does hypothecate such securities or other assets to secure its own obligations (in which case, report in Schedule RC-L, item 7, "Securities borrowed").

(7) Securities borrowed (report in Schedule RC-L, item 7).

(8) Securities lent. Such securities should continue to be reported in the appropriate item of Schedule RC-B and the obligation of the borrower of the securities to return them to the bank should be reflected by reporting the book value of the securities in Schedule RC-L, item 8.

(9) Factored accounts receivable (report as loans in Schedule RC-C).

Item No. **Caption and Instructions**

5 **Total**. Report the sum of items 1 through 4. This amount must equal Schedule RC, item 11, "Other assets."

Memorandum

Item No. **Caption and Instructions**

1 **Deferred tax assets disallowed for regulatory capital purposes**. Report in this item the amount of deferred tax assets (included in Schedule RC-F, item 2, above) that are dependent upon future taxable income, net of any valuation allowance for deferred tax assets (included in Schedule RC-F, item 2), that exceeds the lesser of:

(1) The amount of deferred tax assets that are dependent upon future taxable income that is expected to be realized within one year of the calendar quarter-end date, based on the reporting bank's projected future taxable income for that year; or

(2) Ten percent of the amount of the reporting bank's Tier 1 (core) capital that exists before the deduction of any disallowed purchased mortgage servicing rights, any disallowed purchased credit card relationships, and any disallowed deferred tax assets.

Under the federal banking agencies' regulatory capital standards, deferred tax assets in excess of the preceding limit must be deducted from a bank's Tier 1 (core) capital, from its total assets, as defined, for leverage capital purposes, and are not included in its risk-weighted assets for risk-based capital purposes. A bank may calculate one overall limit on deferred tax assets that covers all tax jurisdictions in which the bank operates.

Deferred tax assets that are dependent upon future taxable income are (a) deferred tax assets arising from deductible temporary differences that exceed the amount of taxes previously paid that a bank could recover through loss carrybacks if the bank's temporary differences (both deductible and taxable) fully reverse at the report date and (b) deferred tax assets arising from operating loss and tax credit carryforwards. Therefore, for purposes of this item, all temporary differences should be assumed to fully reverse at the report date.

A bank may use its future taxable income projection for its current fiscal year (adjusted for any significant changes that have occurred or are expected to occur) when determining the regulatory capital limit for its deferred tax assets at an interim calendar quarter-end date rather than preparing a new projection each quarter. Projected future taxable income should not include net operating loss carryforwards expected to be used within one year of the quarter-end report date or the amount of existing temporary differences expected to reverse within that year, but should include the estimated effect of tax planning strategies that are expected to be implemented to realize carryforwards that will otherwise expire during that year.

When determining the amount to be reported in this item, each reporting bank's calculations should be made on a separate entity basis. Under the separate entity method, a bank (together with its consolidated subsidiaries) that is a subsidiary of a holding company is treated as a separate taxpayer rather than as part of the consolidated group of which it is a member.

Memorandum

Item No. **Caption and Instructions**

1 (cont.) Deferred tax assets which can be realized from taxes paid in prior carryback years and from future reversals of existing taxable temporary differences should generally not be reported in this item. However, for a bank that is a subsidiary of a holding company, the parent holding company may not have the financial capability to reimburse the reporting bank for tax benefits derived from the bank's carryback of net operating losses or tax credits. In such a situation, when determining the amount of deferred tax assets that are dependent upon future taxable income, the amount of carryback potential the bank may consider as being available for the realization of its deferred tax assets shall be limited to the amount which the bank could reasonably expect to have refunded by its parent.

Treatment of deferred tax assets relating to available-for-sale securities -- In accordance with FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," available-for-sale securities are reported in the Reports of Condition and Income at fair value, with unrealized holding gains and losses on such securities, net of tax effects, included in a separate component of equity capital. These tax effects may increase or decrease the reported amount of a bank's deferred tax assets. The federal banking agencies exclude from regulatory capital the amount of net unrealized holding gains and losses on available-for-sale securities (except net unrealized holding losses on available-for-sale equity securities with readily determinable fair values). When determining the regulatory capital limit for deferred tax assets, a bank may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets and liabilities arising from marking-to-market available-for-sale debt securities for purposes of these reports. A bank must follow a consistent approach with respect to such adjustments.

For further information on temporary differences, deferred tax assets, and the separate entity method, refer to the Glossary entry for "income taxes." For information about the optional treatment of a deferred tax liability that is specifically related to an intangible asset (other than purchased mortgage servicing rights and purchased credit card relationships) acquired in a nontaxable purchase business combination, refer to the instruction for Schedule RC-M, item 6.e.

SCHEDULE RC-G -- OTHER LIABILITIES

General Instructions

Complete this schedule for the fully consolidated bank. Eliminate all intrabank transactions between offices of the consolidated bank.

Item Instructions

Item No. **Caption and Instructions**

1.a **Interest accrued and unpaid on deposits (in domestic offices)**. Report the amount of interest on deposits (in domestic offices) accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits. On the FFIEC 031, exclude from this item interest accrued and unpaid on deposits in foreign offices (report such accrued interest in Schedule RC-G, item 1.b below).

1.b **Other expenses accrued and unpaid**. Report the amount of income taxes, interest on nondeposit liabilities (and, on the FFIEC 031, deposits in foreign offices), and other expenses accrued through charges to expense during the current or prior periods, but not yet paid. Exclude interest accrued and unpaid on deposits in domestic offices (report such accrued interest in Schedule RC-G, item 1.a above).

2 **Net deferred tax liabilities**. Report the net amount after offsetting deferred tax assets (net of valuation allowance) and deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in Schedule RC-F, item 2, "Net deferred tax assets." If the result for each tax jurisdiction is a net debit balance, enter a zero or the word "none" in this item. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction, such as for federal income tax purposes, and also report at the same time a net deferred tax credit, or liability, for another tax jurisdiction, such as for state or local income tax purposes.)

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

3 **Minority interest in consolidated subsidiaries**. Report the portion of the equity capital accounts of all consolidated subsidiaries of the reporting bank which must be allocated to minority shareholders of such subsidiaries.

4 **Other**. Report the amount of all other liabilities (other than those reported in Schedule RC-G, items 1, 2, and 3 above) that cannot properly be reported in Schedule RC, items 13 through 19.

Itemize and describe, with clear but concise captions, each component of all other liabilities that is greater than $25,000 and exceeds 25 percent of the amount reported for this item. Enter the dollar amount of such components in the inset boxes provided. The descriptions of these amounts should not exceed 50 characters in length (including spacing between words).

Item No. **Caption and Instructions**

4 (cont.) Include as all other liabilities:

(1) Dividends declared but not yet payable -- Include the amount of cash dividends declared on limited-life preferred, perpetual preferred, and common stock on or before the report date but not payable until after the report date. (Report dividend checks outstanding as "Certified and official checks" in Schedule RC-E, columns A and B, item 6 on the FFIEC 034; item 8 on the FFIEC 031, 032, and 033.)

(2) Accounts payable (other than expenses accrued and unpaid).

(3) Accumulated loss positions on written options held for purposes other than trading. For further information, see the Glossary entry for "derivative contracts."

(4) Deferred gains from sale-leaseback transactions.

(5) Unamortized loan fees, other than those that represent an adjustment of the interest yield, if material (refer to the Glossary entry for "loan fees" for further information).

(6) Bank's liability for deferred payment letters of credit.

(7) Unamortized negative goodwill (refer to the "purchase acquisition" section of the Glossary entry for "business combinations" for further information).

Exclude from all other liabilities (report in appropriate items of Schedule RC-E, Deposit Liabilities):

(1) Proceeds from sales of U.S. savings bonds.

(2) Withheld taxes, social security taxes, sales taxes, and similar items.

(3) Mortgage and other escrow funds (e.g., funds received for payment of taxes or insurance), sometimes described as mortgagors' deposits or mortgage credit balances.

(4) Undisbursed loan funds for which borrowers are liable and on which they pay interest. The amounts of such undisbursed funds should be included in both loans and deposits.

(5) Funds held as dealer reserves (see the Glossary entry for "dealer reserve accounts" for the definition of this term).

(6) Payments collected by the bank on loans secured by real estate and other loans serviced for others that have not yet been remitted to the owners of the loans.

(7) Credit balances on credit cards and related plans as a result of customers' overpayments.

Also exclude from all other liabilities due bills or similar instruments representing the bank's receipt of payment and the bank's liability on capital lease obligations (report in Schedule RC, item 16, "Other borrowed money").

5 **Total**. Report the sum of items 1 through 4. This amount must equal Schedule RC, item 20, "Other liabilities."

SCHEDULE RC-H -- SELECTED BALANCE SHEET ITEMS FOR DOMESTIC OFFICES

General Instructions

Schedule RC-H is applicable only to banks filing the FFIEC 031 report forms.

For the following items, report balances outstanding in the bank's domestic offices only.

Item Instructions

Item No. **Caption and Instructions**

1 **Customers' liability to this bank on acceptances outstanding**. Report the amount in domestic offices of the reporting bank of customers' liability on drafts and bills of exchange that have been accepted by the reporting bank, or by others for its account, and are outstanding. See the Glossary entry for "bankers acceptances" for further information.

2 **Bank's liability on acceptances executed and outstanding**. Report the amount of liability represented by drafts and bills of exchange that have been accepted by domestic offices of the reporting bank, or by others for the account of such offices, and are outstanding. See the Glossary entry for "bankers acceptances" for further information.

3 **Federal funds sold and securities purchased under agreements to resell**. Report the amount of federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3) held in domestic offices of the reporting bank. See the Glossary entry for "federal funds transactions."

Exclude such assets held in IBFs or in domestic offices of Edge and Agreement subsidiaries.

4 **Federal funds purchased and securities sold under agreements to repurchase**. Report the amount of federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14) held in domestic offices of the reporting bank. See the Glossary entry for "federal funds transactions."

Exclude such liabilities held in IBFs or in domestic offices of Edge and Agreement subsidiaries.

5 **Other borrowed money**. Report the amount of other borrowed money (as defined for Schedule RC, item 16, "Other borrowed money") held in domestic offices of the reporting bank.

6 **Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs**. (See the instructions following item 7 of this schedule.)

OR

7 **Net due to own foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report in the appropriate item either the "net due from" (item 6) or the "net due to" (item 7) position of the domestic offices of the bank relative to all the bank's Edge and Agreement subsidiaries, foreign branches, IBFs, consolidated foreign subsidiaries, and branches in Puerto Rico and

Item No. **Caption and Instructions**

7 (cont.) U.S. territories and possessions. These items must reflect all intrabank transactions of domestic offices with such other offices of the reporting bank, including investments (both equity and debt) in consolidated foreign subsidiaries. All other items in the Report of Condition (except for the memorandum item below) must exclude intrabank transactions.

Calculate a single net amount for all the intrabank due to and due from positions of the domestic offices and enter it either in item 6 or in item 7 of this schedule, depending on the nature of the single net amount.

8 **Total assets**. Report the amount of total assets (as defined for Schedule RC, item 12, "Total assets") held in domestic offices of the reporting bank. For purposes of this report, "Net due from own foreign offices, Edge and Agreement subsidiaries, and IBFs" should be excluded from total assets in domestic offices.

9 **Total liabilities**. Report the amount of total liabilities (as defined for Schedule RC, item 21, "Total liabilities") held in domestic offices of the reporting bank. For purposes of this report, "Net due to own foreign offices, Edge and Agreement subsidiaries, and IBFs" should be excluded from total liabilities in domestic offices.

NOTE: Items 10 through 17 include held-to-maturity and available-for-sale securities in domestic offices. Report held-to-maturity debt securities at amortized cost, available-for-sale debt and equity securities at fair value, and equity securities without readily determinable fair values at historical cost in these items. These amounts will have been included in the amounts reported in Schedule RC-B, columns A and D.

10 **U.S. Treasury securities**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale U.S. Treasury securities (as defined for Schedule RC-B, item 1) held in domestic offices of the reporting bank.

11 **U.S. Government agency obligations**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale U.S. Government agency obligations (as defined for Schedule RC-B, items 2.a and 2.b) held in domestic offices of the reporting bank. Exclude mortgage-backed securities (report in Schedule RC-H, item 13 below).

12 **Securities issued by states and political subdivisions in the U.S.** Report the amortized cost of held-to-maturity and the fair value of available-for-sale securities issued by states and political subdivisions in the U.S. (as defined for Schedule RC-B, item 3) held in domestic offices of the reporting bank.

13 **Mortgage-backed securities**:

13.a **Pass-through securities**. Report in the appropriate subitem the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities (as defined for Schedule RC-B, item 4.a) held in domestic offices of the reporting bank.

13.a.(1) **Issued or guaranteed by FNMA, FHLMC, or GNMA**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued or guaranteed by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA) (as defined for Schedule RC-B, items 4.a.(1) and 4.a.(2)) held in domestic offices of the reporting bank.

Item No. **Caption and Instructions**

13.a.(2) **Other pass-through securities**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage pass-through securities issued by non-U.S. Government issuers (as defined for Schedule RC-B, item 4.a.(3)) held in domestic offices of the reporting bank.

13.b **Other mortgage-backed securities**. Report in the appropriate subitem the amortized cost of held-to-maturity and the fair value of available-for-sale mortgage-backed securities other than pass-through securities (as defined for Schedule RC-B, item 4.b) held in domestic offices of the reporting bank.

13.b.(1) **Issued or guaranteed by FNMA, FHLMC, or GNMA**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) or guaranteed by the Government National Mortgage Association (GNMA) (as defined for Schedule RC-B, item 4.b.(1)) held in domestic offices of the reporting bank. Also include REMICs issued by the U.S. Department of Veterans Affairs (VA) held in domestic offices of the reporting bank.

13.b.(2) **All other mortgage-backed securities**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), CMO and REMIC residuals, and stripped mortgage-backed securities issued by non-U.S. Government issuers (as defined for Schedule RC-B, items 4.b.(2) and 4.b.(3)) held in domestic offices of the reporting bank.

14 **Other domestic debt securities**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale "Other domestic debt securities" (as defined for Schedule RC-B, item 5.a) held in domestic offices of the reporting bank.

15 **Foreign debt securities**. Report the amortized cost of held-to-maturity and the fair value of available-for-sale foreign debt securities (as defined for Schedule RC-B, item 5.b) held in domestic offices of the reporting bank.

16 **Equity securities**. Report in the appropriate subitem the appropriate value of equity securities (as defined for Schedule RC-B, item 6) held in domestic offices of the reporting bank.

16.a **Investments in mutual funds and other equity securities with readily determinable fair values**. Report the fair value of all investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule RC-B, item 6.a) held in domestic offices of the reporting bank.

16.b **All other equity securities**. Report the historical cost of all other equity securities, i.e., equity securities without readily determinable fair values (as defined for Schedule RC-B, item 6.b) held in domestic offices of the reporting bank.

17 **Total held-to-maturity and available-for-sale securities**. Report the sum of items 10 through 16.c. This amount must be less than or equal to Schedule RC-B, item 7, the sum of columns A and D.

Memorandum

Item No.	Caption and Instructions
1	**Net due from the IBF of the domestic offices of the reporting bank**. (See the instructions following Memorandum item 2 of this schedule.)
	OR
2	**Net due to the IBF of the domestic offices of the reporting bank**. Report in the appropriate item either the "net due from" (Memorandum item 1) or the "net due to" (Memorandum item 2) position of the domestic offices of the reporting bank relative to the IBF established by the bank (but not established by its Edge or Agreement subsidiaries). These items must reflect all intrabank transactions of domestic offices of the bank (excluding any subsidiaries) with the IBF established by the bank. Calculate a single net amount for all IBF positions of the domestic offices and enter it either in Memorandum item 1 or in Memorandum item 2, depending on the nature of this single net amount. If the reporting bank has not established an IBF, enter a zero or the word "none."

SCHEDULE RC-I -- SELECTED ASSETS AND LIABILITIES OF IBFs

General Instructions

Schedule RC-I is to be completed only by banks filing the FFIEC 031 report forms that have IBFs and other "foreign" offices.

This schedule requires the reporting, on a fully consolidated basis, of total assets and liabilities and selected detail of all IBFs established by the reporting bank, i.e., including any IBFs established by the parent bank or by its Edge or Agreement subsidiaries. All items represent components of the consolidated items reported for the consolidated bank and thus include only claims on, or liabilities to, third parties. That is, all intrabank transactions are excluded. All of the asset and debt relationships, except for those between the consolidated bank's IBFs and the IBFs of other depository institutions, are with foreign-domiciled customers or customers domiciled in Puerto Rico and U.S. territories and possessions.

Item Instructions

Item No.	Caption and Instructions
1	**Total IBF assets of the consolidated bank**. Report the total amount outstanding of assets of the consolidated bank's IBFs that are included in Schedule RC, item 12, "Total assets."
2	**Total IBF loans and lease financing receivables**. Report the total amount outstanding of loans and leases of the consolidated bank's IBFs that are included in Schedule RC-C, part I, item 12, column A, "Total loans and leases, net of unearned income."
3	**IBF commercial and industrial loans**. Report the total amount outstanding of commercial and industrial loans of the consolidated bank's IBFs that are included in Schedule RC-C, part I, item 4, column A, "Commercial and industrial loans." The majority of IBF commercial and industrial loans will be to non-U.S. addressees and, thus, included in Schedule RC-C, part I, item 4.b.
4	**Total IBF liabilities**. Report the total amount outstanding of all liabilities of the consolidated bank's IBFs that are included in Schedule RC, item 21, "Total liabilities."
5	**IBF deposit liabilities due to banks, including other IBFs**. Report the amount outstanding of liabilities of the consolidated bank's IBFs that are included in foreign office deposits, Schedule RC-E, part II, item 2, "Deposits of U.S. banks," and Schedule RC-E, part II, item 3, "Deposits of foreign banks." IBF deposit liabilities must include liabilities in the form of deposits, placements, borrowings, and other similar instruments.
6	**Other IBF deposit liabilities**. Report the amount outstanding of liabilities of the consolidated bank's IBFs that are included in foreign office deposits, Schedule RC-E, part II, item 1, "Deposits of individuals, partnerships, and corporations;" Schedule RC-E, part II, item 4, "Deposits of foreign governments and official institutions;" Schedule RC-E, part II, item 5, "Certified and official checks;" and Schedule RC-E, part II, item 6, "All other deposits." IBF deposit liabilities must include liabilities in the form of deposits, placements, borrowings, and other similar instruments.

SCHEDULE RC-K -- QUARTERLY AVERAGES

General Instructions

Report for the items on this schedule the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter. On the FFIEC 034 only, for items 2.a, 2.b, 3, 5.a through 5.e, 6, 7, and Memorandum item 1 of this schedule, an average of the balances as of the close of business on four month-end dates (e.g., for the March 31 report, an average of month-end December, January, February, and March balances) may be reported. For days that an office of the bank (or any of its consolidated subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

If the bank entered into a business combination which became effective during the calendar quarter and was properly accounted for as a pooling of interests, the quarterly averages should include amounts for the acquired bank or business from the beginning of the calendar quarter. If the bank entered into a business combination which became effective during the calendar quarter and was properly accounted for as a purchase, the quarterly averages should include amounts for the acquired bank or business from the date of its acquisition through the end of the quarter only. If the bank was acquired in a transaction which became effective during the calendar quarter and push down accounting was used to account for the acquisition, the quarterly averages for the bank should include only the dollar amounts for the days (or Wednesdays or, where permitted on the FFIEC 034, month-end dates) since the bank's acquisition in the numerator and the number of days (or Wednesdays or, where permitted on the FFIEC 034, month-end dates) since the acquisition in the denominator. For further information on poolings of interests, purchase acquisitions, and push down accounting, see the Glossary entry for "business combinations."

If the bank began operating during the calendar quarter, the quarterly averages for the bank should include only the dollar amounts for the days (or Wednesdays or, where permitted on the FFIEC 034, month-end dates) since the bank began operating in the numerator and the number of days (or Wednesdays or, where permitted on the FFIEC 034, month-end dates) since the bank began operating in the denominator.

On the FFIEC 033 and 034, Schedule RC-K is one four schedules (and one memorandum item) in the Reports of Condition and Income in which banks are permitted to report loan detail in terms of general loan categories that are based upon each bank's own internal loan categorization system. While the definitions for the general loan categories are left to the choice of each reporting bank, each bank must use consistent definitions for these categories in each of the four schedules and the memorandum item. NOTE: On the FFIEC 034, banks with assets of less than $25 million are exempt from reporting any loan detail in Schedule RC-K. This $25 million asset size test is based on the reporting bank's total assets as reflected in the Report of Condition for June of the previous year. Once a bank begins to report loan detail in Schedule RC-K (items 5.b through 5.e), it must continue to report such loan detail in this schedule. For further information, refer to the discussions of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" and "Shifts in Reporting Status" in the General Instructions section of this book.

On the FFIEC 031 and 032, the loan and lease categories specified in item 6 of this schedule correspond to the loan and lease category definitions for Schedule RC-C, part I, Loans and Leases.

Item Instructions

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
ASSETS		
1	1	**Interest-bearing balances due from depository institutions**. Report the quarterly average for the fully consolidated bank's interest-bearing balances due from depository institutions (as defined for Schedule RC, item 1.b, "Interest-bearing balances").
-	2	**U.S. Treasury securities and U.S. Government agency obligations**. Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury and Government agency obligations (as defined for Schedule RC-B, item 1, columns A and C, "U.S. Treasury securities;" item 2, columns A and C, "U.S. Government agency obligations;" item 4.a.(1), columns A and C, Pass-through securities "Guaranteed by GNMA;" item 4.a.(2), columns A and C, Pass-through securities "Issued by FNMA and FHLMC;" and item 4.b.(1), columns A and C, Other mortgage-backed securities "Issued or guaranteed by FNMA, FHLMC, or GNMA").
2.a	-	**U.S. Treasury securities, U.S. Government agency obligations, and other debt securities**. Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale U.S. Treasury securities, U.S. Government agency obligations, mortgage-backed securities, and other debt securities (as defined for Schedule RC-B, items 1, 2, 4, and 5, columns A and C).
2.b	-	**Equity securities**. Report the quarterly average of the historical cost of the bank's equity securities (as defined for Schedule RC-B, item 6, column C).
3	3	**Securities issued by states and political subdivisions in the U.S.** Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale state and local securities (as defined for Schedule RC-B, item 3, columns A and C, "Securities issued by states and political subdivisions in the U.S.").
-	4.a	**Other debt securities**. Report the quarterly average of the amortized cost of the bank's held-to-maturity and available-for-sale other debt securities (as defined for Schedule RC-B, item 4.a.(3), columns A and C, "Other pass-through securities;" item 4.b.(2), columns A and C, Other mortgage-backed securities "Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA;" item 4.b.(3), columns A and C, "All other mortgage-backed securities;" and item 5, columns A and C, "Other debt securities").
-	4.b	**Equity securities**. Report the quarterly average of the historical cost of the bank's equity securities (as defined for Schedule RC-B, item 6, column C).
4	5	**Federal funds sold and securities purchased under agreements to resell**. Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined for Schedule RC, item 3).

NOTE: The item instructions for the quarterly averages for loans for the FFIEC 033 and 034 report forms are presented on pages RC-K-3 and RC-K-4. The item instructions for the quarterly averages for loans for the FFIEC 031 and 032 report forms are presented on page RC-K-4.

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
5	**6**	**Loans**. In Schedule RC-K, items 5.b through 5.e below on the FFIEC 034 and items 6.a through 6.d below on the FFIEC 033, banks are permitted to report loan detail in terms of general loan categories that are based upon each bank's own internal loan categorization system. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book. On the FFIEC 034, banks with total assets of less than $25 million should complete item 5.a below and should report a zero or the word "none" in items 5.b through 5.e below. Banks with total assets of $25 million or more should complete items 5.b through 5.e below and should report a zero or the word "none" in item 5.a below. The $25 million asset size test referred to in Schedule RC-K, items 5.a through 5.e below is based on the reporting bank's total assets as reflected in the Report of Condition for June of the previous year. Once a bank begins to report loan detail in Schedule RC-K, items 5.b through 5.e, it must continue to report such loan detail in this schedule. For further information, refer to the discussion of "Shifts in Reporting Status" in the General Instructions section of this book.
5.a	**-**	**Total loans**. (To be reported by banks with total assets of less than $25 million.) Report in this item the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 8, less item 10).
5.b	**6.a**	**Real estate loans**. (To be reported by banks with total assets of $25 million or more.) Report in this item the quarterly average for real estate loans. For purposes of this schedule, real estate loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes.
5.c	**6.b**	**Installment loans**. (To be reported by banks with total assets of $25 million or more.) Report in this item the quarterly average for installment loans. For purposes of this schedule, installment loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes.
5.d	**6.c**	**Credit cards and related plans**. (To be reported by banks with total assets of $25 million or more.) Report in this item the quarterly average for credit cards and related plans. For purposes of this schedule, credit cards and related plans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes.

Item Instructions for the Quarterly Averages for Loans for the FFIEC 033 and 034 (cont.)

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
5.e	**6.d**	**Commercial (time and demand) and all other loans**. (To be reported by banks with total assets of $25 million or more.) Report in this item the quarterly average for commercial (time and demand) and all other loans. For purposes of this schedule, commercial (time and demand) and all other loans is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories of loans.

Item Instructions for the Quarterly Averages for Loans for the FFIEC 031 and 032

FFIEC 032 Item No.	FFIEC 031 Item No.	Caption and Instructions
6	**6**	**Loans**:
-	**6.a**	**Loans in domestic offices**:
6.a	**6.a.(1)**	**Total loans**. Report the quarterly average for total loans, net of unearned income (in domestic offices) (as defined for Schedule RC-C, part I, items 1 through 9, less item 11, (column B on the FFIEC 031)). Also report in the following items of Schedule RC-K the quarterly averages for the specified selected categories of loans (in domestic offices).
6.b	**6.a.(2)**	**Loans secured by real estate**. Report the quarterly average for loans secured by real estate (in domestic offices) (as defined for Schedule RC-C, part I, item 1, (column B on the FFIEC 031)).
6.c	**6.a.(3)**	**Loans to finance agricultural production and other loans to farmers**. Report the quarterly average for loans to finance agricultural production and other loans to farmers (in domestic offices) (as defined for Schedule RC-C, part I, item 3, (column B on the FFIEC 031)).
6.d	**6.a.(4)**	**Commercial and industrial loans**. Report the quarterly average for commercial and industrial loans (in domestic offices) (as defined for Schedule RC-C, part I, item 4, (column B on the FFIEC 031)).
6.e	**6.a.(5)**	**Loans to individuals for household, family, and other personal expenditures**. Report the quarterly average for loans to individuals for household, family, and other personal expenditures (in domestic offices) (as defined for Schedule RC-C, part I, item 6, (column B on the FFIEC 031)).
-	**6.b**	**Total loans in foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report the quarterly average for total loans, net of unearned income (as defined for Schedule RC-C, part I, items 1 through 9, less item 11), held in the reporting bank's foreign offices, Edge and Agreement subsidiaries, and IBFs.

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
-	7	**Trading assets**. Report the quarterly average for the fully consolidated bank for assets held for trading (as defined for Schedule RC, item 5).
6	8	**Lease financing receivables (net of unearned income)**. Report the quarterly average for the fully consolidated bank's lease financing receivables, net of unearned income (as defined for Schedule RC-C, part I, item 9 on the FFIEC 034; for Schedule RC-C, part I, item 10 on the FFIEC 032 and 033; and for Schedule RC-C, part I, item 10, column A on the FFIEC 031).
7	9	**Total assets**. Report the quarterly average for the bank's total assets, as defined for "Total assets," on Schedule RC, item 12.a on the FFIEC 034, item 12 on the FFIEC 031, 032, and 033, except that this quarterly average should reflect all debt securities (not held for trading) at amortized cost, available-for-sale equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost. In addition, to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time. On the FFIEC 034, this item is not the sum of items 1 through 6 above. On the FFIEC 031, 032, and 033, this item is not the sum of items 1 through 8 above.
LIABILITIES		
8	10	**Interest-bearing transaction accounts (in domestic offices) (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)**. Report the quarterly average for the three interest-bearing categories of transaction accounts in domestic offices: NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts (as defined for Schedule RC-E, (part I,) column A, "Total transaction accounts"). Exclude demand deposits which are noninterest-bearing transaction accounts. See the Glossary entry for "deposits" for the definitions of "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."
9	11	**Nontransaction accounts (in domestic offices)**:
9.a	11.a	**Money market deposit accounts (MMDAs)**. Report the quarterly average for money market deposit accounts (MMDAs) (as defined for Schedule RC-E, (part I,) Memorandum item 2.a.(1)).
9.b	11.b	**Other savings deposits**. Report the quarterly average for other savings deposits (as defined for Schedule RC-E, (part I), Memorandum item 2.a.(2)).
9.c	11.c	**Time deposits of $100,000 or more**. Report the quarterly average for time deposits of $100,000 or more (as defined for Schedule RC-E, (part I), Memorandum item 2.c).

FFIEC 034 Item No.	FFIEC 031, 032, and 033 Item No.	Caption and Instructions
9.d	11.d	**Time deposits of less than $100,000**. Report the quarterly average for time deposits of less than $100,000 (as defined for Schedule RC-E, (part I,) Memorandum item 2.b).

FFIEC 034 Item No.	FFIEC 032 and 033 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	-	12	**Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report the quarterly average for interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs (as defined for Schedule RC, item 13.b.(2), "Interest-bearing").
10	12	13	**Federal funds purchased and securities sold under agreements to repurchase**. Report the quarterly average for federal funds purchased and securities sold under agreements to repurchase (as defined for Schedule RC, item 14).
-	13	14	**Other borrowed money**. Report the quarterly average for the fully consolidated bank's other borrowed money (as defined for Schedule RC, item 16, "Other borrowed money").

Memorandum

NOTE: Memorandum item 1 is applicable only to banks filing the FFIEC 033 and 034 report forms. There are no Schedule RC-K memorandum items on the FFIEC 031 and 032 report forms.

FFIEC 033 and 034 Item No.	Caption and Instructions
1	**Agricultural loans included in items 5.b through 5.e above (on the FFIEC 034); in items 6.a through 6.d above (on the FFIEC 033)**.

To be reported by banks with total assets of $25 million or more and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (on the FFIEC 034, sum of Schedule RC-C, part I, items 1 through 8, less item 10; on the FFIEC 033, sum of Schedule RC-C, part I, items 1 through 9, less item 11). All other banks should report a zero or the word "none" in this item.

Report in this item the quarterly average for agricultural loans. On the FFIEC 034, these loans will have been included in one or more of items 5.b through 5.e of Schedule RC-K above. On the FFIEC 033, these loans will have been included in one or more of items 6.a through 6.d of Schedule RC-K above. For purposes of this schedule, agricultural loans

Memorandum

FFIEC 033 and 034 Item No.	Caption and Instructions
1 (cont.)	include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

SCHEDULE RC-L -- OFF-BALANCE SHEET ITEMS

General Instructions

Schedule RC-L should be completed on a fully consolidated basis. Schedule RC-L includes the following selected commitments, contingencies, and other off-balance sheet items that are not reportable as part of the balance sheet of the Report of Condition, except that the fair values of certain derivative contracts reported in item 17 of this schedule on the FFIEC 031, 032, and 033 report forms may be carried on the balance sheet. Among the items not to be reported in this schedule are contingencies arising in connection with litigation.

Item Instructions

Item No. **Caption and Instructions**

1 **Unused commitments**. Report in the appropriate subitem the unused portions of commitments to make or purchase extensions of credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. Report the unused portions of all credit card lines in item 1.b. Report in items 1.a and 1.c through 1.e the unused portions of commitments for which the bank has charged a commitment fee or other consideration, or otherwise has a legally binding commitment. Such commitments are to be reported in the appropriate subitem regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancellable at any time. In the case of commitments for syndicated loans, report only the bank's proportional share of the commitment. Unused commitments are to be reported gross, i.e., include in this item the amounts of commitments acquired from and conveyed to others.

Include loan proceeds that the bank is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements, including retail credit cards, or similar transactions. Forward agreements and commitments to issue a commitment at some point in the future are to be reported in this item.

In addition, include revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting banks have a legally binding commitment either to purchase any notes the borrower is unable to sell by the rollover date or to advance funds to the borrower.

1.a **Revolving, open-end lines secured by 1-4 family residential properties**. Report the unused portions of commitments to extend credit under revolving, open-end lines of credit secured by 1-4 family residential properties. These lines, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Item No. **Caption and Instructions**

1.b **Credit card lines**. Report the unused portions of all commitments to extend credit both to individuals for household, family, and other personal expenditures and to commercial or industrial enterprises through credit cards. Exclude home equity lines accessible through credit cards. Banks may report unused credit card lines as of the end of their customers' last monthly billing cycle prior to the report date or as of the report date.

1.c **Commercial real estate, construction and land development**. Report in the appropriate subitem the unused portions of commitments to extend credit for commercial real estate, construction, and land development activities.

1.c.(1) **Commitments to fund loans secured by real estate**. Report the unused portions of commitments to extend credit for the specific purpose of financing commercial and multifamily residential properties (e.g., business and industrial properties, hotels, motels, churches, hospitals, and apartment buildings), provided that such commitments, when funded, would be reportable as either loans secured by multifamily residential properties in Schedule RC-C, item 1.d, or loans secured by nonfarm nonresidential properties in Schedule RC-C, item 1.e.

Also include the unused portions of commitments to extend credit for the specific purpose of financing land development (i.e., the process of improving land - laying sewers, water pipes, etc.) preparatory to erecting new structures or the on-site construction of industrial, commercial, residential, or farm buildings, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, item 1.a, "Construction and land development." For this item, "construction" includes not only construction of new structures, but also additions or alterations to existing structures and the demolition of existing structures to make way for new structures. Also include in this item loan proceeds the bank is obligated to advance as construction progress payments.

Do not include general lines of credit that a borrower, at its option, may draw down to finance construction and land development (report in Schedule RC-L, item 1.c.(2) or item 1.e, below, as appropriate).

1.c.(2) **Commitments to fund loans not secured by real estate**. Report the unused portions of all commitments to extend credit for the specific purpose of financing commercial and residential real estate activities, e.g., acquiring, developing, and renovating commercial and residential real estate, provided that such commitments, when funded, would be reportable in the FFIEC 034 as "Commercial and industrial loans" in Schedule RC-C, item 4, or as "All other loans" in Schedule RC-C, item 8; in the FFIEC 032 and 033 as "Commercial and industrial loans" in Schedule RC-C, item 4, or as "All other loans" in Schedule RC-C, item 9.b; and in the FFIEC 031 as "Commercial and industrial loans" in Schedule RC-C, item 4, column A, or as "Other loans" in Schedule RC-C, item 9, column A. Include in this item loan proceeds the bank is obligated to advance as construction progresses.

Such commitments generally may include:

(1) commitments to extend credit for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) commitments made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Item No. **Caption and Instructions**

1.c.(2) (cont.) Exclude from this item all commitments that, when funded, would be reportable as "Loans secured by real estate" in Schedule RC-C, item 1. Also exclude commitments made to commercial and industrial firms where the sole purpose for the financing is to construct a factory or office building to house the company's operations or employees.

1.d **Securities underwriting**. Report the unsold portion of the reporting bank's own takedown in securities underwriting transactions. Include NIFs and RUFs in this item.

1.e **Other unused commitments**. Report the unused portion of all other commitments not reportable above. Include commitments to extend credit through overdraft facilities or commercial lines of credit and retail check credit and related plans.

Also include commitments to extend credit secured by 1-4 family residential properties, except (a) revolving, open-end lines of credit secured by 1-4 family residential properties (e.g., home equity lines) which should be reported in Schedule RC-L, item 1.a, above, and (b) commitments for 1-4 family residential construction and land development loans (that are secured by such properties) which should be reported in Schedule RC-L, item 1.c.(1) above.

2 and 3 **General Instructions for Standby Letters of Credit** -- Originating banks must report in items 2 and 3 the full amount outstanding and unused of financial and performance standby letters of credit, respectively. Include those standby letters of credit that are collateralized by cash on deposit, that have been acquired from others, and in which participations have been conveyed to others where (a) the originating and issuing bank is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating banks have an obligation to partially or wholly reimburse the originating bank, either directly in cash or through a participation in a loan to the account party.

For syndicated standby letters of credit where each bank has a direct obligation to the beneficiary, each bank must report only its share in the syndication. Similarly, if several banks participate in the issuance of a standby letter of credit under a bona fide binding agreement which provides that (a) regardless of any event, each participant shall be liable only up to a certain percentage or to a certain amount and (b) the beneficiary is advised and has agreed that each participating bank is only liable for a certain portion of the entire amount, each bank shall report only its proportional share of the total standby letter of credit.

For a financial or performance standby letter of credit that is in turn backed by a financial standby letter of credit issued by another bank, each bank must report the entire amount of the standby letter of credit it has issued in either item 2 or item 3 below, as appropriate. The amount of the reporting bank's financial or performance standby letter of credit that is backed by the other bank's financial standby letter of credit must also be reported in either item 2.a or 3.a, as appropriate, since the backing of standby letters of credit has substantially the same effect as the conveying of participations in standby letters of credit.

On the FFIEC 031, also include all financial and performance guarantees issued by foreign offices of the reporting bank pursuant to Federal Reserve Regulation K or Section 347.3(c)(1) of the FDIC Rules and Regulations.

Item No. **Caption and Instructions**

2 **Financial standby letters of credit (and foreign office guarantees -- for the FFIEC 031)**. Report the amount outstanding and unused as of the report date of all financial standby letters of credit (and all legally binding commitments to issue financial standby letters of credit) issued by any office of the bank. A financial standby letter of credit irrevocably obligates the bank to pay a third-party beneficiary when a customer (account party) fails to repay an outstanding loan or debt instrument. (See the Glossary entry for "letter of credit" for further information.)

Exclude from financial standby letters of credit:

(1) Financial standby letters of credit where the beneficiary is a consolidated subsidiary of the reporting bank.

(2) Performance standby letters of credit.

(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

2.a **Amount of financial standby letters of credit conveyed to others**. Report that portion of the bank's total contingent liability for financial standby letters of credit reported in item 2 that the bank has conveyed to others. Also include that portion of the reporting bank's financial standby letters of credit that are backed by other banks' financial standby letters of credit, as well as the portion that participating banks have reparticipated to others. Participations and backings may be for any part or all of a given obligation.

3 **Performance standby letters of credit (and foreign office guarantees -- for the FFIEC 031)**. Report the amount outstanding and unused as of the report date of all performance standby letters of credit (and all legally binding commitments to issue performance standby letters of credit) issued by any office of the bank. A performance standby letter of credit irrevocably obligates the bank to pay a third-party beneficiary when a customer (account party) fails to perform some contractual non-financial obligation. (See the Glossary entry for "letter of credit" for further information.)

Exclude from performance standby letters of credit:

(1) Performance standby letters of credit where the beneficiary is a consolidated subsidiary of the reporting bank.

(2) Financial standby letters of credit.

(3) Signature or endorsement guarantees of the type associated with the clearing of negotiable instruments or securities in the normal course of business.

3.a **Amount of performance standby letters of credit conveyed to others**. Report that portion of the bank's total contingent liability for performance standby letters of credit reported in item 3 that the bank has conveyed to others. Also include that portion of the reporting bank's performance standby letters of credit that are backed by other banks' financial standby letters of credit, as well as the portion that participating banks have reparticipated to others. Participations and backings may be for any part or all of a given obligation.

Item No. **Caption and Instructions**

4 **Commercial and similar letters of credit**. Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in items 2 and 3 above). (See the Glossary entry for "letter of credit.") Legally binding commitments to issue commercial letters of credit are to be reported in this item.

Travelers' letters of credit and other letters of credit issued for money or its equivalent by the reporting bank or its agents should be reported as demand deposit liabilities in Schedule RC-E.

5 **Participations in acceptances conveyed to others by the reporting bank**. (Item 5 is not applicable to banks filing the FFIEC 034.) Report the amount of all participations conveyed to others by the reporting (accepting) bank in its acceptances that are outstanding regardless of the nature of the participation agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (accepting) bank's books. Thus, participations in acceptances conveyed to others by the reporting (accepting) bank are to include both those that provide for participation in the risk of loss in the event of default by the account party at the time of maturity and those that provide for participation in putting the holder of the acceptance in funds at the maturity of the acceptance. Also report the amount of participations in acceptances of other (accepting) banks that the reporting bank has acquired and subsequently conveyed to others.

Do not reduce the reporting (accepting) bank's "Bank's liability on acceptances executed and outstanding" (Schedule RC, item 18) or "Customers' liability to this bank on acceptances outstanding" (Schedule RC, item 9) by the amount of such participations regardless of the nature of the agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (accepting) bank's books. (See the Glossary entry for "bankers acceptances" for a detailed description of the required treatment of bankers acceptances in the Report of Condition.)

6 **Participations in acceptances acquired by the reporting (nonaccepting) bank**. Report the amount of all participations acquired by the reporting (nonaccepting) bank in the acceptances of other (accepting) banks that are outstanding, whether acquired from the accepting bank or from others, regardless of the nature of the participation agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (nonaccepting) bank's books. Thus, participations in acceptances acquired by the reporting (nonaccepting) bank are to include both those that provide for participation in the risk of loss in the event of default by the account party at the time of maturity and those that provide for participation in putting the holder of the acceptance in funds at the maturity of the acceptance.

The reporting (nonaccepting) bank acquiring such participations should not report the current amount of these participations in "Bank's liability on acceptances executed and outstanding" (Schedule RC, item 18) or "Customers' liability to this bank on acceptances outstanding" (Schedule RC, item 9) regardless of the nature of the agreement and regardless of the system of debits and credits used to reflect the agreement on the reporting (nonaccepting) bank's books. (See the Glossary entry for "bankers acceptances" for a detailed description of the required treatment of bankers acceptances in the Report of Condition.)

Item No. **Caption and Instructions**

7 **Securities borrowed**. Report the amount of securities borrowed against collateral (other than cash), or on an uncollateralized basis, for such purposes as a pledge against deposit liabilities or delivery against short sales. Report borrowed securities that are fully collateralized by similar securities of equivalent value at market value at the time they were borrowed. Report other borrowed securities at market value as of the report date.

8 **Securities lent**. Report the appropriate amount of all securities lent against collateral or on an uncollateralized basis. Report the book value of bank-owned securities that have been lent. In addition, for customers who have been indemnified against any losses by the reporting bank, report the market value as of the report date of such customers' securities, including customers' securities held in the reporting bank's trust department, that have been lent. If the reporting bank has indemnified its customers against any losses on their securities that have been lent by the bank, the commitment to indemnify -- either through a standby letter of credit or other means -- should not be reported in any other item on Schedule RC-L.

9 **Financial assets transferred with recourse that have been treated as sold for Call Report purposes.** Report in the appropriate subitem the outstanding principal balance of and the recourse exposure on financial assets that have been transferred with recourse in transactions reported as sales in accordance with generally accepted accounting principles (GAAP) or that have been transferred in other transactions that qualify for sale treatment under GAAP in which risk of loss or obligation for payment of principal or interest has been retained by, or may fall back upon, the seller (see the Glossary entry for "Sales of Assets for Risk-Based Capital Purposes"). Also include in the appropriate subitem the outstanding principal balance of and the recourse exposure on mortgages that have been swapped with recourse with FNMA or FHLMC in exchange for participation certificates or other securities which the bank has either sold or carries as assets in Schedule RC, Balance Sheet. A transfer of loans without recourse or any other form of risk retention in which the bank's (or a consolidated subsidiary's) servicing responsibilities obligate it to advance interest payments on delinquent loans is not considered a transfer with recourse for purposes of this item.

The amount of recourse exposure to be reported in this item is the maximum contractual exposure remaining as of the report date under the recourse or other risk retention provision under which the assets have been transferred (or swapped), not a reasonable estimate of the probable loss under this provision and not the fair value of the liability incurred under this provision. Further, the remaining maximum contractual exposure should not be reduced by the amount of any associated recourse liability account. The amount of recourse exposure to be reported should not include interest payments the bank has advanced on delinquent loans. For assets transferred (or swapped) with full (unlimited) recourse or risk retention, the amount of recourse exposure to be reported is the outstanding principal balance of the assets as of the report date. For assets transferred (or swapped) with limited recourse or risk retention, the amount of recourse exposure to be reported is the maximum amount of principal the transferring bank would be obligated to pay the holder of the assets in the event the entire outstanding principal balance of the assets transferred (or swapped) becomes uncollectible.

9.a **First lien 1-to-4 family residential mortgage loans:**

Item No. **Caption and Instructions**

9.a.(1) **Outstanding principal balance of mortgages transferred as of the report date.** Report the principal balance outstanding as of the report date for first lien 1-to-4 family residential mortgage loans that have been transferred with recourse or some other form of risk retention by the bank or a consolidated subsidiary in transactions that have been reported as sales in accordance with generally accepted accounting principles. Also report the principal balance outstanding as of the report date for first lien 1-to-4 family residential mortgage loans that have been swapped with recourse with FNMA and FHLMC in exchange for participation certificates or other securities which the bank has either sold or carries as assets in Schedule RC, item 2, "Securities," or item 5, "Trading assets."

9.a.(2) **Amount of recourse exposure on these mortgages as of the report date.** Report the amount of recourse exposure or other form of risk retention associated with the mortgages whose outstanding principal balance was reported in item 9.a.(1) above.

9.b **Other financial assets (excluding small business obligations reported in item 9.c).** Exclude from items 9.b.(1) and (2) the outstanding principal balance of and amount of recourse retained on small business obligations transferred with recourse under Section 208 of the Riegle Act of 1994, which are to be reported in items 9.c.(1) and (2), below.

9.b.(1) **Outstanding principal balance of assets transferred as of the report date.** Report the principal balance outstanding as of the report date for financial assets other than first lien 1-to-4 family residential mortgage loans (e.g., debt securities, consumer loans, commercial loans, and commercial real estate loans) that have been transferred with recourse or some other form of risk retention by the bank or a consolidated subsidiary in transactions that have been reported as sales in accordance with generally accepted accounting principles. Also report the principal balance outstanding as of the report date for mortgages other than first lien 1-to-4 family residential mortgage loans that have been swapped with recourse with FNMA and FHLMC in exchange for participation certificates or other securities which the bank has either sold or carries as assets in Schedule RC, item 2, "Securities," or item 5, "Trading assets."

9.b.(2) **Amount of recourse exposure on these assets as of the report date.** Report the amount of recourse exposure or other form of risk retention associated with the assets whose outstanding principal balance was reported in item 9.b.(1) above.

9.c **Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994:**

9.c.(1) **Outstanding principal balance of small business obligations transferred as of the report date.** Report the principal balance outstanding as of the report date for small business loans and leases on personal property (small business obligations) which the bank has transferred with recourse during the time the bank was a "qualifying institution" and did not exceed the retained recourse limit set forth in banking agency regulations implementing Section 208. Transfers of small business obligations with recourse that were consummated during such a time should be reported as sales for Call Report purposes if the transactions are treated as sales under generally accepted accounting principles (GAAP) and the institution establishes a recourse liability account that is sufficient under GAAP.

9.c.(2) **Amount of retained recourse on these obligations as of the report date**. Report the amount of recourse the bank has retained on the small business obligations whose outstanding principal balance was reported in item 9.c.(1).

Item No. **Caption and Instructions**

10 **Notional amount of credit derivatives.** Report in the appropriate subitem the notional amount of all credit derivatives. Credit derivatives are off-balance sheet arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" to another party (the "guarantor"). Banks should include the notional amounts of credit default swaps, total rate of return swaps, and other credit derivative instruments.

All transactions within the consolidated bank should be reported on a net basis, i.e., intrabank transactions should not be reported in this item. No other netting of contracts is permitted for purposes of this item. Therefore, do not net: (1) credit derivatives with third parties on which the reporting bank is the beneficiary against credit derivatives with third parties on which the reporting bank is the guarantor, or (2) contracts subject to bilateral netting agreements. The notional amount should not be included in items 14 through 17 of this schedule. Exclude all items which are required to be reported as assets or liabilities on the balance sheet of the Report of Condition (Schedule RC).

10.a **Credit derivatives on which the reporting bank is the guarantor.** Report the notional amount (stated in U.S. dollars) of all credit derivatives on which the bank has extended credit protection to other parties.

10.b **Credit derivatives on which the reporting bank is the beneficiary.** Report the notional amount (stated in U.S. dollars) of all credit derivatives on which the bank has obtained a guarantee against credit losses from other parties.

11 **Spot foreign exchange contracts**. Report the gross amount (stated in U.S. dollars) of all spot contracts committing the reporting bank to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date. All transactions within the consolidated bank should be reported on a net basis.

A spot contract is an agreement for the immediate delivery, usually within two business days, of a foreign currency at the prevailing cash market rate. Spot contracts are considered outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying currencies.

Only one side of a spot foreign exchange contract is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting bank enters into a spot contract which obligates the bank to purchase U.S. dollar exchange against which it sells deutsche marks, then the bank would report (in U.S. dollar equivalent values) the amount of deutsche marks sold in this item. In cross-currency spot foreign exchange transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported (in U.S. dollar equivalent values).

12 **All other off-balance sheet liabilities**. Report all significant types of off-balance sheet liabilities not covered in other items of this schedule. Exclude all items which are required to be reported as liabilities on the balance sheet of the Report of Condition (Schedule RC), contingent liabilities arising in connection with litigation in which the reporting bank is involved, commitments to purchase property being acquired for lease to others (report in Schedule RC-L, item 1.e above), and signature and endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

Item No. **Caption and Instructions**

12 (cont.) Report only the aggregate amount of those types of "other off-balance sheet liabilities" that individually exceed ten percent of the reporting bank's total equity capital (Schedule RC, item 28.a on the FFIEC 034; Schedule RC, item 28 on the FFIEC 031, 032, and 033). If the bank has no types of "other off-balance sheet liabilities" that individually exceed ten percent of total equity capital, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet liabilities" reportable in this item that individually exceed 25 percent of the bank's total equity capital (Schedule RC, item 28.a on the FFIEC 034; Schedule RC, item 28 on the FFIEC 031, 032, and 033). Enter such items in the inset boxes provided.

Include as other off-balance sheet liabilities:

(1) Financial guarantee insurance which insures the timely payment of principal and interest on bond issues.

(2) Letters of indemnity other than those issued in connection with the replacement of lost or stolen official checks.

(3) Shipside or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments.

(4) Commitments to purchase when-issued securities, if the reporting bank does not report these commitments as forward contracts in Schedule RC-L, item 14.b below.

13 **All other off-balance sheet assets**. Report to the extent feasible and practicable all significant types of off-balance sheet assets not covered in other items of this schedule. Exclude all items which are required to be reported as assets on the balance sheet of the Report of Condition (Schedule RC), contingent assets arising in connection with litigation in which the reporting bank is involved, and assets held in or administered by the reporting bank's trust department.

Report only the aggregate amount of those types of "other off-balance sheet assets" that individually exceed ten percent of the reporting bank's total equity capital (Schedule RC, item 28.a on the FFIEC 034; Schedule RC, item 28 on the FFIEC 031, 032, and 033). If the bank has no types of "other off-balance sheet assets" that individually exceed ten percent of total equity capital for which the reporting is feasible and practicable, report a zero or the word "none."

In addition, itemize with clear but concise captions those types of "other off-balance sheet assets" reportable in this item that individually exceed 25 percent of the bank's total equity capital (Schedule RC, item 28.a on the FFIEC 034; Schedule RC, item 28 on the FFIEC 031, 032, and 033). Enter such items in the inset boxes provided.

Include as "other off-balance sheet assets" such items as internally developed intangible assets and commitments to sell when-issued securities, if the reporting bank does not report these commitments as forward contracts in Schedule RC-L, item 14.b, below.

Item No. **Caption and Instructions**

14 **Gross amounts (e.g., notional amounts) of off-balance sheet derivatives**. Report in the appropriate column and subitem the gross par value (stated in U.S. dollars) (e.g., for futures, forwards, and option contracts) or the notional amount (stated in U.S. dollars) (e.g., for forward rate agreements and swaps), as appropriate, of all off-balance sheet contracts that are related to the following four types of underlying risk exposures: interest rate, foreign exchange, equity, and commodity and other. Contracts with multiple risk characteristics should be classified based upon the predominant risk characteristics at the origination of the derivative.

The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective notional amount or par value. For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.

All transactions within the consolidated bank should be reported on a net basis. No other netting of contracts is permitted for purposes of this item. Therefore, do not net: (1) obligations of the reporting bank to purchase from third parties against the bank's obligations to sell to third parties, (2) written options against purchased options, or (3) contracts subject to bilateral netting agreements.

For each column, the sum of items 14.a through 14.e must equal the sum of items 15, 16.a, and 16.b.

Column Instructions

Column A, Interest Rate Contracts: Interest rate contracts are contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). These contracts are generally used to adjust the bank's interest rate exposure or, if the bank is an intermediary, the interest rate exposure of others. Interest rate contracts include interest rate futures, single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude contracts involving the exchange of one or more foreign currencies (e.g., cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported in column B as foreign exchange contracts.

Unsettled securities transactions that exceed the regular way settlement time limit that is customary in each relevant market must be reported as forward contracts in Schedule RC-L, item 14.b, if they are not being reported on the balance sheet (Schedule RC) until the settlement date.

Column B, Foreign Exchange Contracts: Foreign exchange contracts are contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market, i.e., on an organized exchange or in an over-the-counter market. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange contracts include cross-currency interest rate swaps where there is an exchange of principal, forward foreign

Item No. **Caption and Instructions**

14 (cont.) exchange contracts (usually settling three or more business days from trade date), and currency futures and currency options. Exclude spot foreign exchange contracts which are to be reported in Schedule RC-L, item 11.

Only one side of a foreign currency transaction is to be reported. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. For example, if the reporting bank enters into a futures contract which obligates the bank to purchase U.S. dollar exchange against which it sells deutsche marks, then the bank would report (in U.S. dollar equivalent values) the amount of deutsche marks sold in Schedule RC-L, item 14(a). In cross-currency transactions, which involve the purchase and sale of two non-U.S. currencies, only the purchase side is to be reported.

All amounts in column B are to be reported in U.S. dollar equivalent values.

Column C, Equity Derivative Contracts: Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

The contract amount to be reported for equity derivative contracts is the quantity, e.g., number of units, of the equity instrument or equity index contracted for purchase or sale multiplied by the contract price of a unit.

Column D, Commodity and Other Contracts: Commodity contracts are contracts that have a return, or a portion of their return, linked to the price of or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, or equity derivative contracts.

The contract amount to be reported for commodity and other contracts is the quantity, e.g., number of units, of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

The notional amount to be reported for commodity contracts with multiple exchanges of principal is the contractual amount multiplied by the number of remaining payments (i.e., exchanges of principal) in the contract.

14.a **Futures contracts**. Futures contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Futures contracts are standardized and are traded on organized exchanges that act as the counterparty to each contract.

Report, in the appropriate column, the aggregate par value of futures contracts that have been entered into by the reporting bank and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or by offset. Offset is the liquidating of a

Item No. **Caption and Instructions**

14.a (cont.) purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange.

Column A, Interest Rate Futures: Report futures contracts committing the reporting bank to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Some of the more common interest rate futures include futures on 90-day U.S. Treasury bills; 12-year GNMA pass-through securities; and 2-, 4-, 6-, and 10-year U.S. Treasury notes.

Column B, Foreign Exchange Futures: Report the gross amount (stated in U.S. dollars) of all futures contracts committing the reporting bank to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A currency futures contract is a standardized agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Futures: Report futures contracts committing the reporting bank to purchase or sell equity securities or instruments based on equity indexes such as the Standard and Poor's 500 or the Nikkei.

Column D, Commodity and Other Futures: Report the contract amount for all futures contracts committing the reporting bank to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and non-ferrous metals (e.g., copper, zinc). Include any other futures contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

14.b **Forward contracts**. Forward contracts represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are not traded on organized exchanges and their contractual terms are not standardized.

Report the aggregate par value of forward contracts that have been entered into by the reporting bank and are outstanding (i.e., open contracts) as of the report date. Do not report the par value of financial instruments intended to be delivered under such contracts if this par value differs from the par value of the contracts themselves.

Contracts are outstanding (i.e., open) until they have been cancelled by acquisition or delivery of the underlying financial instruments or settled in cash. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller.

Include commitments to purchase and sell when-issued securities as forward contracts on a gross basis (except that banks may net purchases and sales of the identical security with the same party) unless the reporting bank does not include these commitments as part of its disclosures about off-balance sheet derivatives for other financial reporting purposes. In

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14.b (cont.) that case, report commitments to purchase when-issued securities as "Other off-balance sheet liabilities" in Schedule RC-L, item 12, and commitments to sell when-issued securities as "Other off-balance sheet assets" in Schedule RC-L, item 13, subject to the existing reporting thresholds for these two items.

Column A, Interest Rate Forwards; Report forward contracts committing the reporting bank to purchase or sell financial instruments and whose predominant risk characteristic is interest rate risk. Include in this item firm commitments (i.e., commitments that have a specific interest rate, selling date, and dollar amount) to sell loans secured by 1-to-4 family residential properties.

Column B, Foreign Exchange Forwards: Report the gross amount (stated in U.S. dollars) of all forward contracts committing the reporting bank to purchase foreign (non-U.S.) currencies and U.S. dollar exchange and whose predominant risk characteristic is foreign exchange risk.

A forward foreign exchange contract is an agreement for delayed delivery of a foreign (non-U.S.) currency or U.S. dollar exchange in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate.

Column C, Equity Derivative Forwards: Report forward contracts committing the reporting bank to purchase or sell equity instruments.

Column D, Commodity and Other Forwards: Report the contract amount for all forward contracts committing the reporting bank to purchase or sell commodities such as agricultural products (e.g., wheat, coffee), precious metals (e.g., gold, platinum), and non-ferrous metals (e.g., copper, zinc). Include any other forward contract that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

14.c **Exchange-traded option contracts**. Option contracts convey either the right or the obligation, depending upon whether the reporting bank is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Some options are traded on organized exchanges.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

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14.c.(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 exchange-traded option contracts that are outstanding as of the report date.

Column A, Written Exchange-Traded Interest Rate Options: For exchange-traded option contracts obligating the reporting bank to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

Column B, Written Exchange-Traded Foreign Exchange Options: Report in this item the gross amount (stated in U.S. dollars) of foreign (non-U.S.) currency and U.S. dollar exchange that the reporting bank has, for compensation, obligated itself to either purchase or sell under exchange-traded option contracts whose predominant risk characteristic is foreign exchange risk. In the case of option contracts obligating the reporting bank to either purchase or sell a foreign exchange futures contract, report the gross amount (stated in U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract. Exchange-traded options on major currencies such as the Japanese Yen, British Pound Sterling and French Franc and options on futures contracts of major currencies are examples of such contracts.

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

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

14.c.(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 exchange-traded option contracts that are outstanding as of the report date.

Column A, Purchased Exchange-Traded Interest Rate Options: For exchange-traded option contracts giving the reporting bank the right to either purchase or sell an interest rate futures contract and whose predominant risk characteristic is interest rate risk, report the par value of the financial instrument underlying the futures contract. An example of such a contract is a Chicago Board Options Exchange option on the 13-week Treasury bill rate.

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

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14.c.(2) U.S. dollars) of the foreign (non-U.S.) currency underlying the futures contract.
(cont.) Exchange-traded options on major currencies such as the Japanese Yen, British Pound Sterling and French Franc and options on futures contracts of major currencies are examples of such contracts.

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

Column D, Purchased Exchange-Traded Commodity and Other Exchange-Traded Options: Report the contract amount for those exchange-traded 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, exchange-traded option that is not reportable as an interest rate, foreign exchange, or equity derivative contract in column A, B, or C.

14.d **Over-the-counter option contracts**. Option contracts convey either the right or the obligation, depending upon whether the reporting bank is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price by a specified future date. Options can be written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over-the-counter (OTC) options. Thus, over-the-counter option contracts include all option contracts not traded on an organized exchange.

The buyer of an option contract has, for compensation (such as a fee or premium), acquired the right (or option) to sell to, or purchase from, another party some financial instrument or commodity at a stated price on a specified future date. The seller of the contract has, for such compensation, become obligated to purchase or sell the financial instrument or commodity at the option of the buyer of the contract. A put option contract obligates the seller of the contract to purchase some financial instrument or commodity at the option of the buyer of the contract. A call option contract obligates the seller of the contract to sell some financial instrument or commodity at the option of the buyer of the contract.

In addition, swaptions, i.e., options to enter into a swap contract, and contracts known as caps, floors, collars, and corridors should be reported as options.

Options such as a call feature that are embedded in loans, securities, and other on-balance sheet assets are not to be reported in Schedule RC-L. Commitments to lend are not considered options for purposes of Schedule RC-L, item 14, but should be reported in Schedule RC-L, item 1.

14.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

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14.d.(1) (cont.) 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 14.d.(1), column A, and for the purchased portion of the contract in Schedule RC-L, item 14.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.

14.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 14.d.(1), column A, and for the purchased portion of the contract in Schedule RC-L, item 14.d.(2), column A.

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

Column C, Purchased OTC Equity Derivative Options: Report the 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.

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14.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.

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. Such swaps may be undertaken by the reporting bank to hedge its own interest rate risk, in an intermediary capacity, or to hold in inventory.

Column B, Foreign Exchange Swaps: Report the notional principal amount (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps, whether the swap is undertaken by the reporting bank to hedge its own exchange rate risk, in an intermediary capacity, or to hold in inventory.

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 which lasts for a certain number of years. At defined intervals over the life of the swap, the counterparties exchange payments in the different currencies based on specified rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional amount of a cross-currency interest rate swap is generally the underlying principal amount upon which the exchange is based.

Column C, Equity Swaps: Report the notional amount of all outstanding equity or equity index swaps, whether the swap is undertaken by the reporting bank to hedge its own equity-based risk, in an intermediary capacity, or to hold in inventory.

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.

15 **Total gross notional amount of derivative contracts held for trading**. Report, in the appropriate column, the total notional amount or par value of those off-balance-sheet derivative contracts in Schedule RC-L, item 14 above that are held for trading purposes. Contracts held for trading purposes include those used in dealing and other trading activities accounted for at market value (or at lower of cost or market value) with gains and losses recognized in earnings. Derivative instruments used to hedge trading activities should also be reported in this item.

Derivative trading activities include (a) regularly dealing in interest rate contracts, foreign exchange contracts, equity derivative contracts, and other off-balance sheet commodity contracts, (b) acquiring or taking positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell (or repurchase) in order to profit from short-term price movements, or (c) acquiring or taking positions in such items as an accommodation to customers.

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15 (cont.) The reporting bank's trading department may have entered into a derivative contract with another department or business unit within the consolidated bank (and which has been reported on a net basis in accordance with the instructions to Schedule RC-L, item 14 above). If the trading department has also entered into a matching contract with a counterparty outside the consolidated bank, the contract with the outside counterparty should be designated as held for trading or as held for purposes other than trading consistent with the contract's designation for other financial reporting purposes.

16 **Gross notional amount of derivative contracts held for purposes other than trading:**

16.a **Contracts marked to market**. Report, in the appropriate column, the total notional amount or par value of those contracts in Schedule RC-L, item 14 above that are held for purposes other than trading and that, for purposes of these reports, are accounted for at market value or lower of cost or market value with gains and losses recognized either in earnings or in equity capital.

Include in this item (a) off-balance-sheet contracts used to hedge debt and equity securities classified as available-for-sale, (b) foreign exchange contracts that are designated as, and are effective as, economic hedges of a net investment in a foreign office, (c) intercompany foreign exchange contracts of a long-term investment nature when the parties to the contract are consolidated, combined or accounted for by the equity method, and (d) off-balance-sheet contracts used to hedge other assets or liabilities not held for trading purposes that are accounted for at market value.

16.b **Contracts not marked to market**. Report, in the appropriate column, the total notional amount or par value of all contracts in Schedule RC-L, item 14 above that are not accounted for at market value or lower of cost or market value. Include in this item the notional amount or par value of contracts such as swap contracts intended to hedge interest rate risk on commercial loans that are accounted for on the accrual basis.

16.c **Interest rate swaps where the bank has agreed to pay a fixed rate.** Report the notional amount of all outstanding interest rate swaps included in Schedule RC-L, items 16.a and 16.b, column A, above, on which the reporting bank is obligated to pay a fixed rate. The interest rate swaps that are reported in this item will also have been reported in Schedule RC-L, item 14.e, column A. Interest rate swaps that are held for trading should not be reported in this item 16.c.

A fixed interest rate is a rate that is specified at the origination of the transaction, is fixed and invariable during the term of the interest rate swap, and is known to both the bank and the swap counterparty. Also treated as a fixed interest rate is a predetermined interest rate which is a rate that changes during the term of the interest rate swap on a predetermined basis, with the exact rate of interest over the life of the swap known with certainty to both the bank and the swap counterparty at the origination of the transaction.

17 **Gross fair values of derivative contracts**. (Item 17 is to be completed only by banks that file the FFIEC 031, 032, or 033 report forms.) Report in the appropriate column and subitem below the fair (or market) value of all off-balance-sheet derivative contracts reported in Schedule RC-L, items 15, 16.a, and 16.b above. For each of the four types of underlying risk exposure in columns A through D, the gross positive and gross negative fair values will be reported separately for (i) contracts held for trading purposes (in item 17.a), (ii) contracts held for purposes other than trading that are marked to market for Call Report

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17 (cont.) purposes (in item 17.b), and (iii) contracts held for purposes other than trading that are not marked to market (in item 17.c). Guidance for reporting by type of underlying risk exposure is provided in the instructions for Schedule RC-L, item 14 above. Guidance for reporting by purpose and accounting methodology is provided in the instructions for Schedule RC-L, items 15, 16.a, and 16.b above.

All transactions within the consolidated bank should be reported on a net basis. No other netting of contracts is permitted for purposes of this item. Therefore, do not net (1) obligations of the reporting bank to buy against the bank's obligations to sell, (2) written options against purchased options, (3) positive fair values against negative fair values, or (4) contracts subject to bilateral netting agreements.

Report as fair value the amount at which a contract could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for a contract, the fair value to be reported for that contract is the product of the number of trading units of the contract multiplied by that market price. If a quoted market price is not available, report the bank's best estimate of fair value based on the quoted market price of a similar contract or on valuation techniques such as discounted cash flows. For purposes of item 17, the reporting bank should determine the fair value of its off-balance sheet derivative contracts in the same manner that it determines the fair value of these contracts for other financial reporting purposes. For example, for interest rate swaps, fair value may include accrued net settlement amounts which have not been paid or received. Otherwise, do not combine, aggregate, or net the reported fair value with the fair or book value of any other derivative or asset or liability.

17.a **Contracts held for trading**. Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for trading reported in Schedule RC-L, item 15 above.

17.a.(1) **Gross positive fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 15 above with positive fair values.

17.a.(2) **Gross negative fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 15 above with negative fair values. Report the total fair value as an absolute value, do not enclose the total fair value in parentheses or use a minus (-) sign.

17.b **Contracts held for purposes other than trading that are marked to market**. Report in the appropriate column and subitem the gross positive and gross negative fair values of those contracts held for purposes other than trading that are reported in Schedule RC-L, item 16.a above.

17.b.(1) **Gross positive fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 16.a above with positive fair values.

17.b.(2) **Gross negative fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 16.a above with negative fair values. Report the total fair value as an absolute value, do not enclose the total fair value in parentheses or use a minus (-) sign.

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17.c **Contracts held for purposes other than trading that are not marked to market**. Report in the appropriate column and subitem the gross positive and negative fair values of those contracts held for purposes other than trading that are reported in Schedule RC-L, item 16.b above.

17.c.(1) **Gross positive fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 16.b above with positive fair values.

17.c.(2) **Gross negative fair value**. Report in the appropriate column the total fair value of those contracts in Schedule RC-L, item 16.b above with negative fair values. Report the total fair value as an absolute value, do not enclose the total fair value in parentheses or use a minus (-) sign.

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1-2	Not applicable.

3 **Unused commitments with an original maturity exceeding one year that are reported in items 1.a through 1.e above.** Report in this item all unused commitments that obligate the bank to extend credit in the form of loans or participations in loans, lease financing receivables, or similar transactions that are included in Schedule RC-L, items 1.a through 1.e, and have an original maturity exceeding one year. Original maturity is defined as the length of time between the date the commitment is issued and the date of maturity, or the earliest date on which the bank (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment. Unused commitments with an original maturity exceeding one year are to be reported gross, i.e., include in this item the amounts of commitments acquired from and conveyed to others.

Include only the unused portion of commitments that are fee paid or otherwise legally binding and that have an original maturity exceeding one year. In addition, forward agreements and commitments to issue a commitment at some point in the future that have an original maturity exceeding one year are to be included. For these types of commitments, original maturity is to be measured from the date on which the initial commitment is issued. In other words, the maturities of the commitment to issue a commitment and the commitment itself are viewed on a combined basis when determining original maturity.

Exclude those commitments that are unconditionally cancellable or have a maturity of one year or less. In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, the bank is deemed able to unconditionally cancel the commitment for the purpose of this criterion if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans are defined to be short-term commitments excludable from this item if the bank has the unconditional right to cancel the line of credit at any time, in accordance with applicable law.

3.a **Participations in commitments with an original maturity exceeding one year conveyed to others**.

Memorandum item 3.a is not applicable to banks filing the FFIEC 034 report form.

Report in this item that portion of the reporting bank's commitments to extend credit with an original maturity exceeding one year (that were reported in Memorandum item 3 above) that the bank has conveyed to others.

4 **Standby letters of credit (both financial and performance) (and foreign office guarantees -- for FFIEC 031) issued to non-U.S. addressees (domicile)**.

Memorandum item 4 is to be completed only by those banks filing the FFIEC 031 and 032 report forms that have $1 billion or more in total assets.

Memoranda

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4 (cont.) Report the amount of standby letters of credit (and foreign office guarantees) issued to non-U.S. addressees. The distinction between U.S. addressees and non-U.S. addressees is determined by the domicile of the account party, not the domicile of the beneficiary. See the Glossary entry for "domicile."

5 **Installment loans to individuals for household, family, and other personal expenditures that have been securitized and sold (with servicing retained), amounts outstanding by type of loan**.

Memorandum items 5.a through 5.c are applicable only to banks filing the FFIEC 031 and 032 report forms.

Report in the appropriate subitem the amount outstanding of consumer installment loans, by type of loan, included in packages of asset-backed securities which the bank has transferred in transactions that have been reported as sales in accordance with these instructions and for which the servicing of the loans has been retained ("securitized loans"). The amounts reported should include loans securitized and sold in all prior quarters as well as in the current quarter. Because they have been reported as sold, these securitized consumer installment loans are no longer included as assets on the balance sheet of the reporting bank and thus are not reported in Schedule RC-C, item 6, "Loans to individuals for household, family, and other personal expenditures."

Exclude from Memorandum item 5:

(1) Consumer installment loans that have been sold in a form other than as a package to collateralize an asset-backed security.

(2) Securitized single payment (noninstallment) loans to individuals.

(3) Securitized consumer installment loans that have been sold without servicing retained by either the reporting bank or an affiliate of the reporting bank.

(4) All loans secured by real estate that have been securitized and sold, including loans for the purchase or holding of mobile homes (a) where state laws define the purchase or holding of a mobile home as the purchase or holding of real property and (b) where the loans themselves are secured by the mobile homes as evidenced by mortgages or other instruments on real property.

5.a **Loans to purchase private passenger automobiles**. Memorandum item 5.a is to be completed for the September report only.

Report the amount outstanding of securitized installment loans to individuals, both direct loans and indirect loans (purchased paper), arising from the retail sale of private passenger automobiles (including sport-utility vehicles and minivans), regardless of whether the loans are collateralized by the automobiles.

Exclude from this item securitized installment loans to individuals for the purpose of purchasing motorcycles; travel trailers, campers, and similar recreational vehicles; pickup and panel trucks; vans; and other similar vehicles for personal use (report in Memorandum item 5.c below).

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5.b **Credit cards and related plans**. Memorandum item 5.b is to be completed each quarter.

Report the amount outstanding of securitized extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards and related plans. (Refer to the instruction for Schedule RC-C, item 6.a, for further information on "Credit cards and related plans.")

5.c **All other consumer installment credit**. Memorandum item 5.c is to be completed for the September report only.

Report the amount outstanding of all other securitized installment loans to individuals for household, family, and other personal expenditures.

Include in Memorandum item 5.c installment loans not secured by real estate:

(1) Arising from the sale to individuals of new or used private mobile homes, regardless of whether the loan is collateralized by the mobile home.

(2) For the purchase of boats; motorcycles; travel trailers, campers, and similar recreational vehicles; pickup and panel trucks; vans; other similar vehicles; household appliances; or furniture.

(3) For repairs or improvements to the borrower's residence.

(4) For educational expenses (including all student loans, whether payments are required currently or will begin at a future date, e.g., after graduation), medical expenses, personal taxes, vacations, consolidation of personal (nonbusiness) debts, and other personal expenditures.

SCHEDULE RC-M -- MEMORANDA

Item No. **Caption and Instructions**

1 **Extensions of credit by the reporting bank to its executive officers, directors, principal shareholders, and their related interests as of the report date**. For purposes of this item, the terms "extension of credit," "executive officer," "director," "principal shareholder," and "related interest," are as defined in Federal Reserve Board Regulation O.

An "extension of credit" is a making or renewal of any loan, a granting of a line of credit, or an extending of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount to be reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See Section 215.3 of Regulation O.

An "executive officer" of the reporting bank generally means a person who participates or has authority to participate (other than in the capacity of a director) in major policymaking functions of the reporting bank. See Section 215.2(e) of Regulation O.

A "director" of the reporting bank generally means a person who is a director of a bank, whether or not receiving compensation, a director of a bank holding company of which the bank is a subsidiary, and a director of any other subsidiary of that bank holding company. See Section 215.2(d) of Regulation O.

A "principal shareholder" of the reporting bank generally means an individual or a company (other than an insured bank or foreign bank) that directly or indirectly owns, controls, or has the power to vote more than ten percent of any class of voting securities of the reporting bank. See Section 215.11(a)(1) of Regulation O.

A "related interest" means (1) a company (other than an insured bank or a foreign bank) that is controlled by an executive officer or principal shareholder or (2) a political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer or principal shareholder. See Section 215.11(a)(2) of Regulation O.

1.a **Aggregate amount of all extensions of credit to all executive officers, directors, principal shareholders, and their related interests**. Report the aggregate amount outstanding as of the report date of all extensions of credit by the reporting bank to all of its executive officers, directors, and principal shareholders, and to all of the related interests of its executive officers, directors, and principal shareholders.

Include each extension of credit by the reporting bank in the aggregate amount only one time, regardless of the number of executive officers, directors, principal shareholders, and related interests thereof to whom the extension of credit has been made.

1.b **Number of executive officers, directors, and principal shareholders to whom the amount of all extensions of credit by the reporting bank (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or 5 percent of total capital as defined for this purpose in agency regulations**. Report the number of executive officers, directors, and principal shareholders of the reporting bank to whom the amount of all extensions of credit by the reporting bank outstanding as of the report date equals or exceeds the lesser

Item No. **Caption and Instructions**

1.b (cont.) of $500,000 or five percent of total capital as defined for this purpose in regulations issued by the bank's primary federal bank supervisory authority.

For purposes of this item, the amount of all extensions of credit by the reporting bank to an executive officer, director, or principal shareholder includes all extensions of credit by the reporting bank to the related interests of the executive officer, director, or principal shareholder. Furthermore, an extension of credit by the reporting bank to more than one of its executive officers, directors, principal shareholders, or related interests thereof must be included in the amount of all extensions of credit for each such executive officer, director, or principal shareholder.

2 **Federal funds sold and securities purchased under agreements to resell with U.S. branches and agencies of foreign banks**. (Item 2 is not applicable to banks filing the FFIEC 034 report forms.) Report the amount of federal funds sold and securities purchased under agreements to resell with U.S. branches and agencies of foreign banks (see the Glossary entry for "banks, U.S. and foreign" for the definition of this term) which are included in Schedule RC, item 3.

3.a **Noninterest-bearing balances due from commercial banks in the U.S.** (Item 3.a is not applicable to banks filing the FFIEC 031, 032, and 033 report forms.) Report the amount of noninterest-bearing balances due from commercial banks in the U.S. that is included in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin." See the Glossary entry for "banks, U.S. and foreign" for the definition of commercial banks in the U.S.

Noninterest-bearing balances due from commercial banks in the U.S. include those noninterest-bearing funds on deposit at commercial banks in the U.S. for which the reporting bank has already received credit and which are subject to immediate withdrawal. Balances for which the bank has not yet received credit and balances representing checks or drafts for which immediate credit has been given but which are not subject to immediate withdrawal are considered "cash items in process of collection" and should not be reported in this item.

Include as noninterest-bearing balances due from commercial banks in the U.S.:

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

(2) Noninterest-bearing balances that reflect deposit credit received by the reporting bank because of credit or debit card sales slips that had been forwarded for collection. (Until credit has been received, report as noncash items in process of collection in Schedule RC-F, item 4, "Other" assets.)

Exclude from noninterest-bearing balances due from commercial banks in the U.S.:

(1) Balances due from Federal Reserve Banks.

(2) Deposit accounts "due to" other commercial banks in the U.S. that are overdrawn (report in Schedule RC-C, part I, item 2, "Loans to depository institutions").

Item No. **Caption and Instructions**

3.a (cont.) (3) All noninterest-bearing balances that the reporting bank's trust department maintains with other commercial banks in the U.S.

3.b **Currency and coin**. (Item 3.b is not applicable to banks filing the FFIEC 031, 032, and 033 report forms.) Report the amount of currency and coin included in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin." Currency and coin include both U.S. and foreign currency and coin owned and held in all offices of the reporting bank, currency and coin in transit to a Federal Reserve Bank or to any other depository institution for which the reporting bank has not yet received credit, and currency and coin in transit from a Federal Reserve Bank or from any other depository institution for which the reporting bank's account has already been charged. Foreign currency and coin should be converted into U.S. dollar equivalents as of the report date.

4 **Outstanding principal balance of 1-4 family residential mortgage loans serviced for others**. Report in the appropriate subitem the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others. Include those 1-to-4 family residential mortgage loans for which the reporting bank has purchased the servicing (i.e., purchased servicing) and those 1-to-4 family residential mortgages which the reporting bank has originated and sold (or swapped with FHLMC or FNMA) but for which it has retained the servicing duties and responsibilities (i.e., retained servicing).

4.a **Mortgages serviced under a GNMA contract**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under servicing contracts entered into with the Government National Mortgage Association (GNMA). GNMA contracts generally cover residential mortgage loans guaranteed by the Department of Veterans Affairs/Veterans Administration (VA) and insured by the Federal Housing Administration (FHA).

4.b **Mortgages serviced under a FHLMC contract**. Report in the appropriate subitem the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under servicing contracts entered into with the Federal Home Loan Mortgage Corporation (FHLMC). FHLMC contracts cover VA, FHA, and conventional mortgages, i.e., mortgages that have not been guaranteed or insured by a U.S. Government agency. A seller sells (or swaps) mortgages to FHLMC with or without recourse, as elected by the seller, and endorses each mortgage note sold to (or swapped with) FHLMC accordingly. A seller electing to sell to (or swap with) FHLMC with recourse bears all risks and costs of a borrower default, including the costs of foreclosure. If the servicing of mortgages sold to (or swapped with) FHLMC with recourse is transferred, the transferee bears these risks and costs. If a seller elects to sell (or swap) mortgages without recourse, FHLMC assumes the risk of loss from borrower defaults to the extent of FHLMC's percentage of participation in the mortgages.

4.b.(1) **Serviced with recourse to servicer**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under servicing contracts entered into with FHLMC in which the mortgages being serviced have been sold to (or swapped with) FHLMC with recourse and the mortgage notes have been endorsed accordingly.

4.b.(2) **Serviced without recourse to servicer**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under servicing contracts entered into with FHLMC in which the mortgages being serviced have been sold to (or swapped with) FHLMC without recourse and the mortgage notes have been endorsed accordingly.

Item No. **Caption and Instructions**

4.c **Mortgages serviced under a FNMA contract**. Report in the appropriate subitem the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under servicing contracts entered into with the Federal National Mortgage Association (FNMA). FNMA contracts cover VA, FHA, and conventional mortgages that have been sold to (or swapped with) FNMA. Residential mortgages are serviced for FNMA under either the regular or special servicing option. Under a regular option contract, the servicer assumes the risk of loss from a mortgagor default. Under a special option contract, FNMA assumes the risk of loss from a mortgagor default.

4.c.(1) **Serviced under a regular option contract**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under regular servicing option contracts entered into with FNMA.

4.c.(2) **Serviced under a special option contract**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under special servicing option contracts entered into with FNMA.

4.d **Mortgages serviced under other servicing contracts**. Report the outstanding principal balance of 1-to-4 family residential mortgage loans serviced for others under other types of servicing contracts. Include mortgages serviced under all contracts other than GNMA, FHLMC, and FNMA contracts.

5 **Customers' liability to this bank on acceptances outstanding**. (Items 5.a and 5.b are to be completed only by banks with $1 billion or more in total assets that file the FFIEC 031 and 032 report forms.) The sum of items 5.a and 5.b must equal Schedule RC, item 9.

5.a **U.S. addressees (domicile)**. Report the portion of Schedule RC, item 9, that represents liabilities of customers who are U.S. addressees, i.e., are domiciled in the United States (see the Glossary entry for "domicile").

5.b **Non-U.S. addressees (domicile)**. Report the portion of Schedule RC, item 9, that represents liabilities of customers who are not U.S. addressees, i.e., are domiciled outside the United States (see the Glossary entry for "domicile").

6 **Intangible assets**. Report in the appropriate subitem the unamortized amount of intangible assets. Intangible assets primarily result from business combinations accounted for under the purchase method in accordance with Accounting Principles Board Opinion No. 16, as amended, from acquisitions of portions or segments of another institution's business such as branch offices, mortgage servicing portfolios, and credit card portfolios, and from the sale or securitization of financial assets with servicing retained. Consistent with Securities and Exchange Commission guidance, intangible assets should be amortized over their estimated useful lives, generally not to exceed 25 years.

6.a **Mortgage servicing assets**. Report the carrying value of mortgage servicing assets, i.e., the unamortized cost of acquiring contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") that have been securitized or are owned by another party, net of any related valuation allowances. Exclude servicing assets resulting from contracts to service financial assets other than loans secured by real estate (report nonmortgage servicing assets in Schedule RC-M, item 6.b.(2)). For further information, see the Glossary entry for "servicing assets and liabilities."

Item No. **Caption and Instructions**

6.a.(1) **Estimated fair value of mortgage servicing assets.** Report the estimated fair value of the capitalized mortgage servicing assets reported in Schedule RC-M, item 6.a, above.

According to FASB Statement No. 125, the fair value of mortgage servicing assets is the amount at which the assets could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of the fair value of an asset and should be used to measure fair value if available. If quoted market prices are not available, the estimate of fair value should be based on the best information available in the circumstances, considering prices for similar assets and the results of valuation techniques such as the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved. Valuation techniques for measuring servicing assets should be consistent with the objective of measuring fair value and should incorporate assumptions that market participants would use. Estimates of expected future cash flows, if used to estimate fair value, should be the best estimate based on reasonable and supportable assumptions and projections.

For purposes of this item, the reporting bank should determine the fair value of mortgage servicing assets in the same manner that it determines the fair value of these assets for other financial reporting purposes, consistent with the guidance in FASB Statement No. 125.

6.b **Other identifiable intangible assets**:

6.b.(1) **Purchased credit card relationships**. Report the carrying value of purchased credit card relationships arising when the reporting bank purchases existing credit card receivables and also has the right to provide credit card services to those customers. Also report any purchased credit card relationships arising in the acquisition of an entire depository institution.

Purchased credit card relationships represent the right to conduct ongoing credit card business dealings with the cardholders. In general, purchased credit card relationships are an amount paid in excess of the value of the purchased credit card receivables.

Purchased credit card relationships shall be carried at amortized cost, not in excess of the discounted amount of estimated future net cash flows. Management of the institution shall review the carrying value at least quarterly, adequately document this review, and adjust the carrying value as necessary. If unanticipated acceleration or deceleration of cardholder payments, account attrition, changes in fees or finance charges, or other events occur that reduce the amount of expected future net cash flows, a writedown of the book value of the purchased credit card relationships shall be made to the extent that the discounted amount of estimated future net cash flows is less than the asset's carrying amount.

6.b.(2) **All other identifiable intangibles**. Report the unamortized amount (book value) of all other specifically identifiable intangible assets such as core deposit intangibles, favorable leasehold rights, and organization costs. (See the Glossary entry for "organization costs" for further information on this subject.)

Item No. **Caption and Instructions**

6.c **Goodwill**. Report the amount (book value) of unamortized goodwill. This asset represents the excess of the cost of a company over the sum of the fair values of the tangible and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase. The amount of goodwill reported in this item should not be reduced by any negative goodwill. Any negative goodwill arising from a business combination accounted for as a purchase must be reported in Schedule RC-G, item 4, "Other" liabilities, and in Schedule RC, item 20, "Other liabilities."

6.d **Total**. Report the sum of items 6.a, 6.b.(1), 6.b.(2), and 6.c. This amount must equal Schedule RC, item 10, "Intangible assets."

6.e **Intangible assets that have been grandfathered for regulatory capital purposes**. Report in this item the amount of intangible assets that, in accordance with the regulatory capital standards issued by the reporting bank's primary federal bank regulatory agency, have been grandfathered. Grandfathered intangibles are intangible assets that were allowed to be used to meet capital requirements under the bank's previous regulatory capital rules but which no longer qualify for this treatment under the current capital rules of the bank's primary federal regulatory agency. Do not include in this item the portion of any identifiable intangible asset that, under current regulatory capital rules, would count toward (i.e., not be deducted from) the bank's regulatory capital.

For state member banks, report the remaining book value as of the report date of all intangible assets (excluding goodwill, purchased mortgage servicing rights, and purchased credit card relationships) that were recorded on the balance sheet of the reporting bank on or before February 19, 1992. Examples of intangible assets that may be reported in this item are core deposit intangibles, favorable leasehold rights, and organization costs.

Also report in this item the amount of any deferred tax liability that is specifically related to an intangible asset (other than purchased mortgage servicing rights and purchased credit card relationships) acquired in a nontaxable purchase business combination that the reporting bank chooses to net against the intangible asset for regulatory capital purposes. However, a deferred tax liability that is reported in this item and netted in this manner may not also be netted against deferred tax assets when the reporting bank determines the amount of deferred tax assets that are dependent upon future taxable income and calculates the maximum allowable amount of such deferred tax assets for regulatory capital purposes.

7 **Mandatory convertible debt, net of common or perpetual preferred stock dedicated to redeem the debt**. Report the total amount of outstanding mandatory convertible debt, net of any proceeds from the issuance of common or perpetual preferred stock dedicated (in accordance with guidelines issued or established by the bank's primary federal bank supervisory authority) to wholly or partially redeem the debt or otherwise satisfy its funding requirements.

Mandatory convertible debt is a form of subordinated debt. It may take the form of (a) equity contract notes which obligate the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal, or (b) for national and state member banks, equity commitment notes which were issued prior to April 15, 1985, and which are redeemable only with the proceeds from the sale of common or perpetual preferred stock. Later issues of equity commitment notes do not qualify as mandatory convertible debt. Equity commitment notes issued by state nonmember banks do not quality as mandatory convertible debt, regardless of when issued.

Item No. **Caption and Instructions**

8.a **Other real estate owned**. Report in the appropriate subitem the book value, less accumulated depreciation, if any, of all real estate other than bank premises owned or controlled by the bank and its consolidated subsidiaries. Do not deduct mortgages or other liens on such property (report in Schedule RC, item 16, "Other borrowed money"). Amounts should be reported net of any applicable valuation allowances.

Exclude any property necessary for the conduct of banking business (report in Schedule RC, item 6, "Premises and fixed assets").

8.a.(1) **Direct and indirect investments in real estate ventures**. Report the net book value of direct and indirect investments in real estate ventures that are reportable as other real estate owned.

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

Include as direct and indirect investments in real estate ventures:

(1) Any real estate acquired, directly or indirectly, by the bank or a consolidated subsidiary and held for development, resale, or other investment purposes. (Do not include real estate acquired in any manner for debts previously contracted, including, but not limited to, real estate acquired through foreclosure or acquired by deed in lieu of foreclosure. Report such real estate in Schedule RC-M, item 8.a.(2) below.)

(2) Real estate acquisition, development, or construction (ADC) arrangements which are accounted for as direct investments in real estate in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

(3) Real estate acquired and held for investment by the bank or a consolidated subsidiary that has been sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, "Accounting for Sales of Real Estate." Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion method of accounting under FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with FASB Statement No. 66.

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

Item No. **Caption and Instructions**

8.a.(1) (cont.) (5) Investments in corporate joint ventures, unincorporated joint ventures, and general or limited partnerships that are primarily engaged in the holding of real estate for development, resale, or other investment purposes and over which the bank does not exercise significant influence.

8.a.(2) **All other real estate owned**. Report the net book value of all other real estate owned. Include as all other real estate owned:

(1) Foreclosed real estate, i.e.,

(a) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the bank has not yet received title to the property.

(b) Real estate collateral underlying a loan when the bank has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower.

Foreclosed real estate received in full or partial satisfaction of a loan should be recorded at the fair value less cost to sell of the property at the time of foreclosure. This amount becomes the "cost" of the foreclosed real estate. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the fair value less cost to sell of the property is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure. The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RC, item 16, "Other borrowed money."

After foreclosure, each foreclosed real estate asset must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraph). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs. (For further information, see the Glossary entries for "foreclosed assets" and "troubled debt restructurings.")

(2) Property originally acquired for future expansion but no longer intended to be used for that purpose.

(3) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, "Accounting for Sales of Real Estate." Under this method, the seller does not record notes receivable, but continues to report the real estate and any related existing debt on its balance sheet. The deposit method is used when a sale has not been consummated and is commonly used when recovery of the carrying value of the property is not reasonably assured. If the full accrual, installment, cost recovery, reduced profit, or percentage-of-completion

Item No. **Caption and Instructions**

8.a.(2) (cont.) method of accounting under FASB Statement No. 66 is being used to account for the sale, the receivable resulting from the sale of the foreclosed real estate should be reported as a loan in Schedule RC-C and any gain on the sale should be recognized in accordance with FASB Statement No. 66. For further information, see the Glossary entry for "foreclosed assets."

Property formerly but no longer used for banking may be reported either in this item as "All other real estate owned" or in Schedule RC, item 6, as "Premises and fixed assets."

8.a.(2)(a) **Construction and land development (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, either land under development or structures or facilities under construction, whether or not development or construction is continuing or has ceased prior to completion. When construction is substantially completed and the structure or facility is available for occupancy or use, report the net book value in the subitem below appropriate to the completed structure or facility.

For further information on the meaning of the term "construction and land development," see the instruction to Schedule RC-C, part I, item 1.a. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, either land under development or structures or facilities under construction, not just real estate acquired through foreclosure on loans that were originally reported as "construction and land development loans" in Schedule RC-C, part I, item 1.a, (column B on the FFIEC 031).

8.a.(2)(b) **Farmland (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, farmland.

For further information on the meaning of the term "farmland," see the instruction to Schedule RC-C, part I, item 1.b. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, farmland, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by farmland" in Schedule RC-C, part I, item 1.b, (column B on the FFIEC 031).

8.a.(2)(c) **1-4 family residential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, 1-to-4 family residential properties.

For further information on the meaning of the term "1-4 family residential properties," see the instruction to Schedule RC-C, part I, item 1.c. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, 1-to-4 family residential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by 1-4 family residential properties" in Schedule RC-C, part I, item 1.c, (column B on the FFIEC 031).

8.a.(2)(d) **Multifamily (5 or more) residential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, multifamily residential properties.

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8.a.(2)(d) (cont.) For further information on the meaning of the term "multifamily residential properties," see the instruction to Schedule RC-C, part I, item 1.d. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, multifamily residential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by multifamily residential properties" in Schedule RC-C, part I, item 1.d, (column B on the FFIEC 031).

8.a.(2)(e) **Nonfarm nonresidential properties (in domestic offices)**. Report the net book value of all other real estate owned (in domestic offices) in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties.

For further information on the meaning of the term "nonfarm nonresidential properties," see the instruction to Schedule RC-C, part I, item 1.e. However, the amount to be reported in this item should include all other real estate owned in the form of, or for which the underlying real estate consists of, nonfarm nonresidential properties, not just real estate acquired through foreclosure on loans that were originally reported as "loans secured by nonfarm nonresidential properties" in Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031).

8.a.(2)(f) **In foreign offices**. (Item 8.a.(2)(f) is not applicable to banks filing the FFIEC 032, 033, and 034 report forms.) Report the net book value of all other real estate owned which is held in foreign offices of the reporting bank.

8.a.(3) **Total**. On the FFIEC 032, 033, and 034, report the sum of items 8.a.(1) through 8.a.(2)(e). On the FFIEC 031, report the sum of items 8.a.(1) through 8.a.(2)(f). This amount must equal Schedule RC, item 7, "Other real estate owned."

8.b **Investments in unconsolidated subsidiaries and associated companies**. Report in the appropriate subitem the amount of the bank's investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence (collectively referred to as "investees"). Include loans and advances to investees and holdings of their bonds, notes, and debentures.

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

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

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8.b.(1) **Direct and indirect investments in real estate ventures**. Report the amount of the bank's investments in investees (as defined above) that are primarily engaged in the holding of real estate for development, resale, or other investment purposes. Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting as described above. Include in this item real estate acquisition, development, or construction (ADC) arrangements which are accounted for as real estate joint ventures in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986.

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

8.b.(2) **All other investments in unconsolidated subsidiaries and associated companies**. Report the amount of the bank's investments in investees (as defined above) that are not primarily engaged in the holding of real estate for development, resale, or other investment purposes. Investments by the bank in these investees may be in the form of common or preferred stock, partnership interests, loans or other advances, bonds, notes, or debentures. Such investments shall be reported using the equity method of accounting as described above.

8.b.(3) **Total**. Report the sum of items 8.b.(1) and 8.b.(2). This amount must equal Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."

9 **Noncumulative perpetual preferred stock and related surplus included in Schedule RC, item 23, "Perpetual preferred stock and related surplus."** Report the amount of outstanding noncumulative perpetual preferred stock, including any amounts received in excess of its par or stated value, that is included in Schedule RC, item 23. Exclude noncumulative perpetual preferred stock issues where the dividend is reset periodically based, in whole or in part, upon the bank's current credit standing (including, but not limited to, auction rate, money market, and remarketable preferred stock).

10 **Mutual fund and annuity sales (in domestic offices) during the quarter.** Report in the appropriate subitem the amount of mutual fund and annuity sales activity (in domestic offices) during the quarter ending with the report date. These sales may be made by the reporting bank, through a bank subsidiary, or by affiliated[1] and unaffiliated entities. For purposes of this item, sales should generally be measured in terms of gross sales dollars, not sales revenue.

In general, banks should include all sales of proprietary, private label, and other (i.e., third party) mutual funds and annuities that take place on bank premises and all other sales for which the bank receives income at the time of the sale or over the duration of the account (e.g., annual fees, Rule 12b-1 fees or "trailer fees," and redemption fees). Include sales conducted through the reporting bank's trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator), but exclude sales

[1] Other than a bank subsidiary.

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10 (cont.) conducted by the trust department that are executed in a fiduciary capacity. When reporting sales by affiliated and unaffiliated entities, banks may rely on the sales information provided by these entities when completing this item.

The following are some examples of the types of transactions to be reported as sales (when the above conditions are met): initial and subsequent mutual fund and annuity sales, exchanges within a family of funds, reinvestment of income (dividends and capital gains), and sweep account activity. Other examples (when the above conditions are met) include sales made on bank premises in space that is leased to or otherwise occupied by another entity, sales made by an entity that is not located on bank premises to customers referred to that entity by the bank, sales to retail customers and institutional investors, and sales of load and no-load products. Sales should be reported gross and not net of redemptions. However, with respect to sweep accounts, the bank should report the average amount of funds swept into the money market fund each day during the quarter and not the aggregate total amount of funds swept into the money market fund during the quarter. The average may be computed from the amount of funds swept into the money market fund for each day for the calendar quarter or from the amount of funds swept into the money market fund on each Wednesday during the calendar quarter.[2]

Mutual fund is the common name for an open-end investment company whose shares are sold to the investing public. An annuity is an investment product, typically underwritten by an insurance company, that pays either a fixed or variable payment stream over a specified period of time. Both proprietary and private label mutual funds and annuities are established in order to be marketed primarily to a bank's or banking organization's customers. A proprietary product is a product for which the reporting bank or a subsidiary or other affiliate of the reporting bank acts as investment adviser and may perform additional support services. In a private label product, an unaffiliated entity acts as the investment adviser. The identity of the investment adviser is normally disclosed in the prospectus for a mutual fund or annuity. Mutual funds and annuities that are not proprietary or private label products are considered third party products. For example, third party mutual funds and annuities include products that are widely marketed by numerous parties to the investing public and have investment advisers that are not affiliated with the reporting bank.

In a situation where Banks A, B, C, and D are subsidiaries of a holding company and Bank A advises a family of mutual funds sold by all four banks in the holding company and Bank A receives an advisory fee for mutual funds sold by all four banks, Bank A should not include the amount of mutual funds sold during the quarter (and reported) by Banks B, C, and D in the amount of mutual fund sales it reports during the quarter. Bank A should report only the mutual funds it has sold during the quarter. In addition, for all four banks, this family of mutual funds would be considered proprietary funds.

[2] For example, the reporting bank has one sweep account and uses the Wednesday reporting option. There are 13 Wednesdays during the quarter. The following amounts were swept into the money market fund each Wednesday during the quarter: Week 1: $1,000; Week 2: $5,000; Week 3: $0; Week 4: $4,000; Week 5: $5,000; Week 6: $4,000; Week 7: $3,000; Week 8: $0; Week 9: $3,000; Week 10: $2,000; Week 11: $3,000; Week 12: $4,000; Week 13: $5,000. The average amount of funds swept into the money market fund on each Wednesday during the quarter was $3,000 (i.e., the sum of the amounts for weeks 1 - 13, $39,000, divided by 13). This average amount (i.e., $3,000) would be included in item 10.a of Schedule RC-M.

Item No. **Caption and Instructions**

10.a **Money market funds**. Report the amount of sales (in domestic offices) during the quarter ending with the report date of mutual funds that, based on their investment objectives, can best be characterized as money market mutual funds. Money market mutual funds are mutual funds which invest exclusively in short-term debt securities with the objective of providing liquidity and preserving capital while also earning income.

10.b **Equity securities funds**. Report the amount of sales (in domestic offices) during the quarter ending with the report date of mutual funds that, based on their investment objectives, can best be characterized as equity securities funds. Equity securities funds are mutual funds that invest primarily in equity securities (e.g., common stock).

10.c **Debt securities funds**. Report the amount of sales (in domestic offices) during the quarter ending with the report date of mutual funds that, based on their investment objectives, can best be characterized as debt securities funds. Debt securities funds are mutual funds that invest primarily in debt securities (e.g., corporate bonds, U.S. Government securities, municipal securities, mortgage-backed securities).

10.d **Other mutual funds**. Report the amount of sales (in domestic offices) during the quarter ending with the report date of mutual funds that, based on their investment objectives, cannot properly be reported in one of the three preceding items. Other funds may include mutual funds that invest in a mix of debt and equity securities.

10.e **Annuities**. Report the amount of sales (in domestic offices) during the quarter ending with the report date of annuities, including variable annuities.

10.f **Sales of proprietary mutual funds and annuities**. Report the total sales (in domestic offices) during the quarter ending with the report date of proprietary mutual funds and annuities. These sales will also have been included in items 10.a through 10.e above.

A general description of a proprietary product is included in the instruction to item 10 above. Proprietary mutual funds and annuities are typically created by large banking organizations and offered to customers of the banking organization's subsidiary banks. Therefore, small, independent banks are not normally involved in the sale of proprietary mutual funds and annuities.

Banks that do not sell proprietary mutual funds and annuities should report a zero or the word "none" in this item.

11 **Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC.** Under generally accepted accounting principles (GAAP), realized gains and losses on derivatives that qualify as hedges of existing assets, liabilities, firm commitments, or anticipated transactions may be deferred from income and are generally recognized as adjustments to the carrying amount of the items hedged. These deferred gains and losses are generally amortized to income over the life of the hedged position.

Report in this item the net amount of unamortized, realized deferred gains and losses on derivatives (e.g., that are incorporated as adjustments to the book value of existing assets or liabilities). (The unrealized gains and losses on derivatives that qualify as hedges are not reported in this item, but are included in the gross positive and negative fair values reported in Schedule RC-L, item 17, on the FFIEC 031, 032, and 033.)

Item No. **Caption and Instructions**

12 **Amount of assets netted against nondeposit liabilities on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles.** If the reporting bank offset or netted any recognized assets against recognized nondeposit liabilities (and deposits in foreign offices other than insured branches in Puerto Rico and U.S. territories and possessions) in accordance with generally accepted accounting principles (GAAP) when it prepared its Call Report balance sheet (Schedule RC), report in this item the amount of assets netted against liabilities, except as noted below. The accounting standards for offsetting (netting) are set forth in FASB Interpretations No. 39 and No. 41. For further information, see the Glossary entry for "Offsetting."

Include in this item:

(1) Borrowings against the cash surrender value of life insurance policies that have been netted against the cash surrender value asset on the balance sheet in accordance with GAAP.

(2) Securities purchased under agreements to resell that have been netted against securities sold under agreements to repurchase in accordance with GAAP.

(3) Receivables and payables arising from unsettled trades that have been reported on a net basis in accordance with GAAP.

(4) On the FFIEC 031, "back-to-back" loans that have been netted against deposits in foreign offices other than insured branches in accordance with GAAP.

Although not a netting of assets against liabilities, also include in this item the outstanding amount of assets removed from the reporting bank's balance sheet in connection with debt defeased prior to January 1, 1997. The amount to be reported for defeased debt should equal the amount of cash or risk-free securities, generally U.S. Government securities, placed in an "irrevocable" trust for the sole purpose of meeting all of the remaining debt service payments associated with the defeased obligations in accordance with FASB Statement No. 76, "Extinguishment of Debt."

Exclude from this item:

(1) Netted on-balance sheet amounts associated with off-balance sheet derivative contracts.

(2) Deferred tax assets netted against deferred tax liabilities.

(3) Assets netted against liabilities in accounting for pension plans and other postretirement benefit plans.

(4) Assets netted against liabilities in accounting for leveraged leases.

(5) Due from deposit balances and other assets netted against deposit liabilities in domestic offices (and in insured branches in Puerto Rico and U.S. territories and possessions) (report certain amounts netted against these deposit liabilities in Schedule RC-O, items 11 and 12).

Item No. **Caption and Instructions**

13 **Outstanding principal balance of loans other than 1-to-4 family residential mortgage loans that are serviced for others.** (Item 13 is applicable only to banks filing the FFIEC 031, 032, and 033 report forms.) If the reporting bank services for others loans (other than 1-4 family residential mortgage loans) with an aggregate unpaid principal balance of more than $10 million and this aggregate unpaid principal balance exceeds 10 percent of the bank's total assets as of the report date, report the aggregate unpaid principal balance of these serviced loans. Include those loans for which the reporting bank has purchased the servicing and those loans which the reporting bank has acquired (through origination or purchase) and sold or securitized with servicing retained. Loans (other than 1-4 family residential mortgage loans) serviced for others may include, but are not limited to, credit cards, automobile loans, and loans guaranteed by the Small Business Administration.

Memorandum

Item No. **Caption and Instructions**

1 **Reciprocal holdings of banking organizations' capital instruments**. (Memorandum item 1 is to be reported in the December report only.) Report the outstanding amount of reciprocal holdings of capital instruments (i.e., instruments that qualify as Tier 1 or Tier 2 capital under the risk-based capital guidelines) issued by other banking organizations (i.e., banks and bank holding companies). Reciprocal holdings are cross-holdings resulting from formal or informal arrangements in which two or more banking organizations intentionally swap, exchange, or otherwise agree to hold each other's capital instruments.

Exclude nonreciprocal holdings of other banking organizations' capital instruments and reciprocal holdings of capital instruments issued by other banking organizations but taken in satisfaction of debts previously contracted in good faith.

SCHEDULE RC-N -- PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS

General Instructions

Report on a fully consolidated basis all loans, leases, debt securities, and other assets that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether such credits are guaranteed by the government or by others. Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule RC-C. All lease, debt security, and other asset amounts must be reported net of unearned income. Report the full outstanding balances of assets that are past due or in nonaccrual status, as reported for purposes of Schedule RC, Balance Sheet, not simply the delinquent payments.

The information reported in column A on assets past due 30 through 89 days and still accruing and in all of Memorandum item 1 on restructured loans and leases included in the past due and nonaccrual totals will be treated as confidential by the federal bank supervisory agencies; the information reported in columns B and C (other than in Memorandum item 1) for each bank and all other schedules of its Reports of Condition and Income will be available to the public upon request.

Banks which service for others Government National Mortgage Association (GNMA) pools consisting of 1-to-4 family residential mortgage loans insured by the Federal Housing Administration (FHA) or the Farmers Home Administration (FmHA) or guaranteed by the Veterans Administration (VA) and which, in order to satisfy GNMA's servicing requirements, choose to purchase delinquent FHA, FmHA, or VA residential mortgages in foreclosure status from the pool in lieu of continuing to make monthly advances to the pool need not report such loans in Schedule RC-N provided the process of reimbursement by FHA, FmHA, or VA is proceeding normally.

Definitions

Past Due -- For purposes of this schedule, grace periods allowed by the bank after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest or principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (At a bank's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is due and unpaid for 30 days or more.) Other multipayment obligations with payments scheduled other than monthly are to be reported as past due when one scheduled payment is due and unpaid for 30 days or more.

(2) Open-end credit such as charge-card plans, check credit, and other revolving credit plans are to be reported as past due when the customer has not made the minimum payment for two or more billing cycles.

(3) Single payment and demand notes, debt securities, and other assets providing for the payment of interest at stated intervals are to be reported as past due after one interest payment is due and unpaid for 30 days or more.

Definitions (cont.)

(4) Single payment notes, debt securities, and other assets providing for the payment of interest at maturity are to be reported as past due after maturity if interest or principal remains unpaid for 30 days or more.

(5) Unplanned overdrafts are to be reported as past due if the account remains continuously overdrawn for 30 days or more.

For purposes of this schedule, a full payment in computing past due status for consumer installment loans (both closed-end and open-end) is defined to include a partial payment equivalent to 90 percent or more of the contractual payment.

NOTE: The time period used for reporting past due status as indicated above may not in all instances conform to those utilized by federal bank regulators in bank examinations.

Nonaccrual -- For purposes of this schedule, an asset is to be reported as being in nonaccrual status if: (1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) payment in full of principal or interest is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

In the following situations, an asset need not be placed in nonaccrual status:

(1) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6 are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated. To the extent that the bank has elected to carry such a loan in nonaccrual status on its books, the loan must be reported as nonaccrual in this schedule.

As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection. For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless, as discussed in the Glossary entry for "nonaccrual status," (1) the asset has been formally restructured and qualifies for accrual status, (2) the asset has been acquired at a discount

Definitions (cont.)

(because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party and meets the criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6, or (3) the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and certain repayment criteria are met.

For further information, see the Glossary entry for "nonaccrual status."

Restructured -- For purposes of this schedule, restructured loans and leases are those loans and leases whose terms have been modified, because of a deterioration in the financial condition of the borrower, to provide for a reduction of either interest or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate, until the year subsequent to the year in which the restructuring takes place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a restructured loan. Also, a loan to a purchaser of "other real estate owned" by the reporting bank for the purpose of facilitating the disposal of such real estate is not considered a restructured loan.

For further information, see the Glossary entry for "troubled debt restructurings."

Column Instructions

The columns of Schedule RC-N are mutually exclusive. Any given loan, lease, debt security, or other asset should be reported in only one of columns A, B, and C. On the FFIEC 031 and 032, information reported for any given off-balance sheet contract should be reported in only column A or column B.

Report in columns A and B of Schedule RC-N (except on the FFIEC 031 and 032 for Memorandum item 4) the full outstanding balances (not just delinquent payments) of loans, leases, debt securities, and other assets that are past due and upon which the bank continues to accrue interest, as follows:

(1) In column A, report closed-end monthly installment loans, amortizing loans secured by real estate, lease financing receivables, and open-end credit in arrears two or three monthly payments; other multipayment obligations with payments scheduled other than monthly when one scheduled payment is due and unpaid for 30 through 89 days; single payment and demand notes, debt securities, and other assets providing for payment of interest at stated intervals after one interest payment is due and unpaid for 30 through 89 days; single payment notes, debt securities, and other assets providing for payment of interest at maturity, on which interest or principal remains unpaid for 30 through 89 days after maturity; unplanned overdrafts, whether or not the bank is accruing interest on them, if the account remains continuously overdrawn for 30 through 89 days.

(2) In column B, report the loans, lease financing receivables, debt securities, and other assets as specified above on which payment is due and unpaid for 90 days or more.

Include in columns A and B, as appropriate (except on the FFIEC 031 and 032 for Memorandum item 4), all loans, leases, debt securities, and other assets which, subsequent to their restructuring by means of a modification of terms, have become 30 days or more past due and upon which the bank continues to accrue interest. Exclude from columns A and B all loans, leases, debt securities, and other assets that are in nonaccrual status.

Column Instructions (cont.)

On the FFIEC 031 and 032, report in columns A and B of Memorandum item 4 the specified information for interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts on which a required payment by the bank's counterparty is due and unpaid for 30 through 89 days and due and unpaid for 90 days or more, respectively.

Report in column C the full outstanding balances of loans, leases, debt securities, and other assets that are in nonaccrual status. Include all restructured loans, leases, debt securities, and other assets that are in nonaccrual status. However, restructured loans, leases, debt securities, and other assets with a zero percent effective interest rate are not to be reported in this column as nonaccrual assets.

Item Instructions

NOTE: The item instructions for the FFIEC 033 and 034 report forms are presented on pages RC-N-4 through RC-N-7. The item instructions for the FFIEC 031 and 032 report forms are presented on pages RC-N-8 through RC-N-11.

Item Instructions for the FFIEC 033 and 034

Schedule RC-N is one of four schedules (and one memorandum item) in the FFIEC 033 and 034 Reports of Condition and Income in which banks are permitted to report loan detail in terms of general loan categories that are based upon each bank's own internal loan categorization system. While the definitions for the general loan categories are left to the choice of each reporting bank, each bank must use consistent definitions for these categories in each of the four schedules and the memorandum item. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Lease financing receivables as specified in this schedule are the same as lease financing receivables in Schedule RC-C, part I, item 9 on the FFIEC 034 and item 10 on the FFIEC 033.

Item No. Caption and Instructions

1 **Real estate loans**. For purposes of this schedule, real estate loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

2 **Installment loans**. For purposes of this schedule, installment loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

3 **Credit cards and related plans**. For purposes of this schedule, credit cards and related plans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Item Instructions for the FFIEC 033 and 034 (cont.)

Item No.	Caption and Instructions

4 **Commercial (time and demand) and all other loans**. For purposes of this schedule, commercial (time and demand) and all other loans is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories of loans. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

5 **Lease financing receivables**. On the FFIEC 034, corresponds to Schedule RC-C, part I, item 9. On the FFIEC 033, corresponds to Schedule RC-C, part I, item 10.

6 **Debt securities and other assets**. Report the amount of 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. 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.

7 **Loans and leases reported in items 1 through 5 above which are wholly or partially guaranteed by the U.S. Government**. Report the aggregate book value of all loans and leases reported in items 1 through 5 above for which repayment of principal is wholly or partially guaranteed by the U.S. Government, including its agencies and its government-sponsored agencies. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted acquisitions), the Small Business Administration, and the Federal Housing Administration. Amounts need not be reported in this item if they are considered immaterial.

Exclude from this item loans and leases guaranteed by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

7.a **Guaranteed portion of loans and leases included in item 7 above**. Report the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee provisions applicable to the loans and leases included in item 7 above.

Memoranda

Item No.	Caption and Instructions

1 **Restructured loans and leases included in Schedule RC-N, items 1 through 5, above**. Report the amount of restructured loans and leases (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan categories in items 1 through 5 of this schedule. However, exclude from this item all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures.

Item Instructions for the FFIEC 033 and 034 (cont.)

Memoranda

Item No. **Caption and Instructions**

2 **Agricultural loans included in Schedule RC-N, items 1 through 4, above**. To be reported by banks with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, items 1 through 9, less item 11 on the FFIEC 033). Agricultural loans will have been included in one or more of items 1 through 4 above. For purposes of this schedule, agricultural loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Banks with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) less than or equal to five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, item 1 through 9, less item 11 on the FFIEC 033), should report a zero or the word "none" in this item.

3 **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 2 through 4, above**. Report the amount of loans to finance commercial real estate, construction, and land development activities not secured by real estate (as defined for Schedule RC-C, part I, Memorandum item 4) that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 2, 3, and 4 of Schedule RC-N above. Exclude from this item all real estate loans included in item 1 of Schedule RC-N above.

4 **Real estate loans**. Report in the appropriate subitem all real estate loans included in Schedule RC-N, item 1, above. The sum of Memorandum items 4.a through 4.e must equal Schedule RC-N, item 1.

4.a **Construction and land development**. Report the amount of all real estate loans for construction and land development purposes that are past due 30 days or more or are in nonaccrual status as of the report date. Refer to Schedule RC-C, part I, item 1.a, for a description of "construction and land development."

4.b **Secured by farmland**. Report the amount of all real estate loans secured by farmland that are past due 30 days or more or are in nonaccrual status as of the report date. Refer to Schedule RC-C, part I, item 1.b, for a description of "farmland."

4.c **Secured by 1-4 family residential properties**. Report in the appropriate subitem the amount of all real estate loans secured by 1-4 family residential properties. Refer to Schedule RC-C, part I, item 1.c, for a description of "1-4 family residential properties."

4.c.(1) **Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report the amount outstanding under all revolving, open-end real estate loans secured by 1-4 family residential properties and extended under lines of credit that are past due 30 days or more or are in nonaccrual status as of the report date. Refer to Schedule RC-C, part I, item 1.c.(1), for a description of "revolving, open-end loans."

Item Instructions for the FFIEC 033 and 034 (cont.)

Memoranda

Item No.	Caption and Instructions
4.c.(2)	**All other loans secured by 1-4 family residential properties**. Report the amount of all closed-end real estate loans secured by first or junior liens on 1-4 family residential properties that are past due 30 days or more or are in nonaccrual status as of the report date.
4.d	**Secured by multifamily (5 or more) residential properties**. Report the amount of all real estate loans secured by multifamily (5 or more) residential properties that are past due 30 days or more or are in nonaccrual status as of the report date. Refer to Schedule RC-C, part I, item 1.d, for a description of "multifamily (5 or more) residential properties."
4.e	**Secured by nonfarm nonresidential properties**. Report the amount of all real estate loans secured by nonfarm nonresidential properties that are past due 30 days or more or are in nonaccrual status as of the report date. Refer to Schedule RC-C, part I, item 1.e, for a description of "nonfarm nonresidential properties."

Item Instructions for the FFIEC 031 and 032

The loan and lease categories specified in this schedule correspond to the loan and lease category definitions for Schedule RC-C, part I. See the Glossary entry for "domicile" for the definition of this term.

Item No.	Caption and Instructions
1	**Loans secured by real estate**. Corresponds to Schedule RC-C, part I, item 1 (column A on the FFIEC 031).
1.a	**To U.S. addressees (domicile)**.
1.b	**To non-U.S. addressees (domicile)**.
2	**Loans to depository institutions and acceptances of other banks**:
2.a	**To U.S. banks and other U.S. depository institutions**. Corresponds to Schedule RC-C, part I, items 2.a.(2), 2.b, 2.c.(1), and 5.a, (column A on the FFIEC 031).
2.b	**To foreign banks**. Corresponds to Schedule RC-C, part I, items 2.a.(1), 2.c.(2), and 5.b, (column A on the FFIEC 031).
3	**Loans to finance agricultural production and other loans to farmers**. Corresponds to Schedule RC-C, part I, item 3, (column A on the FFIEC 031).
4	**Commercial and industrial loans**:
4.a	**To U.S. addressees (domicile)**. Corresponds to Schedule RC-C, part I, item 4.a, (column A on the FFIEC 031).
4.b	**To non-U.S. addressees (domicile)**. Corresponds to Schedule RC-C, part I, item 4.b, (column A on the FFIEC 031).
5	**Loans to individuals for household, family, and other personal expenditures**:
5.a	**Credit cards and related plans**. Corresponds to Schedule RC-C, part I, item 6.a, (column A on the FFIEC 031).
5.b	**Other**. Corresponds to Schedule RC-C, part I, item 6.b, (column A on the FFIEC 031).
6	**Loans to foreign governments and official institutions**. Corresponds to Schedule RC-C, part I, item 7, (column A on the FFIEC 031).
7	**All other loans**. Corresponds to Schedule RC-C, part I, items 8 and 9, (column A on the FFIEC 031).
8	**Lease financing receivables**:
8.a	**Of U.S. addressees (domicile)**. Corresponds to Schedule RC-C, part I, item 10.a, (column A on the FFIEC 031).
8.b	**Of non-U.S. addressees (domicile)**. Corresponds to Schedule RC-C, part I, item 10.b, (column A on the FFIEC 031).

Item Instructions for the FFIEC 031 and 032 (cont.)

Item No. Caption and Instructions

9 **Debt securities and other assets**. Report the amount of 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. 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 which are wholly or partially guaranteed by the U.S. Government**. Report the aggregate book value of all loans and leases reported in items 1 through 8 above for which repayment of principal is wholly or partially guaranteed by the U.S. Government, including its agencies and its government-sponsored agencies. Examples include loans guaranteed by the FDIC (through loss-sharing arrangements in FDIC-assisted acquisitions), the Small Business Administration, and the Federal Housing Administration. Amounts need not be reported in this item if they are considered immaterial.

Exclude from this item loans and leases guaranteed by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

10.a **Guaranteed portion of loans and leases included in item 10 above**. Report the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee provisions applicable to the loans and leases included in item 10 above.

Memoranda

Item No. Caption and Instructions

1 **Restructured loans and leases included in Schedule RC-N, items 1 through 8, above**. Report the amount of restructured loans and leases (as defined above) that under their modified terms are past due 30 days or more or are in nonaccrual status as of the report date. Such loans and leases will have been included in one or more of the loan categories in items 1 through 8 of this schedule. However, exclude from this item all restructured loans secured by 1-to-4 family residential properties and all restructured loans to individuals for household, family, and other personal expenditures.

2 **Loans to finance commercial real estate, construction, and land development activities included in Schedule RC-N, items 4 and 7, above**. Corresponds to Schedule RC-C, part I, Memorandum item 4. Loans reported in this item will have been included in items 4 and 7 of Schedule RC-N above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RC-N above.

3 **Loans secured by real estate (in domestic offices)**. Report in the appropriate subitem all loans secured by real estate (in domestic offices) included in Schedule RC-N, item 1, above. On the FFIEC 031, the sum of Memorandum items 3.a through 3.e must not exceed the amount reported in Schedule RC-N, item 1. On the FFIEC 032, the sum of Memorandum items 3.a through 3.e must equal Schedule RC-N, item 1.

Item Instructions for the FFIEC 031 and 032 (cont.)

Memoranda

Item No.	Caption and Instructions
3.a	**Construction and land development**. Corresponds to Schedule RC-C, part I, item 1.a, (column B on the FFIEC 031).
3.b	**Secured by farmland**. Corresponds to Schedule RC-C, part I, item 1.b, (column B on the FFIEC 031).
3.c	**Secured by 1-4 family residential properties**:
3.c.(1)	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Corresponds to Schedule RC-C, part I, item 1.c.(1), (column B on the FFIEC 031).
3.c.(2)	**All other loans secured by 1-4 family residential properties**. Corresponds to Schedule RC-C, part I, item 1.c.(2), (column B on the FFIEC 031).
3.d	**Secured by multifamily (5 or more) residential properties**. Corresponds to Schedule RC-C, part I, item 1.d, (column B on the FFIEC 031).
3.e	**Secured by nonfarm nonresidential properties**. Corresponds to Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031).
4	**Interest rate, foreign exchange rate, and other commodity and equity contracts**. Report in the appropriate subitem the specified information for all interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts (as defined for Schedule RC-L, item 14) on which a required payment by the bank's counterparty is past due 30 days or more as of the report date.
4.a	**Book value of amounts carried as assets**. For each interest rate, foreign exchange rate, or other off-balance sheet commodity or equity contract on which a required payment by the bank's counterparty is past due 30 days or more as of the report date, report the amounts, if any, related to the past due contract that the bank carries as assets on its balance sheet (Schedule RC). These amounts may include an amount accrued as a receivable, the unamortized amount of the premium paid for an interest rate cap or floor, and/or the fair value of a contract in a gain position that has been recorded as an asset.
4.b	**Replacement cost of contracts with a positive replacement cost**. For each interest rate, foreign exchange rate, or other off-balance sheet commodity or equity contract on which a required payment by the bank's counterparty is past due 30 days or more as of the report date, report the replacement cost, i.e., the mark-to-market value, of the contract only if it is positive. These positive replacement costs should be reported in this item regardless of whether they have been reported as assets on the balance sheet (Schedule RC). Do not include the replacement cost of those past due contracts with negative mark-to-market values. The replacement cost of a contract is defined as the loss that would be incurred in the event of a counterparty default, as measured by the net cost of replacing the contract at current market rates. The replacement cost is to be measured in U.S. dollars, regardless

Item Instructions for the FFIEC 031 and 032 (cont.)

Memoranda

Item No.	Caption and Instructions
4.b (cont.)	of the currency or currencies specified in the contract, and should reflect changes in both interest rates and counterparty credit quality. Positive replacement costs reported in this item for past due interest rate, foreign exchange rate, and other off-balance sheet commodity and equity contracts that are covered by the risk-based capital guidelines should also be included in the amount reported in Schedule RC-R, Memorandum item 1 (after considering applicable legally enforceable bilateral netting agreements).

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

For purposes of deposit insurance and Financing Corporation (FICO) assessments and this schedule, "time and savings deposits" consists of all transaction accounts other than demand deposits -- i.e., NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts -- and all nontransaction accounts. However, for all other items in the Reports of Condition and Income involving time or savings deposits, a strict distinction, based on Federal Reserve Board Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.

For report dates prior to March 31, 1995, if any of the amounts reported in Schedule RC-O, items 1 through 10, is amended, the bank is encouraged to contact the FDIC's Assessments Hotline at (800) 759-6596 to ensure that the deposit insurance assessment for the period affected by the amendment is adjusted accordingly.

Item Instructions

Item No. **Caption and Instructions**

1 **Unposted debits**. Report the actual amount of cash items in the bank's possession, drawn on itself, that are immediately chargeable but that have not been charged to the general ledger deposit controlling account at the close of business on the report date. Report only those items the bank elects to take as deductions on the deposit insurance assessment form (Certified Statement). However, report all unposted debits in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, on the FFIEC 031, 032, and 033, in Schedule RC-A, item 1.a, "Cash items in process of collection and unposted debits," whether or not they are reported in this item.

Drafts or warrants that are "payable at" or "payable through" the reporting bank may be reported as unposted debits if allowed under applicable state statute or if a written authorization, on file at the bank, allows the bank, at its discretion, to charge such items to the demand deposit account of the drawee. Such drafts and warrants that have already been charged to the general ledger deposit controlling account at the close of business on the report date or that the drawee does not have sufficient funds on deposit to pay, shall not be reported as unposted debits.

Exclude cash items drawn on other banks, overdrafts, nonsufficient funds (NSF) items, and cash items that are returned unpaid to the last endorser for any reason (e.g., stop payment, missing endorsement, post or stale date, or account closed).

Report only item 1.a or items 1.b.(1) and 1.b.(2).

1.a **Actual amount of all unposted debits**. Report all unposted debits.

OR

1.b **Separate amount of unposted debits**:

1.b.(1) **Actual amount of unposted debits to demand deposits**. Report unposted debits to demand deposits.

Item No. **Caption and Instructions**

1.b.(2) **Actual amount of unposted debits to time and savings deposits**. Report unposted debits to time and savings accounts.

2 **Unposted credits**. Report the actual amount of unposted credits to deposit accounts. Unposted credits are those deposits that the reporting bank (or any of its insured branches) had received but not posted to its general ledger deposit control account at the close of business on the report date which have not otherwise been reported as deposits (in domestic offices) in Schedule RC, item 13.a, and in Schedule RC-E (part I on the FFIEC 031).

Unposted credits do not include any deposits that have been credited to the general ledger deposit control account as of the close of business on the report date (even if the deposits have not been posted to individual customer accounts). Rather, unposted credits are deposits carried in suspense or similar nondeposit accounts that, following a review of the items included in these accounts, have not been reclassified as deposits on the reporting bank's balance sheet (refer to the Glossary entry for "suspense accounts").

Report only item 2.a or item 2.b.(1) and 2.b.(2).

2.a **Actual amount of all unposted credits**. Report all unposted credits.

OR

2.b **Separate amount of unposted credits**:

2.b.(1) **Actual amount of unposted credits to demand deposits**. Report unposted credits to demand deposits.

2.b.(2) **Actual amount of unposted credits to time and savings deposits**. Report unposted credits to time and savings accounts.

3 **Uninvested trust funds (cash) held in bank's own trust department (not included in total deposits in domestic offices)**. Report all trust funds held in the bank's own U.S.-domiciled trust department that the bank keeps segregated and apart from its general assets and does not use in the conduct of its business. Include any trust overdrafts (net of disbursements in excess of principal and/or income cash in an individual trust account or accounts maintained in the same right and capacity) that reduce the bank's liability for deposits. The amount of such trust overdrafts may be reduced by the amount of any loan or advance (including any reserve for trust overdrafts) to the trust department that is included as a deposit in the Report of Condition.

Exclude trust funds received or held by the bank, whether held or deposited in any other department of the bank (report in Schedule RC-E, Deposit Liabilities). Also exclude trust funds deposited or held in any other bank or financial institution.

4 **Deposits of consolidated subsidiaries (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) (not included in total domestic deposits)**. Report all deposits held in domestic offices of the reporting bank by its consolidated subsidiaries (including any consolidated bank or savings association subsidiaries) and the interest accrued and unpaid on such deposits. On the FFIEC 031, also report all deposits held by consolidated subsidiaries in insured branches in Puerto Rico and U.S. territories and

Item No. **Caption and Instructions**

4 (cont.) possessions and the interest accrued and unpaid on such deposits. All deposits of and interest accrued and unpaid on deposits of subsidiaries consolidated in the Report of Condition should be eliminated from deposits reported in Schedule RC-E and other liabilities reported in Schedule RC-G, respectively.

4.a **Demand deposits of consolidated subsidiaries**. Report all demand deposits held by consolidated subsidiaries (including any consolidated bank or savings association subsidiaries) in domestic offices of the reporting bank and in the reporting bank's insured branches in Puerto Rico and U.S. territories and possessions.

4.b **Time and savings deposits of consolidated subsidiaries**. Report all time and savings deposits held by consolidated subsidiaries (including any consolidated bank or savings association subsidiaries) in domestic offices of the reporting bank and in the reporting bank's insured branches in Puerto Rico and U.S. territories and possessions.

4.c **Interest accrued and unpaid on deposits of consolidated subsidiaries**. Report the amount of interest on deposits of consolidated subsidiaries (including any consolidated bank or savings association subsidiaries) in domestic offices of the reporting bank and in the reporting bank's insured branches in Puerto Rico and U.S. territories and possessions that has been accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. For savings banks, include in this item "dividends" accrued and unpaid on deposits of consolidated subsidiaries. The accrued interest to be reported in this item will have been eliminated in consolidation and is therefore not included in the amount reported for domestic offices in Schedule RC-G, item 1.a, "Interest accrued and unpaid on deposits (in domestic offices)," or for insured branches in Puerto Rico and U.S. territories and possessions in Schedule RC-G, item 1.b, "Other expenses accrued and unpaid."

NOTE: Items 5, 5.a, 5.b, and 5.c are not applicable to banks filing the FFIEC 032, 033, and 034 report forms.

5 **Deposits in insured branches in Puerto Rico and U.S. territories and possessions**. Report all deposits held in the reporting bank's insured branches in Puerto Rico and territories and U.S. possessions and all interest accrued and unpaid on such deposits (see the Glossary entry for "U.S. territories and possessions" for the definition of this term).

5.a **Demand deposits in insured branches (included in Schedule RC-E, part II)**. Report all demand deposits held in the reporting bank's insured branches in Puerto Rico and U.S. territories and possessions.

5.b **Time and savings deposits in insured branches (included in Schedule RC-E, part II)**. Report all time and savings deposits held in the reporting bank's insured branches in Puerto Rico and U.S. territories and possessions.

5.c **Interest accrued and unpaid on deposits in insured branches (included in Schedule RC-G, item 1.b)**. Report the amount of interest on deposits in insured branches in Puerto Rico and U.S. territories and possessions accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account. The accrued interest to be reported in this item will also have been included in Schedule RC-G, item 1.b, "Other expenses accrued and unpaid."

Item No. **Caption and Instructions**

6 **Reserve balances actually passed through to the Federal Reserve by the reporting bank on behalf of its respondent depository institutions that are also reflected as deposit liabilities of the reporting bank**. If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report the amount of such reserve balances actually passed through to the Federal Reserve on behalf of respondent depository institutions that are also reflected as deposit liabilities of the reporting correspondent bank.

This item is not applicable to a bank that does not act as a correspondent bank in any pass-through reserve balance relationship. A state nonmember bank generally cannot act as a pass-through correspondent unless it maintains an account for its own reserve balances directly with the Federal Reserve.

For further information, see the Glossary entry for "pass-through reserve balances."

6.a **Amount reflected in demand deposits**. If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report the amount of reserve balances the reporting correspondent bank has actually passed through to the Federal Reserve on behalf of its respondent depository institutions that are also reflected as demand deposit liabilities of (the domestic offices of) the reporting bank. These deposit liabilities will have been included in the amount reported in Schedule RC-E, (part I on the FFIEC 031), item 4 or 5, column B.

If the reporting bank is not a correspondent bank in any pass-through reserve balance relationship, report a zero or the word "none."

6.b **Amount reflected in time and savings deposits**. If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report the amount of reserve balances the reporting correspondent bank has actually passed through to the Federal Reserve on behalf of its respondent depository institutions that are also reflected as time or savings deposit liabilities of (the domestic offices of) the reporting bank. These deposit liabilities will have been included in the amount reported in Schedule RC-E, (part I on the FFIEC 031), item 4 or 5, column A or C, but not column B.

If the reporting bank is not a correspondent bank in any pass-through reserve balance relationship, report a zero or the word "none."

7 **Unamortized premiums and discounts on time and savings deposits**. Report in the appropriate subitem the amount of unamortized premiums and discounts included in the amounts at which time and savings deposits (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) are reported in Schedule RC -- Balance Sheet, item 13, "Deposits."

For purposes of these reports, an unamortized premium or discount on a time or savings deposit is the difference between the amount actually due to the depositor and the amount at which the deposit is reported on the Report of Condition balance sheet under applicable accounting and reporting standards. For example, in an acquisition of a depository institution accounted for as a purchase, the assets acquired and liabilities assumed generally must be recorded at their fair values. Because of changes in interest rates, the fair value of the acquired institution's time deposits may differ from the amount due to the depositors, causing the time deposits to be recorded at a premium or discount. Premiums

Item No. **Caption and Instructions**

7 (cont.) or discounts on deposits may also arise in other situations, such as when an interest rate swap that has been used as a hedge of time deposits is terminated and the gain or loss on the termination is deferred and amortized.

Do not report core deposit intangibles in item 7.a or 7.b.

7.a **Unamortized premiums**. Report the amount of unamortized premiums (as defined above) included in the amounts at which time and savings deposits are reported in Schedule RC, item 13.

7.b **Unamortized discounts**. Report the amount of unamortized discounts (as defined above) included in the amounts at which time and savings deposits are reported in Schedule RC, item 13.

If the reporting bank has issued certificates of deposit at a discount and the amount actually due to the depositor as of the report date (before considering any early withdrawal penalty) equals the amount at which the certificate of deposit is reported in Schedule RC, item 13, the unamortized discount on the certificate of deposit should be excluded from this item.

8 **Items 8.a.(1), 8.a.(2), and 8.b are to be completed by banks with "Oakar deposits."**

8.a **Deposits purchased or acquired from other FDIC-insured institutions during the quarter.** Exclude from items 8.a.(1) and 8.a.(2) below the amount of deposits purchased or acquired from foreign offices other than insured branches in Puerto Rico and U.S. territories and possessions.

8.a.(1) **Total deposits purchased or acquired from other FDIC-insured institutions during the quarter.** Report the total amount of deposits purchased or acquired from other FDIC-insured banks and savings associations during the quarter ending with the report date without regard to the insurance fund to which these deposits are attributable. Exclude deposits purchased or acquired from foreign offices of other FDIC-insured institutions other than insured branches in Puerto Rico and U.S. territories and possessions.

8.a.(2) **Amount of purchased or acquired deposits reported in item 8.a.(1) above attributable to a secondary fund.** For banks that are members of the Bank Insurance Fund (BIF), report the amount of purchased or acquired deposits reported in item 8.a.(1) above that are attributable to the Savings Association Insurance Fund (SAIF), if any. For banks that are members of the SAIF, report the amount of purchased or acquired deposits reported in item 8.a.(1) above that are attributable to the BIF, if any.

8.b **Total deposits sold or transferred to other FDIC-insured institutions during the quarter.** Report the total amount of deposits sold or transferred to other FDIC-insured banks and savings associations during the quarter ending with the report date. Exclude sales and transfers of deposits in the reporting bank's foreign offices other than insured branches in Puerto Rico and U.S. territories and possessions.

9 **Deposits in lifeline accounts.** Report the amount of deposits in lifeline accounts (in domestic offices) for which the reporting bank seeks a reduced deposit insurance assessment rate. Lifeline accounts are transaction accounts which meet certain minimum requirements established by the Federal Reserve Board pursuant to Section 232 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

Item No. **Caption and Instructions**

9 (cont.) NOTE: The minimum requirements for lifeline accounts will be established by the Federal Reserve Board. Banks will not be required to submit information on such accounts in this Schedule RC-O item until these requirements are established.

10 **Benefit-responsive "Depository Institution Investment Contracts."** Report the amount of liabilities arising under "investment contracts not treated as insured deposits" (as defined in Section 11(a)(8) of the Federal Deposit Insurance Act) that is included on the balance sheet, Schedule RC, in item 13.a, "Deposits in domestic offices."

For purposes of this item, "investment contracts not treated as insured deposits" are those in the form of deposits between the reporting insured depository institution and any "employee benefit plan" (as defined in Section 11(a)(8) of the Federal Deposit Insurance Act) which expressly permit "benefit-responsive withdrawals or transfers." A "Depository Institution Investment Contract" is generally a separately negotiated depository agreement between an employee benefit plan and an insured depository institution which guarantees a specified rate for all deposits made over a prescribed period.

"Benefit-responsive withdrawals or transfers" is defined by Section 11(a)(8) of the Federal Deposit Insurance Act to mean "any withdrawal or transfer of funds (consisting of any portion of the principal and any interest credited at a rate guaranteed by the insured depository institution investment contract) during the period in which any guaranteed rate is in effect, without substantial penalty or adjustment, to pay benefits provided by the employee benefit plan or to permit a plan participant or beneficiary to redirect the investment of his or her account balance."

11 **Adjustments to demand deposits in domestic offices (and in insured branches in Puerto Rico and U.S. territories and possessions) reported in Schedule RC-E for certain reciprocal demand balances.** Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a depository institution has both a due to and a due from balance with another depository institution. When reporting deposit liabilities in Schedule RC-E, reciprocal balances may be reported on a net basis when a right of setoff exists. However, the Federal Deposit Insurance Act (FDI Act) limits the extent to which reciprocal balances may be netted for deposit insurance and FICO assessment purposes. Thus, the reporting bank may have reported its reciprocal balances, if any, in Schedule RC-E differently than required for assessment purposes. The following three items capture these differences.

11.a **Amount by which demand deposits would be reduced if the reporting bank's reciprocal demand balances with the domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a gross basis in Schedule RC-E had been reported on a net basis.** For assessment purposes under the FDI Act, reciprocal demand balances with the domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) are to be reported on a net basis. If the reporting bank reported any reciprocal demand balances with these domestic offices and insured branches on a gross basis in Schedule RC-E, report in this item the amount by which demand deposits would be reduced if these reciprocal demand balances had instead been reported on a net basis in Schedule RC-E, column B, Demand deposits. For each reciprocal demand balance relationship with one of these domestic offices or insured branches that was reported on a gross basis, the amount of this reduction is equal to the lesser of the demand balances "due from" or "due to" that domestic office or insured branch. Overdrawn balances cannot be included in this calculation.

Item No. **Caption and Instructions**

11.b **Amount by which demand deposits would be increased if the reporting bank's reciprocal demand balances with foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions) that were reported on a net basis in Schedule RC-E had been reported on a gross basis.** For assessment purposes under the FDI Act, reciprocal demand balances between the reporting bank and foreign banks and foreign offices of other U.S. banks (other than insured branches in Puerto Rico and U.S. territories and possessions) are to be reported on a gross basis. If the reporting bank reported any reciprocal demand balances with these foreign banks and foreign offices on a net basis in Schedule RC-E, report in this item the amount by which demand deposits would be increased if these reciprocal demand balances had instead been reported on a gross basis in Schedule RC-E, column B, Demand deposits. For each reciprocal demand balance relationship with one of these foreign banks or foreign offices that was reported on a net basis, the amount of this increase is equal to the amount by which the gross "due to" demand balance for that bank or office was reduced before it was reported on Schedule RC-E, column B, i.e., the lesser of the demand balances "due from" or "due to" that foreign bank or foreign office.

11.c **Amount by which demand deposits would be reduced if cash items in process of collection were included in the calculation of the reporting bank's net reciprocal demand balances with the domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) in Schedule RC-E.** For purposes of the Report of Condition, balances due from other depository institutions reflect only those funds on deposit for which the reporting bank has already received credit and which are subject to immediate withdrawal. Therefore, "due from" balances and calculations of net reciprocal demand balances for purposes of Schedule RC-E exclude cash items in process of collection. However, for deposit insurance assessment purposes under the FDI Act, cash items in process of collection should be included in the net reciprocal calculation.

Report in this item the amount by which demand deposits would be reduced if cash items in process of collection were included in the calculation of net reciprocal demand balances between the reporting bank and the domestic offices of U.S. banks and savings associations (and insured branches in Puerto Rico and U.S. territories and possessions) in Schedule RC-E, column B, Demand deposits.

12 **Amount of assets netted against deposit liabilities (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles.** Under generally accepted accounting principles, banks are permitted to offset or net assets and liabilities when a right of setoff exists. However, under the Federal Deposit Insurance Act (FDI Act), only certain specified assets may be netted against deposit liabilities for deposit insurance and FICO assessment purposes. Thus, the reporting bank may have reported its deposits on the balance sheet (Schedule RC) and in Schedule RC-E differently than required for assessment purposes. The following items capture these differences, but exclude information for assessment purposes on the netting of reciprocal demand balances which is covered in Schedule RC-O, item 11, above.

Item No. **Caption and Instructions**

12 (cont.) The following examples illustrate the amounts to be reported in items 12.a and 12.b:

Example: Bank A has a $200,000 asset and a $500,000 deposit liability for which a right of setoff exists under generally accepted accounting principles. Bank A nets the asset and liability on its balance sheet (Schedule RC) and reports a (net) $300,000 deposit liability. Bank A should report $200,000 in item 12.a or 12.b, depending on the type of deposit involved in the netting.

Example: Bank B has a $400,000 asset and a $250,000 deposit liability for which a right of setoff exists under generally accepted accounting principles. Bank B nets the asset and liability on its balance sheet (Schedule RC) and reports a (net) $150,000 asset. Bank B should report $250,000 in item 12.a or 12.b, depending on the type of deposit involved in the netting.

12.a **Amount of assets netted against demand deposits.** If the reporting bank has netted any assets and demand deposit liabilities (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) on the balance sheet (Schedule RC) and in Schedule RC-E in accordance with generally accepted accounting principles, report in this item the amount by which this netting reduced the bank's reported demand deposits. Exclude hypothecated demand deposits (see the Glossary entry for "hypothecated deposit" for the definition of this term). Also exclude reciprocal demand balances that have been reported on a net basis.

12.b **Amount of assets netted against time and savings deposits.** If the reporting bank has netted any assets and time and savings deposit liabilities (in domestic offices and in insured branches in Puerto Rico and U.S. territories and possessions) on the balance sheet (Schedule RC) and in Schedule RC-E in accordance with generally accepted accounting principles, report in this item the amount by which this netting reduced the bank's reported time and savings deposits. Exclude hypothecated time and savings deposits (see the Glossary entry for "hypothecated deposit" for the definition of this term).

Memoranda

Item No. **Caption and Instruction**

1 **Total deposits (in domestic offices) of the bank.** Memorandum items 1.a.(1), 1.b.(1), and 1.b.(2) are to be completed each quarter. Memorandum item 1.a.(2) is to be completed for the June report only.

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.

The sum of Memorandum items 1.a.(1) and 1.b.(1) must equal Schedule RC, item 13.a, "Deposits in domestic offices."

1.a **Deposit accounts of $100,000 or less.** Report in the appropriate subitem the amount outstanding and the number of accounts with a balance of $100,000 or less as of the report date.

1.a.(1) **Amount of deposit accounts of $100,000 or less.** Report the aggregate balance of all deposit accounts, certificates, or other evidences of deposit (demand, savings, and time) with balances on the report date of $100,000 or less. This amount should represent the total of the balances of the accounts enumerated in Memorandum item 1.a.(2) below.

1.a.(2) **Number of deposit accounts of $100,000 or less.** (To be completed for the June report only.) Report the total number of deposit accounts (demand, savings, and time) with balances on the report date of $100,000 or less. Count each certificate, passbook, account, and other evidence of deposit which has a balance of $100,000 or less.

1.b **Deposit accounts of more than $100,000.** Report in the appropriate subitem the amount outstanding and the number of accounts with a balance of more than $100,000 as of the report date.

1.b.(1) **Amount of deposit accounts of more than $100,000.** Report the aggregate balance of each deposit account, certificate, or other evidence of deposit (demand, savings, and time) with a balance on the report date of more than $100,000. This amount should represent the total of the balances of the accounts enumerated in Memorandum item 1.b.(2) below.

1.b.(2) **Number of deposit accounts of more than $100,000.** Report the total number of deposit accounts (demand, savings, and time) with balances on the report date of more than $100,000. Count each certificate, passbook, account, and other evidence of deposit which has a balance of more than $100,000.

Memoranda

Item No. Caption and Instruction

2 **Estimated amount of uninsured deposits (in domestic offices) of the bank.** The information in this Memorandum item is requested pursuant to Section 141(c) of the Federal Deposit Insurance Corporation Improvement Act of 1991.

An estimate of your bank's uninsured deposits (in domestic offices) can be determined by multiplying the number of deposit accounts of more than $100,000 reported in Schedule RC-O, Memorandum item 1.b.(2) above, by $100,000 and subtracting the result from the amount of deposit accounts of more than $100,000 reported in Schedule RC-O, Memorandum item 1.b.(1) above. For example, a bank reports in Memorandum item 1.b.(1) that it has $12,345,000 of deposit accounts of more than $100,000. The bank also reports in Memorandum item 1.b.(2) that it has 76 deposit accounts of more than $100,000. Based on these data, an estimate of the bank's uninsured deposits as determined by this simple method is:

$12,345,000	
- 7,600,000	(76 x $100,000)
$ 4,745,000	

NOTE: When a deposit account of more than $100,000 has securities or other assets pledged against it, the portion of the deposit account that is over $100,000 remains uninsured even though it is secured.

2.a **Indicate in the appropriate box at the right whether your bank has a method or procedure for determining a better estimate of uninsured deposits than the estimate described above.** If your bank has an internal method or procedure that it uses for management information purposes to obtain an estimate of the amount of uninsured deposits that is better (i.e., believed to be more accurate) than an estimate that simply considers the number and amount of deposit accounts of more than $100,000 (as described above), place an "X" in the box marked "YES" and complete Memorandum item 2.b below. Otherwise, place an "X" in the box marked "NO" and do not complete Memorandum item 2.b.

2.b **If the box marked YES has been checked, report the estimate of uninsured deposits determined by using your bank's method or procedure.** If the response to Memorandum item 2.a above is "YES," apply the internal method or procedure that your bank uses for management information purposes and determine the estimated amount of uninsured deposits at your bank as of the report date. Report this estimated amount in this Memorandum item.

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 or Thrift Financial Report?** If the reporting bank is owned by another bank or savings association and that parent bank or parent savings association is consolidating the reporting bank as part of the parent institution's Call Report or Thrift Financial Report for this report date, report the legal title and FDIC Certificate Number of the parent institution in this item.

SCHEDULE RC-R -- REGULATORY CAPITAL

General Instructions

The extent to which banks must complete this Schedule RC-R depends on their size and, for smaller banks, their capital level.

All banks that reported total assets of less than $1 billion in their Reports of Condition for June 30 of the previous year must complete item 1 of this schedule each quarter. Item 1 consists of a "YES" or "NO" question which asks whether a simplified risk-based capital calculation performed by the reporting bank resulted in a ratio greater than or equal to eight percent. Banks with assets of less than $1 billion must complete the remainder of Schedule RC-R in each quarter when their response to item 1 is a "NO." Banks whose response to item 1 is a "YES" must complete only items 2 and 3 of Schedule RC-R for that quarter. A "NO" response to item 1 does not necessarily mean that the bank's actual risk-based capital ratio is less than eight percent or that the bank is not in compliance with the risk-based capital guidelines.

All banks that reported total assets of $1 billion or more in their Reports of Condition for June 30 of the previous year must complete this entire schedule (except for item 1) each quarter.

Under the banking agencies' risk-based capital guidelines, assets and credit equivalent amounts of off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of the collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are added together, and generally this sum is the bank's total risk weighted assets which comprises the denominator of the risk-based capital ratio.

Risk weights for all off-balance sheet items are determined by a two-step process. First, the "credit equivalent amount" of an off-balance sheet item is determined, in most cases by multiplying the **face value or notional amount of the** off-balance sheet item by a credit conversion factor. Second, the credit equivalent amount is treated like a balance sheet asset and generally is assigned to the appropriate risk category according to the obligor or, if relevant, the guarantor or the nature of the collateral. A summary of the credit conversion factors for off-balance sheet items is presented below.

In general, if a particular asset or off-balance sheet item has features that could place it in more than one risk category, it is assigned to the category that has the lowest risk weight. For example, a holding of a U.S. municipal revenue bond that is fully guaranteed by a U.S. bank would be assigned the 20 percent risk weight appropriate to claims guaranteed by U.S. banks, rather than the 50 percent risk weight appropriate to U.S. municipal revenue bonds.

At each bank's option, assets and the credit equivalent amounts of off-balance sheet items that are assigned to a risk weight category of less than 100 percent may be included in the amount reported for a higher risk weight category than the risk weight category to which the asset or credit equivalent amount of the off-balance sheet item would otherwise be assigned.

For risk-based capital purposes, the term "claim" refers to loans to, securities issued by, balances due from, accrued interest receivable from, and all other claims against the various entities with which the reporting bank conducts its business.

Several of the risk weight categories refer to claims against obligors in OECD countries or in non-OECD countries. The following countries are members of the Organization for Economic Cooperation and Development (OECD):

General Instructions (cont.)

Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, the Federal Republic of Germany, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

In addition, for purposes of risk-based capital, Saudi Arabia should be treated as an OECD country since it has concluded special lending arrangements with the International Monetary Fund associated with the Fund's General Arrangements to Borrow. All other countries should be treated as non-OECD countries.

If a reporting bank has conveyed risk participations in bankers acceptances, standby letters of credit, and commitments, it may segregate the amounts conveyed from the total outstanding amount. The bank may then risk weight the amounts conveyed according to the guarantors (i.e., the parties that have acquired the conveyances) separately from the amounts retained if this results in a lower risk weight for the amounts conveyed.

When assets have been transferred with recourse, the amount of risk-based capital required to be maintained to support this exposure may not exceed the maximum amount of recourse for which the transferring institution is contractually liable under the recourse agreement. This rule applies to recourse transactions in which a bank contractually limits its recourse exposure to less than the full effective minimum risk-based capital requirement for the assets transferred -- generally, four percent for first lien residential mortgage loans and eight percent for most other assets. These types of asset transfers are referred to as low level recourse transactions. The reporting of such transactions in Schedule RC-R is discussed below in the section on "Treatment of Low Level Recourse Transactions."

The sum of items 4, 5, 6, and 7, after each has been multiplied by the appropriate risk weight percentage, will not necessarily correspond to the reporting bank's actual risk weighted assets. This is because this sum has not been adjusted for the portion of the allowance for loan and lease losses in excess of the amount permitted to be included in capital and for any allocated transfer risk reserve.

Credit Conversion Factors for Off-Balance Sheet Items -- A summary of the credit conversion factors follows. For further information on these factors, refer to the risk-based capital guidelines.

Off-balance sheet items subject to a 100 percent conversion factor:

(1) Direct credit substitutes, including general guarantees of indebtedness and guarantee-type instruments, such as financial standby letters of credit.
(2) Risk participations acquired in bankers acceptances and in direct credit substitutes such as financial standby letters of credit.
(3) Sale and repurchase agreements and assets sold with recourse, if not included on the balance sheet, except low level recourse transactions and small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, each of which is discussed below.
(4) Forward agreements/contingent obligations to purchase assets with drawdown certain.
(5) Securities lent, if the lending bank is exposed to risk of loss.

Off-balance sheet items subject to a 50 percent conversion factor:

(1) Transaction-related contingencies, including performance standby letters of credit, shipside guarantees, bid bonds, performance bonds, and warranties.
(2) Unused portions of commitments with an original maturity exceeding one year, including underwriting commitments and commercial credit lines.
(3) Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements, regardless of maturity.

General Instructions (cont.)

Off-balance sheet items subject to a 20 percent conversion factor:
(1) Short-term, self-liquidating, trade-related contingencies, including commercial letters of credit.

Off-balance sheet items subject to a zero percent conversion factor:
(1) Unused portions of commitments with an original maturity of one year or less.
(2) Unused portions of commitments (regardless of maturity) which are unconditionally cancellable at any time, provided a separate credit decision is made before each drawing.

For information on the treatment of credit derivatives for risk-based capital and supervisory purposes, banks should refer to the supervisory guidance issued by their primary federal bank regulatory agency.

Credit conversion process for off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contracts -- In general, to calculate the credit equivalent amount for such contracts, a bank should, for each contract, add (1) the mark-to-market value (only if a positive value) of the contract (i.e., the contract's current credit exposure or replacement cost), and (2) an estimate of the potential future increase in credit exposure over the remaining life of the instrument. For risk-based capital purposes, potential future credit exposure of a contract is determined by multiplying the notional principal amount of the contract (even if the contract had a negative mark-to-market value) by the appropriate credit conversion factor from the chart presented below. However, under the banking agencies' risk-based capital standards and for purposes of Schedule RC-R, the existence of a legally enforceable bilateral netting agreement between the reporting bank and a counterparty may be taken into consideration when determining both the current credit exposure and the potential future exposure of off-balance sheet derivative contracts. For further information on the treatment of bilateral netting agreements covering off-balance sheet derivative contracts, refer to the risk-based capital standards issued by the reporting bank's primary federal supervisory authority.

Remaining maturity	Interest rate contracts	Foreign exchange and gold contracts	Equity derivative contracts	Precious metals contracts (except gold)	Other commodity contracts
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
More than one year through five years	0.5%	5.0%	8.0%	7.0%	12.0%
More than five years	1.5%	7.5%	10.0%	8.0%	15.0%

The types of off-balance sheet derivative contracts that are excluded in whole or in part from the credit conversion process are discussed below in the section on "Treatment of Off-Balance Sheet Interest Rate, Foreign Exchange, Equity Derivative, and Commodity and Other Contracts."

Treatment of Commitments -- Under the risk-based capital guidelines, the unused portion of commitments (facilities) with an original maturity of one year or less or which are unconditionally cancellable (without cause) at any time by the bank, provided a separate credit decision is made before each drawing, have a zero percent conversion factor. The unused portion of such commitments should be excluded from items 4 through 7 of Schedule RC-R. "Original maturity" is defined as the length of time between the date a commitment is issued and the date of maturity, or the earliest date on which the bank (1) is scheduled to (and as a normal practice actually does) review the facility to determine whether or not it should be extended and (2) can unconditionally cancel the commitment.

General Instructions (cont.)

For commitments providing for increases in the dollar amount of the commitment, the amount to be converted to an on-balance sheet credit equivalent amount and risk weighted is the maximum dollar amount that the bank is obligated to advance at anytime during the life of the commitment. This includes seasonal commitments where the dollar amount of the commitment increases during the customer's peak business period. In addition, this risk-based capital treatment applies to long-term commitments that contain short-term options which, for a fee, allow the customer to increase the dollar amount of the commitment. Until the short-term option has expired, the reporting bank must convert and risk weight the amount which it is obligated to lend if the option is exercised. After the expiration of a short-term option which has not been exercised, the unused portion of the original amount of the commitment is to be used in the credit conversion process.

In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law. Retail credit cards and related plans are defined to be short-term commitments that should be converted at zero percent and excluded from items 4 through 7 of Schedule RC-R if the bank has the unconditional right to cancel the line of credit at any time, in accordance with applicable law.

Treatment of Off-Balance Sheet Interest Rate, Foreign Exchange, Equity Derivative, and Commodity and Other Contracts -- In general, only the credit equivalent amounts of those off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contracts covered under the risk-based capital guidelines are to be reported in Schedule RC-R. The maximum risk weight to be applied to the credit equivalent amount of such contracts is 50 percent. The credit equivalent amounts calculated for interest rate, foreign exchange, equity derivative, and commodity and other swaps, forwards, purchased option contracts, when-issued securities, and forward deposits accepted as outlined in the risk-based capital guidelines, and any margin accounts associated with such contracts, are to be included in items 4 through 6 depending upon the risk weights accorded the transactions due to the counterparty, or, if relevant, the nature of any collateral or guarantees.

Purchased options held by the reporting bank that are traded on an exchange are to be included in the calculation of the risk-based capital ratio unless such options are subject to a daily variation margin. Variation margin is defined as the gain or loss on open positions, calculated by marking to market at the end of each trading day. Such gain or loss is credited or debited by the clearing house to each clearing member's account, and by members to their customers' accounts.

Exclude from the credit conversion process and from items 4 through 6 of Schedule RC-R: (1) interest rate, foreign exchange, equity derivative, and commodity and other contracts traded on exchanges that require daily payment of variation margin, (2) foreign exchange contracts with an original maturity of fourteen calendar days or less, and (3) all written option contracts except for those that are, in substance, financial guarantees. (However, see the instructions to Schedule RC-R, Memorandum item 1, concerning bilateral netting agreements.) In general, also exclude from items 4 through 6 the on-balance sheet asset values (or portions thereof) of all interest rate, foreign exchange, equity derivative, and commodity and other contracts subject to risk-based capital; these amounts are to be reported in item 8 of this schedule. For further information, see the instructions to Schedule RC-R, item 8.

If a written option contract acts as a financial guarantee, then it will be treated as a direct credit substitute for purposes of risk-based capital and Schedule RC-R. An example of such a contract occurs when the reporting bank writes a put option to a second bank which has a loan to a third

General Instructions (cont.)

party. The strike price would be the equivalent of the par value of the loan. If the credit quality of the loan deteriorates, thereby reducing the value of the loan to the second bank, the reporting bank would be required by the second bank to take the loan onto its books.

Treatment of Low Level Recourse Transactions -- The banking agencies' risk-based capital standards provide that the amount of risk-based capital that must be maintained for assets transferred with recourse should not exceed the maximum amount of recourse for which a bank is contractually liable under the recourse agreement. This rule applies to transactions in which a bank contractually limits its risk of loss or recourse exposure to less than the full effective minimum risk-based capital requirement for the assets transferred -- generally, four percent for qualifying first lien 1-to-4 family residential mortgages and eight percent for most other assets. Banks that have entered into low level recourse transactions should report these transactions in Schedule RC-R in accordance with the following guidance.

For low level recourse transactions that qualify for sale treatment in accordance with generally accepted accounting principles (GAAP), the transferred assets will have been removed from the Call Report balance sheet. In this situation, the maximum contractual dollar amount of the bank's off-balance sheet recourse exposure as of the report date, less the balance of any associated recourse liability account established in accordance with GAAP and reported in Schedule RC, item 20, "Other liabilities," should be multiplied by factors of 12.5, 25, and 62.5 for assets transferred in the 100 percent, 50 percent, and 20 percent risk weight categories, respectively. The resulting dollar amount should be reported as a credit equivalent amount in the item in column B of Schedule RC-R appropriate to the risk weight category of the off-balance sheet transferred assets.

For example, a bank has transferred $2 million in first lien residential mortgages subject to two percent recourse under a U.S. Government program and properly reports the transaction as a sale in accordance with the applicable Call Report instructions. The bank has removed the $2 million in mortgages from its Call Report balance sheet and, in accordance with GAAP, has also established a recourse liability account with a balance of $10,000. The maximum amount for which the bank is liable is $40,000. The mortgages are accorded a 50 percent risk weight and the bank's recourse exposure is less than the $80,000 minimum risk-based capital requirement for the off-balance sheet assets transferred with recourse. The bank would report $750,000 as the credit equivalent amount in Schedule RC-R, item 6.b (its $30,000 maximum exposure, net of the recourse liability account balance, multiplied by 25). Because the $2 million in transferred mortgages is off the balance sheet, the difference between the $750,000 credit equivalent amount and the $2 million is not reported in Schedule RC-R.

For sales and securitizations of assets which use contractual cash flows (e.g., interest-only strips receivable and so-called "spread accounts"), retained subordinated interests, or retained securities (e.g., collateral invested amounts or cash collateral accounts) as credit enhancements to which the low level recourse rule applies, the assets supported by these credit enhancements will have been removed from the Call Report balance sheet. In this situation, when the maximum contractual dollar amount of the bank's recourse exposure is limited to the contractual cash flows, subordinated interest, or securities, the amount at which this credit enhancement is carried as an asset on the balance sheet in accordance with GAAP should be reported in Schedule RC-R, item 8. In addition, this on-balance sheet asset amount, on a net of tax basis, should be multiplied by factors of 12.5, 25, and 62.5 for assets sold and securitized in the 100 percent, 50 percent, and 20 percent risk weight categories, respectively. The resulting dollar amount should be reported as a credit equivalent amount in the item in column B of Schedule RC-R appropriate to the risk weight category of the assets sold and securitized.

General Instructions (cont.)

Treatment of Small Business Obligations Transferred with Recourse Under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994 -- A "qualifying institution" that transfers small business loans and leases on personal property (small business obligations) with recourse in a transaction that qualifies as a sale under generally accepted accounting principles (GAAP) must maintain risk-based capital only against the amount of recourse retained, provided the institution establishes a recourse liability account that is sufficient under GAAP. Only loans and leases to businesses to businesses that meet the criteria for a small business concern established by the Small Business Administration under Section 3(c) of the Small Business Act (12 U.S.C. 631) are eligible for this favorable risk-based capital treatment.

In general, a "qualifying institution" is one that is well capitalized without regard to the Section 208 provisions. If a bank ceases to be a qualifying institution or exceeds the retained recourse limit set forth in banking agency regulations implementing Section 208, all new transfers of small business obligations with recourse would not be treated as sales. However, the reporting and risk-based capital treatment described above will continue to apply to any transfers of small business obligations with recourse that were consummated during the time the bank was a "qualifying institution" and did not exceed the limit.

When reporting eligible transfers with recourse in Schedule RC-R, only the amount of retained recourse should be reported as a credit equivalent amount in column B. This amount, which is reported in Schedule RC-L, item 9.c.(2), will normally be accorded a 100 percent risk weight and be included in Schedule RC-R, item 7.b.

Item Instructions

Item No. **Caption and Instructions**

1 **Test for determining the extent to which Schedule RC-R must be completed**.

Item 1 is to be completed only by banks with total assets of less than $1 billion. Indicate in the appropriate box at the right whether the bank has total capital greater than or equal to eight percent of adjusted total assets.

If "total risk-based capital," as reported in item 3.c below, divided by "adjusted total assets" (on an unrounded basis) is greater than or equal to 8.00 percent and the bank has less than $1 billion in total assets, the reporting bank should place an "X" in the box marked "YES." If "total capital" divided by "adjusted total assets" (on an unrounded basis) is less than 8.00 percent, the reporting bank should place an "X" in the box marked "NO." If the box marked "YES" is checked, then the bank must complete only items 2 and 3 of this schedule. If the box marked "NO" is checked, then the bank must complete items 2 through 9 and Memorandum items 1 and 2. In addition, checking the box marked "NO" does not necessarily mean that the bank's actual risk-based capital ratio is less than eight percent or that the bank is not in compliance with the risk-based capital guidelines.

"Adjusted total assets" is defined as total assets (after adjusting available-for-sale securities from fair value to amortized cost) LESS cash, U.S. Treasury securities, U.S. Government agency obligations, and 80 percent of U.S. Government-sponsored agency obligations not held for trading PLUS the allowance for loan and lease losses and selected off-balance sheet items. "Adjusted total assets" should be measured by using amounts reported elsewhere in the Report of Condition according to the following formula:

Item No.	Caption and Instructions	
1 (cont.)	Total assets	Schedule RC, item 12.c, on the FFIEC 034; Schedule RC, item 12, on the FFIEC 031, 032, and 033
	Adjustment to Available-for-Sale Securities	- Schedule RC-B, item 7, column D, + Schedule RC-B, item 7, column C
	LESS:	
	Cash (currency and coin)	- Schedule RC-M, item 3.b, on the FFIEC 034; - Schedule RC-A, item 1.b, on the FFIEC 031, 032, and 033
	U.S. Treasuries (not held for trading)	- Schedule RC-B, item 1, sum of columns A and C
	U.S. Government agencies (not held for trading)	- Schedule RC-B, item 2.a, sum of columns A and C, plus item 4.a.(1), sum of columns A and C
	80% of U.S. Government sponsored agencies (not held for trading)	- 0.8 x (Schedule RC-B, item 2.b, sum of columns A and C, plus item 4.a.(2), sum of columns A and C, plus item 4.b.(1), sum of columns A and C)
	PLUS:	
	Allowance for Loan and Lease Losses	+ Schedule RC, item 4.b
	Unused Commitments	+ Schedule RC-L, sum of items 1.a through 1.e
	Financial Standby Letters of Credit, Net	+ Schedule RC-L, item 2 minus item 2.a
	Performance Standby Letters of Credit, Net	+ Schedule RC-L, item 3 minus item 3.a
	Commercial Letters of Credit	+ Schedule RC-L, item 4
	Participations Acquired in Acceptances	+ Schedule RC-L, item 6
	Securities Lent	+ Schedule RC-L, item 8
	Financial Assets Transferred with Recourse	+ Schedule RC-L, sum of items 9.a.(1), 9.b.(1), and 9.c.(2)
	Credit Derivatives	+ Schedule RC-L, sum of items 10.a and 10.b
	Forward Contracts	+ Schedule RC-L, item 14.b, sum of columns A through D
	Exchange-Traded Purchased Options	+ Schedule RC-L, item 14.c.(2), sum of columns A through D
	Over-the-Counter Purchased Options	+ Schedule RC-L, item 14.d.(2), sum of columns A through D

Item No.	Caption and Instructions	
1 (cont.)	Swaps	+ Schedule RC-L, item 14.e, sum of columns A through D
	Other Off-Balance Sheet Liabilities	+ Schedule RC-L, item 12
	EQUALS:	= Adjusted Total Assets

2 **Portion of qualifying limited-life capital instruments (original weighted average maturity of at least five years) that is includible in Tier 2 capital.** The portion of a bank's qualifying limited-life capital instruments that is includible in Tier 2 capital is the amount that remains after discounting those instruments, if any, with five years or less until maturity and then applying any applicable percentage of Tier 1 capital limit. For limited-life capital instruments with serial maturities or with sinking fund provisions, the amount associated with each maturity date is to be treated as a separate issue and discounted on an individual basis. If the holder of the reporting bank's subordinated debt or intermediate-term or long-term preferred stock has the right to require the bank to redeem, repay, or repurchase the instrument prior to the original stated maturity, then maturity would be defined as the earliest possible date on which the holder can put the instrument back to the issuing bank.

2.a **Subordinated debt and intermediate-term preferred stock.** Report the portion of the reporting bank's qualifying term subordinated debt and intermediate-term preferred stock (including any related surplus) that is includible in Tier 2 capital. These capital instruments must have an original weighted average maturity of at least five years. Include as intermediate-term preferred stock those issues of preferred stock with an original maturity of less than 20 years.

Include as subordinated debt the amount of any mandatory convertible debt that has common or perpetual preferred stock dedicated (in accordance with guidelines issued or established by the bank's primary federal bank supervisory authority) to redeem, in whole or in part, such outstanding issues. Otherwise, mandatory convertible debt should be excluded from this item.

Qualifying term subordinated debt and intermediate-term preferred stock is the amount that remains after discounting any instruments with five years or less until maturity. The portion of this qualifying amount that is includible in Tier 2 capital is limited to 50 percent of Tier 1 capital. This portion is calculated as follows:

(1)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than five years	_____ x 100% = _____
(2)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than four years, but less than five years	_____ x 80% = _____
(3)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than three years, but less than four years	_____ x 60% = _____
(4)	Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than two years, but less than three years	_____ x 40% = _____

Item No. **Caption and Instructions**

2.a (cont.)

(5) Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of more than one year, but less than two years _____ x 20% = _____

(6) Amount of subordinated debt and intermediate-term preferred stock with a remaining maturity of one year or less _____ x 0% = _____

(7) Qualifying subordinated debt and intermediate-term preferred stock (sum of discounted amounts of lines (1) through (6)) _____

(8) Tier 1 capital (from Schedule RC-R, item 3.a) _____

(9) Multiplied by 50 percent x 50%

(10) Limit for qualifying subordinated debt and intermediate-term preferred stock (line (8) multiplied by 50 percent) _____

(11) Portion of qualifying subordinated debt and intermediate-term preferred stock includible in Tier 2 capital (lesser of lines (7) and (10)) _____

Report the amount from line (11) in Schedule RC-R, item 2.a.

2.b **Other limited-life capital instruments.** Report the portion of the reporting bank's qualifying other limited-life capital instruments, such as long-term preferred stock with an original maturity of 20 years or more, that is includible in Tier 2 capital.

Qualifying other limited-life capital instruments is the amount that remains after discounting any instruments with five years or less until maturity. The entire amount of this qualifying amount is the portion that is includible in Tier 2 capital. This portion is calculated as follows:

(1) Amount of other limited-life capital instruments with a remaining maturity of more than five years _____ x 100% = _____

(2) Amount of other limited-life capital instruments with a remaining maturity of more than four years, but less than five years _____ x 80% = _____

(3) Amount of other limited-life capital instruments with a remaining maturity of more than three years, but less than four years _____ x 60% = _____

(4) Amount of other limited-life capital instruments with a remaining maturity of more than two year, but less than three years _____ x 40% = _____

(5) Amount of other limited-life capital instruments with a remaining maturity of more than one year, but less than two years _____ x 20% = _____

(6) Amount of other limited-life capital instruments with a remaining maturity of one year or less _____ x 0% = _____

(7) Portion of qualifying other limited-life capital instruments (sum of discounted amounts of lines (1) through (6)) _____

Report the amount from line (7) in Schedule RC-R, item 2.b.

Item No. **Caption and Instructions**

3 **Amounts used in calculating regulatory capital ratios**. Report in the appropriate subitem the indicated amounts used in calculating the bank's risk-based and leverage capital ratios.[1] Some of these amounts are also used in calculating other regulatory limitations, such as limits on loans to insiders. The amounts to be reported in these subitems should be those determined by the bank for its own internal regulatory capital analyses and they are subject to examiner review.

3.a **Tier 1 capital**. Report the amount of the bank's Tier 1 capital. The amount reported in this item is the numerator of the bank's Tier 1 risk-based capital ratio and its Tier 1 leverage ratio.

Tier 1 (core) capital consists of:
(1) common stockholders' equity capital,
(2) noncumulative perpetual preferred stock and any related surplus, and
(3) Minority interests in equity capital accounts of consolidated subsidiaries,
less goodwill, other disallowed intangible assets, and disallowed deferred tax assets, and any other amounts that are deducted in determining Tier 1 capital in accordance with the capital standards issued by the reporting bank's primary federal supervisory authority.
NOTE: For risk-based capital purposes, common stockholders' equity capital includes any net unrealized holding losses on available-for-sale equity securities with readily determinable fair values, but excludes other net unrealized holding gains (losses) on available-for-sale securities.

For most banks, Tier 1 capital will equal common stockholders' equity capital (Schedule RC, the sum of items 24, 25, 26.a, and 27, less any net unrealized holding losses on available-for-sale equity securities with readily determinable fair values) less goodwill and other disallowed intangible assets and less disallowed deferred tax assets. (Net unrealized holding losses on available-for-sale equity securities with readily determinable fair values can be determined from Schedule RC-B, item 6.a. In general, if item 6.a, column C, is greater than item 6.a, column D, the excess should be deducted from Tier 1 capital. Intangible assets are reported in Schedule RC, item 10, and in Schedule RC-M, item 6. Disallowed deferred tax assets are reported in Schedule RC-F, Memorandum item 1.)

3.b **Tier 2 capital**. Report the amount of the bank's Tier 2 capital. The amount reported in this item must be less than or equal to the amount reported in Schedule RC-R, item 3.a, "Tier 1 capital."

Tier 2 (supplementary) capital is limited to 100 percent of Tier 1 capital and consists of:
(1) cumulative perpetual preferred stock and any related surplus,
(2) long-term preferred stock (original maturity of 20 years or more) and any related surplus (discounted for capital purposes as it approaches maturity),

[1] For purposes of Schedule RC-R, items 3.a, 3.e, and 3.f, insured state banks with real estate subsidiaries whose continued operations have been approved by the FDIC pursuant to Section 362.4 of the FDIC's Rules and Regulations should deduct from the parent bank's Tier 1 capital and assets, as appropriate: (a) any equity investment in the subsidiary, (b) any debt issued by the subsidiary that is held by the insured state bank or guarantees of any debt issued by the subsidiary by the insured state bank, and (c) any extensions of credit from the insured state bank to the subsidiary. Insured state banks with FDIC-approved phase-out plans for real estate subsidiaries need not make these deductions.

Item No. **Caption and Instructions**

3.b (cont.)

(3) auction rate and similar preferred stock (both cumulative and noncumulative),
(4) hybrid capital instruments (including mandatory convertible debt securities),
(5) term subordinated debt and intermediate-term preferred stock (original weighted average maturity of five years or more) to the extent of 50 percent of Tier 1 capital (and discounted for capital purposes as they approach maturity), and
(6) the allowance for loan and lease losses (limited to the lesser of the balance of the allowance account or 1.25 percent of gross risk-weighted assets).

For most banks, Tier 2 capital will equal the allowable portion of the allowance for loan and lease losses (Schedule RC, item 4.b) and is further limited to 100 percent of Tier 1 capital. Banks with other capital components (e.g., subordinated debt and preferred stock) should refer to the definition of total capital set forth above and to the risk-based capital guidelines for the proper treatment of such components.

3.c **Total risk-based capital**. Report the amount of the bank's total risk-based capital. The amount reported in this item is the numerator of the bank's total risk-based capital ratio.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital net of all deductions. Deductions are made for investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes, intentional reciprocal cross-holdings of banking organizations' capital instruments, and other deductions as determined by the reporting bank's primary federal supervisory authority.

For most banks, total risk-based capital will equal the sum of Schedule RC-R, item 3.a, "Tier 1 capital," and item 3.b, "Tier 2 capital."

3.d **Excess allowance for loan and lease losses**. Report the amount, if any, by which the bank's allowance for loan and lease losses, as reported in Schedule RC, item 4.b, exceeds 1.25 percent of the bank's gross risk-weighted assets. Gross risk-weighted assets are the amount of the bank's risk-weighted assets before deducting the amount of any excess allowance for loan and lease losses. (Note: The amount reported in Schedule RC-R, item 3.e, are net risk-weighted assets. Do not multiply the amount reported in item 3.e by 1.25 percent to determine the amount of the bank's excess allowance for loan and lease losses.)

3.e **Net risk-weighted assets**. Report the amount of the bank's risk-weighted assets net of all deductions. The amount reported in this item is the denominator of the bank's total risk-based capital ratio.

When determining the amount of risk-weighted assets, on-balance sheet assets are assigned an appropriate risk weight (zero percent, 20 percent, 50 percent, or 100 percent) and off-balance sheet items are first converted to a credit equivalent amount and then assigned to one of the four risk weight categories. The on-balance sheet assets and the credit equivalent amounts of off-balance sheet items are then multiplied by the appropriate risk weight percentages and the sum of these risk-weighted amounts, less certain deductions, is the bank's gross risk-weighted assets. These deductions are for goodwill, other disallowed intangible assets, disallowed deferred tax assets, investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes, intentional reciprocal cross-holdings of banking organizations' capital instruments, and other deductions as determined by the reporting bank's primary federal supervisory

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3.e (cont.) authority. Gross risk-weighted assets minus any excess allowance for loan and lease losses (reported in Schedule RC-R, item 3.d) and minus any allocated transfer risk reserve is the bank's net risk-weighted assets, which is the amount to be reported in this item.

3.f **"Average total assets."** Report the amount of the bank's "average total assets," i.e., the denominator of the bank's Tier 1 leverage capital ratio.

"Average total assets" consists of the quarterly average for "total assets" as reported in the Call Report, less goodwill, other disallowed intangible assets, disallowed deferred tax assets, and any other assets that are deducted in determining Tier 1 capital in accordance with the capital standards issued by the reporting bank's primary federal supervisory authority. For FDIC-supervised banks, the quarterly average for "total assets" must be adjusted for any securities subsidiary subject to Section 337.4 of the FDIC's Rules and Regulations.

For most banks, "average total assets" will equal Schedule RC-K, item 7 on the FFIEC 034, item 9 on the FFIEC 031, 032, and 033, less goodwill and other disallowed intangible assets and less disallowed deferred tax assets. Intangible assets are reported in Schedule RC, item 10, and in Schedule RC-M, item 6. Disallowed deferred tax assets are reported in Schedule RC-F, Memorandum item 1.

4 **Assets and credit equivalent amounts of off-balance sheet items assigned to the Zero percent risk category**. Report in the appropriate subitem:

(1) Currency and coin (domestic and foreign) held in the bank or in transit (from Schedule RC-A on the FFIEC 031, 032, and 033; from Schedule RC-M, item 3.b, on the FFIEC 034);

(2) Securities issued by and other direct claims (such as loans or leases) on the U.S. Government and other OECD central governments (including U.S. Treasury securities from Schedule RC-B, item 1);

(3) Portions of claims on other counterparts that are unconditionally guaranteed by the U.S. Government and its agencies and other OECD central governments (including GNMA and SBA securities and loans guaranteed by the Export-Import Bank);

(4) Local currency claims on, and the portions of local currency claims that are unconditionally guaranteed by, non-OECD central governments (including central banks) to the extent that the bank has liabilities booked in that currency; and

(5) Gold bullion held in the bank's vaults or in another's vaults on an allocated basis, to the extent offset by gold bullion liabilities.

For national and state member banks, this item includes those claims, or portions of claims, that (a) are collateralized by cash on deposit in the reporting bank or by securities issued by, or directly and unconditionally guaranteed by, the U.S. Government or its agencies or the central government of an OECD country and (b) qualify for a zero percent risk weight in accordance with the risk-based capital standards issued by the reporting bank's primary federal supervisory authority. The extent to which qualifying securities are recognized as collateral is determined by their current market value. If a claim is partially

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4 (cont.) secured, that is, the market value of the pledged securities is less than the face amount of an asset or off-balance sheet item, only the portion that is covered by the market value of the collateral is to be reported in this item. The face amount of a claim secured by two types of qualifying collateral is to be reported in the items appropriate to the collateral types, apportioned according to the market value of each of the two types of collateral.

Claims on OECD central governments includes balances due from the Federal Reserve Banks (including Federal Reserve Bank stock) and central banks in other OECD countries. If the reporting bank is the correspondent bank in a pass-through reserve balance relationship, report the amount of its own reserves as well as those reserve balances actually passed through to a Federal Reserve Bank on behalf of its respondent depository institutions.

If the reporting bank is the respondent bank in a pass-through reserve balance relationship, report in this item the amount of the bank's reserve balances due from its correspondent bank that its correspondent has actually passed through to a Federal Reserve Bank on the reporting bank's behalf, i.e., for purposes of this item, treat these balances as balances due from a Federal Reserve Bank. This treatment differs from that required in Schedule RC-A, item 2 (on the FFIEC 031, 032, and 033), "Balances due from depository institutions in the U.S.," which would treat balances held by a bank's correspondent as balances due from a depository institution as opposed to balances due from the Federal Reserve.

4.a **Assets recorded on the balance sheet**. Report the book value (i.e., fair value for assets held for trading) of all assets recorded on the reporting bank's balance sheet which are assigned a Zero percent risk weight under the risk-based capital guidelines. However, for available-for-sale securities assigned to the Zero percent risk category, report the amortized cost of such securities rather than the fair value at which they are reported on the balance sheet.

4.b **Credit equivalent amount of off-balance sheet items**. Report the credit equivalent amount, as determined under the risk-based capital guidelines, for those off-balance sheet items that are to be risk weighted at Zero percent in accordance with the guidelines. Include the credit equivalent amount of those off-balance sheet direct claims on, or claims unconditionally guaranteed by the U.S. Government and other OECD central governments.

5 **Assets and credit equivalent amounts of off-balance sheet items assigned to the 20 percent risk category**. Report in the appropriate subitem:

(1) Cash items in the process of collection (from Schedule RC-A on the FFIEC 031, 032, and 033; a portion of Schedule RC, item 1.a on the FFIEC 034);

(2) Claims on (including balances due from), and the portion of claims guaranteed by, U.S. depository institutions and other OECD banks (except as noted below);

(3) Short-term (one year or less) claims on, and the portions of short-term claims guaranteed by, non-OECD banks;

(4) Portions of claims collateralized by securities issued, or guaranteed, by the U.S. Government and other OECD central governments that, under the risk-based capital standards issued by the reporting bank's primary federal supervisory authority, do not qualify for the zero percent risk weight category;

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5 (cont.) (5) Portions of securities, loans, and other claims conditionally guaranteed by the U.S. Government and its agencies and other OECD central governments (e.g., VA and FHA mortgage loans and student loans on which the U.S. Department of Education acts as a reinsurer);

(6) Portions of local currency claims that are conditionally guaranteed by the central governments of non-OECD countries, to the extent that the bank has liabilities booked in that country;

NOTE: A guarantee is conditional if its validity is dependent upon some affirmative action by the bank or a third party (e.g., servicing requirements).

(7) General obligation claims on, and the portion of claims that are guaranteed by the full faith and credit of local governments and political subdivisions in the U.S. and other OECD local governments;

(8) Portions of claims collateralized by cash on deposit in the reporting bank -- including standby letters of credit collateralized by cash -- that, under the risk-based capital standards issued by the reporting bank's primary federal supervisory authority, do not qualify for the zero percent risk weight category;

NOTE: Claims collateralized by deposits in other depository institutions (e.g., certificates of deposit issued by other banks) do not qualify for a 20 percent risk weight. Such collateralized claims are to be reported in Schedule RC-R, item 6 or item 7, as appropriate.

(9) Claims (including securities from Schedule RC-B) on or guaranteed by U.S. Government-sponsored agencies;

(10) Portions of claims collateralized by securities issued or guaranteed by U.S. Government-sponsored agencies (e.g., loans collateralized by FHLMC pass-through securities);

(11) Certain privately-issued mortgage-backed securities representing indirect ownership of U.S. Government agency or U.S. Government-sponsored agency mortgage-backed securities (e.g., GNMA, FNMA, and FHLMC pass-through securities); and

(12) Claims on, guaranteed by, or collateralized by securities of, official multilateral lending institutions or regional development banks, e.g., the World Bank including the International Finance Corporation.

Include as claims guaranteed by U.S. depository institutions and foreign banks all risk participations in bankers acceptances, standby letters of credit, and commitments that are conveyed to such institutions. Do not include in this item the portion of loans insured under the FHA Title I insurance program, claims on bank holding companies, or holdings of bank-issued securities that qualify as capital of the issuing bank for risk-based capital purposes (report in item 7). In addition, claims on foreign official institutions that are not multilateral lending institutions or regional development banks (e.g., agencies of the United Nations other than the World Bank and the International Finance Corporation) are not to be reported in this item (report in item 7).

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5 (cont.) The extent to which qualifying securities are recognized as collateral is determined by their current market value. If a claim is partially secured, that is, the market value of the pledged securities is less than the face amount of an asset or off-balance sheet item, only the portion that is covered by the market value of the collateral is to be reported in this item. The face amount of a claim secured by two types of qualifying collateral is to be reported in the items appropriate to the collateral types, apportioned according to the market value of each of the two types of collateral.

If a claim is partially guaranteed or covered by two types of guarantees, then the aforementioned treatment of claims that are collateralized is applicable.

5.a **Assets recorded on the balance sheet.** Report the book value (fair value for assets held for trading) of all assets recorded on the reporting bank's balance sheet which are assigned a 20 percent risk weight under the risk-based capital guidelines. However, for available-for-sale securities assigned to the 20 percent risk category, report the amortized cost of such securities rather than the fair value at which they are reported on the balance sheet.

5.b **Credit equivalent amount of off-balance sheet items**. Report the credit equivalent amount, as determined under the risk-based capital guidelines, for those off-balance sheet items that are risk weighted at 20 percent. Include the credit equivalent amount of off-balance sheet claims collateralized by cash on deposit (e.g., standby letters of credit collateralized by cash) that, under the risk-based capital standards issued by the reporting bank's primary federal supervisory authority, do not qualify for the zero percent risk weight category.

6 **Assets and credit equivalent amounts of off-balance sheet items assigned to the 50 percent risk category**. Report the book value (fair value for assets held for trading) of all assets recorded on the reporting bank's balance sheet and the credit equivalent amount of all off-balance sheet items which are assigned a 50 percent risk weight under the risk-based capital guidelines. However, for available-for-sale securities assigned to the 50 percent risk category, report the amortized cost of such securities rather than the fair value at which they are reported on the balance sheet. In addition, the 50 percent risk weight is the maximum risk weight to be applied to the credit equivalent amounts of interest rate and foreign exchange rate contracts.

6.a **Assets recorded on the balance sheet**. Report in this item loans that are fully secured by first liens on 1-to-4 family residential properties (including certain presold residential construction loans) that were made in accordance with prudent underwriting standards, that are performing in accordance with their original terms, and that are not 90 days or more past due or in nonaccrual status. If a bank holds the first and junior lien(s) on a residential property and no other party holds an intervening lien, the transaction is treated as a single loan secured by a first lien only for purposes of determining whether the loan-to-value ratio is consistent with prudent underwriting standards. Loans secured by 1-to-4 family residential properties that do not meet all of the specified criteria, including loans secured by junior lien(s) when the reporting bank also holds the first lien and no other party holds an intervening lien, are assigned a 100 percent risk weight and are to be reported in Schedule RC-R, item 7.a below.

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6.a (cont.) Also report in this item loans fully secured by first liens on multifamily residential properties that have been prudently underwritten and meet the requirements specified in the risk-based capital standards for loan-to-value ratios, level of annual net operating income to required debt service, maximum amortization period, minimum original maturity, and demonstrated timely repayment performance.

Also include certain privately-issued mortgage-backed securities representing direct and indirect ownership of the aforementioned mortgage loans if the criteria for privately-issued mortgage-backed securities outlined in the risk-based capital guidelines (and listed below) are met. For example, a homebuilder issues a pass-through security that is backed by a pool of first mortgages on 1-to-4 family residential mortgages that are prudently underwritten and are not restructured, past due, or in nonaccrual status. The criteria outlined in the risk-based capital guidelines allowing these securities to be risk-weighted on the basis of the pool of mortgage collateral rather than on the issuer require that:

(1) the underlying assets are held by an independent trustee and the trustee has a first priority, perfected security interest in the underlying assets on behalf of the holders of the security;

(2) either (a) the holder of the security has an undivided pro rata ownership interest in the underlying mortgage assets or (b) the trust or single purpose entity that issues the security has no liabilities unrelated to the issued securities;

(3) the security is structured such that the cash flow from the underlying assets in all cases fully meets the cash flow requirements of the security without undue reliance on any reinvestment income; and

(4) there is no material reinvestment risk associated with any funds awaiting distribution to the holders of the security.

In addition, include revenue bonds or similar claims that are obligations of U.S. state or local governments, or other OECD local governments, for which the government is committed to repay the debt only out of revenues from the facilities financed.

Exclude from this item loans collateralized by mortgage notes that the reporting bank has indirectly financed, e.g., mortgage warehousing lines.

6.b **Credit equivalent amount of off-balance sheet items**. Report the credit equivalent amount, as determined under the risk-based capital guidelines, for those off-balance sheet items that are to be risk weighted at 50 percent in accordance with the guidelines. Include in this item the credit equivalent amounts of interest rate and foreign exchange rate contracts that are not accorded a lower risk weight as a result of the counterparty, collateral, or a guarantee.

Exclude the credit equivalent amount of the unused portions of commitments with an original maturity exceeding one year that are secured by junior lien(s) on 1-to-4 family residential properties when the reporting bank also holds the first lien and no other party holds an intervening lien. The credit equivalent amount of such commitments is to be risk weighted at 100 percent and reported in Schedule RC-R, item 7.b below.

Item No. **Caption and Instructions**

7 **Assets and credit equivalent amounts of off-balance sheet items assigned to the 100 percent risk category**. Report the book value (fair value for assets held for trading) of all assets recorded on the reporting bank's balance sheet and the credit equivalent amount of all off-balance sheet items which are assigned a 100 percent risk weight under the risk-based capital guidelines. For available-for-sale securities assigned to the 100 percent risk category, report the amortized cost of such securities rather than the fair value at which they are reported on the balance sheet.

7.a **Assets recorded on the balance sheet**. Report all assets that are not reportable in items 4 through 6 above or in item 8 below. Include:

(1) Stripped mortgage-backed securities (e.g., interest-only and principal-only strips);
(2) Residual and subordinated interests in asset-backed securities;
(3) Mortgage servicing assets and purchased credit card relationships (excluding any portion that is disallowed for regulatory capital purposes);
(4) Premises and fixed assets;
(5) Industrial development bonds;
(6) Loans, debt securities, and other claims where the counterparty is a private obligor;
(7) Margin accounts on futures contracts;
(8) Other real estate owned;
(9) Net deferred tax assets (excluding any portion that is disallowed for regulatory capital purposes); and
(10) All other assets not already reported above (excluding those reportable in Schedule RC-R, item 8 below).

For purposes of this schedule, the amount to be reported in this item should be reduced by the amount of any valuation allowances the reporting bank maintains against assets other than loans and available-for-sale securities (e.g., valuation allowances for other real estate owned).

7.b **Credit equivalent amounts of off-balance sheet items**. Report the credit equivalent amount, as determined under the risk-based capital guidelines, for those off-balance sheet items that are risk weighted at 100 percent in accordance with the guidelines. Include those off-balance sheet items where the counterparty is a private obligor and which are not accorded a lower risk weight as a result of collateral or a guarantee.

8 **On-balance sheet asset values excluded from and deducted in the calculation of the risk-based capital ratio**. Report in this item the difference between the fair value and the amortized cost of the reporting bank's available-for-sale debt securities (and report the amortized cost of these debt securities in Schedule RC-R, items 4 through 7 above). Furthermore, to the extent that the amount of net deferred tax assets carried on the balance sheet (Schedule RC) and reported in Schedule RC-F, item 2, includes the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the net deferred tax asset amount reported as a 100 percent risk weight asset in Schedule RC-R, item 7.a. If these deferred tax assets are excluded, they should be reported in this item and this reporting treatment must be followed consistently over time. For available-for-sale equity securities, if fair value exceeds cost, include the difference between the fair value and the cost in this item and report the cost of these equity securities in items 5 through 7 above; if cost exceeds fair value, report the fair value of these equity securities in items 5 through 7 above and include no amount in this item.

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8 (cont.)	Include in this item any portion of the bank's mortgage servicing assets, purchased credit card relationships, and net deferred tax assets that is disallowed for regulatory capital purposes as well as all other intangible assets (including servicing assets related to financial assets other than mortgages) and other assets that are required to be deducted from regulatory capital in accordance with the capital standards issued by the bank's primary federal regulatory agency. Also report in this item the on-balance sheet asset values (or portions thereof) of off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contracts that are treated for risk-based capital purposes as off-balance sheet items even though they may have on-balance sheet amounts included on Schedule RC. In addition, include in this item the on-balance sheet asset values related to (1) foreign exchange contracts with an original maturity of fourteen calendar days or less, (2) instruments traded on organized exchanges that require daily payment and receipt of variation margin (e.g., futures contracts), and (3) other interest rate, foreign exchange, equity derivative, and commodity and other contracts not covered under the risk-based capital guidelines such as over-the-counter written options. These on-balance sheet asset values may have been reported on Schedule RC on a net basis in accordance with the FASB Interpretation No. 39, as described in the Glossary entry for "Offsetting." (Purchased options that are traded on an organized exchange are to be included in the calculation of the risk-based capital ratio because such option contracts are not subject to a daily variation margin.) For those off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contracts subject to risk-based capital, banks should report the on-balance sheet asset values (or portions thereof) in this item to avoid a capital charge against the on-balance sheet amounts in addition to the capital charge against the credit equivalent amounts calculated under the risk-based capital guidelines. The amount to be reported in this item for each off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contract should equal the lower of the contract's positive on-balance sheet asset amount included in Schedule RC or its positive market value included in computing the credit equivalent amount of the transaction. (For purposes of this comparison, if the amount of any accrued receivable is included in the calculation of the credit equivalent amount of an off-balance sheet derivative contract, this amount should be treated as part of the contract's positive on-balance sheet asset amount.) If either amount is zero or negative, then report for that contract in this item the amount, if any, which has been included in the on-balance sheet asset amount reported for such contract on Schedule RC. For example, a forward contract that is marked to market for reporting purposes will have its on-balance sheet market value, if positive, reported in this item and, as a result, this on-balance sheet asset amount will be excluded from the risk-based capital ratio computation. The positive market value, however, will be included in the credit equivalent amount of this off-balance sheet item for risk-based capital purposes. If the on-balance sheet asset value of a purchased option exceeds the market value of the purchased option, then the excess is not to be included in this item; rather, the excess is to be included in the appropriate risk weight category in Schedule RC-R, items 4 through 6 above. However, if the market value equals or exceeds the on-balance sheet asset value, the full on-balance sheet amount would be included in this item. Exclude from this item any accrued receivables associated with off-balance sheet derivative contracts that are not included in the calculation of the credit equivalent amounts of these contracts and margin accounts related to derivative contracts. Margin accounts must be

Item No.	Caption and Instructions
8 (cont.)	assigned to the 100 percent risk category while accrued receivables not reported in this item are to be included in the appropriate risk-weight category.
9	**Total assets recorded on the balance sheet**. Report in column A the sum of items 4.a, 5.a, 6.a, 7.a, and 8, column A. On the FFIEC 034, this amount must equal Schedule RC, item 12.c plus items 4.b and 4.c. On the FFIEC 031, 032, and 033, this amount must equal Schedule RC, item 12 plus items 4.b and 4.c.

Memoranda

Item No.	Caption and Instructions
1	**Current credit exposure across all off-balance-sheet derivative contracts covered by the risk-based capital standards**. Report a single current credit exposure amount for off-balance-sheet derivative contracts covered by the risk-based capital standards after considering applicable legally enforceable bilateral netting agreements. For purposes of this item, include the current credit exposure for off-balance sheet interest rate, foreign exchange, equity derivative, and commodity and other contracts. For descriptions of these contracts, refer to the instructions for Schedule RC-L, item 14. Current credit exposure (sometimes referred to as the replacement cost) is the fair value of a contract when that fair value is positive. The current credit exposure is zero when the fair value is negative or zero. Current credit exposure should be derived as follows: Determine whether a legally enforceable bilateral netting agreement is in place between the reporting bank and a counterparty. If such an agreement is in place, the fair values of all applicable interest rate and foreign exchange contracts with that counterparty that are included in the netting agreement are netted to a single amount. Next, for all other contracts covered by the risk-based capital standards that have positive fair values, the total of the positive fair values is determined. Then, report in this item the sum of (i) the net positive fair values of applicable interest rate and foreign exchange contracts subject to legally enforceable bilateral netting agreements and (ii) the total positive fair values of all other contracts covered by the risk-based capital standards. Consistent with the risk-based capital guidelines, if a bilateral netting agreement covers off-balance sheet derivative contracts that are normally not covered by the risk-based capital standards (e.g., foreign exchange contracts with an original maturity of 14 calendar days or less and contracts traded on exchanges that require daily payment of variation margin), the reporting bank may elect to consistently either include or exclude the fair values of all such derivative contracts when determining the net current credit exposure for that agreement. The definition of a legally enforceable bilateral netting agreement for purposes of this item is the same as that set forth in the risk-based capital rules. These rules require a written bilateral netting contract that creates a single legal obligation covering all included individual contracts and that does not contain a walkaway clause. The bilateral netting agreement must be supported by a written and reasoned legal opinion representing that an organization's claim or obligation, in the event of a legal challenge, including one resulting from default, insolvency, bankruptcy, or similar circumstances, would be found by the court and administrative authorities of all relevant jurisdictions to be the net sum of all positive and negative fair values of contracts included in the bilateral netting contract.

Memoranda

Item No.	Caption and Instructions
2	**Notional principal amounts of off-balance-sheet derivative contracts**. Report in the appropriate subitem and column below the notional amount or par value of off-balance-sheet contracts included in Schedule RC-L, item 14, that are subject to risk-based capital requirements. Such contracts include swaps, forwards, and purchased options. Report notional amounts and par values in the column corresponding to the contract's remaining term to maturity from the report date. Remaining maturities are to be reported as (1) one year or less in column A, (2) over one year through five years in column B, or (3) over five years in column C. Do not report the notional amount for single currency interest rate swaps in which payments are made based upon two floating rate indices, so-called floating/floating or basis swaps; foreign exchange contracts with an original maturity of 14 days or less; and futures contracts. The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective notional amount or par value. (For example, a swap contract with a stated notional amount of $1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by 10 has an effective notional amount of $10,000,000.) The notional amount to be reported for an amortizing off-balance-sheet derivative contract is the contract's current (or, if appropriate, effective) notional amount. This notional amount should be reported in the column corresponding to the contract's remaining term to final maturity. For descriptions of "interest rate contracts," "foreign exchange contracts," "commodity and other contracts," and "equity derivative contracts," refer to the instructions for Schedule RC-L, item 14.
2.a	Interest rate contracts. Report the remaining maturities of interest rate contracts that are subject to risk-based capital requirements.
2.b	Foreign exchange contracts. Report the remaining maturities of foreign exchange contracts that are subject to risk-based capital requirements.
2.c	Gold contracts. Report the remaining maturities of gold contracts that are subject to risk-based capital requirements.
2.d	Other precious metals contracts. Report the remaining maturities of other precious metals contracts that are subject to risk-based capital requirements. Report all silver, platinum, and palladium contracts.
2.e	Other commodity contracts. Report the remaining maturities of other commodity contracts that are subject to risk-based capital requirements. For contracts with multiple exchanges of principal, notional amount is determined by multiplying the contractual amount by the number of remaining payments (i.e., exchanges of principal) in the derivative contract.
2.f	Equity derivative contracts. Report the remaining maturities of equity derivative contracts that are subject to risk-based capital requirements.

OPTIONAL NARRATIVE STATEMENT CONCERNING THE AMOUNTS REPORTED IN THE REPORTS OF CONDITION AND INCOME

The management of the reporting bank may, if it wishes, submit a brief narrative statement on the amounts reported in the Reports of Condition and Income. This optional statement will be made available to the public, along with the publicly available data in the Reports of Condition and Income, in response to any request for individual bank report data. However, the information reported in column A and in all of Memorandum item 1 of Schedule RC-N is regarded as confidential and will not be released to the public. BANKS CHOOSING TO SUBMIT THE NARRATIVE STATEMENT SHOULD ENSURE THAT THE STATEMENT DOES NOT CONTAIN THE NAMES OR OTHER IDENTIFICATIONS OF INDIVIDUAL BANK CUSTOMERS, REFERENCES TO THE AMOUNTS REPORTED IN THE CONFIDENTIAL ITEMS IN SCHEDULE RC-N, OR ANY OTHER INFORMATION THAT THEY ARE NOT WILLING TO HAVE MADE PUBLIC OR THAT WOULD COMPROMISE THE PRIVACY OF THEIR CUSTOMERS. Banks choosing not to make a statement may check the "No comment" box and should make no entries of any kind in the space provided for the narrative statement; i.e., DO NOT enter in this space such phrases as "No statement," "Not applicable," "N/A," "No comment," and "None."

The optional statement must be entered on the sheet provided by the agencies. The statement should not exceed 100 words. Further, regardless of the number of words, the statement must not exceed 750 characters, including punctuation, indentation, and standard spacing between words and sentences. If any submission should exceed 750 characters, as defined, it will be truncated at 750 characters with no notice to the submitting bank and the truncated statement will appear as the bank's statement both on agency computerized records and in computer-file releases to the public.

All information furnished by the bank in the narrative statement must be accurate and not misleading. Appropriate efforts shall be taken by the submitting bank to ensure the statement's accuracy. The statement must be signed, in the space provided, by a senior officer of the bank who thereby attests to its accuracy.

If, subsequent to the original submission, material changes are submitted for the data reported in the Reports of Condition and Income, the existing narrative statement will be deleted from the files, and from disclosure; the bank, at its option, may replace it with a statement, under signature, appropriate to the amended data.

The optional narrative statement will appear in agency records and in release to the public exactly as submitted (or amended as described in the preceding paragraph) by the management of the bank (except for the truncation of statements exceeding the 750-character limit described above). THE STATEMENT WILL NOT BE EDITED OR SCREENED IN ANY WAY BY THE SUPERVISORY AGENCIES FOR ACCURACY OR RELEVANCE. DISCLOSURE OF THE STATEMENT SHALL NOT SIGNIFY THAT ANY FEDERAL SUPERVISORY AGENCY HAS VERIFIED OR CONFIRMED THE ACCURACY OF THE INFORMATION CONTAINED THEREIN. A STATEMENT TO THIS EFFECT WILL APPEAR ON ANY PUBLIC RELEASE OF THE OPTIONAL STATEMENT SUBMITTED BY THE MANAGEMENT OF THE REPORTING BANK.

LINE ITEM INSTRUCTIONS FOR THE CONSOLIDATED REPORT OF INCOME

The line item instructions should be read in conjunction with the Glossary and other sections of these instructions. See the discussion of the Organization of the Instruction Books in the General Instructions.

SCHEDULE RI -- INCOME STATEMENT

General Instructions

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

Banks that began operating during the year-to-date reporting period should report in the appropriate items of Schedule RI all income earned and expense incurred since commencing operations and all pre-opening income earned and expenses incurred from inception until that date.

If the bank entered into a business combination which became effective during the year-to-date reporting period and which has been accounted for as a pooling of interests, report the income and expense of the combined business for the entire year-to-date. If the bank entered into a business combination which became effective during the reporting period and which has been accounted for as a purchase, report the income and expense of the acquired bank or business only after its acquisition. If the bank was acquired in a transaction which became effective during the reporting period and push down accounting was used to account for the acquisition, Schedule RI should only include amounts from the date of the bank's acquisition through the end of the year-to-date reporting period. For further information on poolings of interests, purchase acquisitions, and push down accounting, see the Glossary entry for "business combinations."

Schedule RI is one of four schedules (and one memorandum item) in the FFIEC 033 and 034 Reports of Condition and Income in which banks are permitted to report loan detail in terms of general loan categories that are based upon each bank's own internal loan categorization system. While the definitions for the general loan categories are left to the choice of each reporting bank, each bank must use consistent definitions for these categories in each of the four schedules and the memorandum item. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Item Instructions

Item No. **Caption and Instructions**

1 **Interest income**:

1.a **Interest and fee income on loans**. Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all assets reportable as loans in Schedule RC-C, part I, items 1 through 8 on the FFIEC 034; items 1 through 9 on the FFIEC 031, 032, and 033.

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

Include as interest and fee income on loans:

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

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

(3) Loan commitment fees recognized as described under the Glossary entry for "loan fees."

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

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

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

Exclude from interest and fee income on loans:

(1) Fees that are not yield-related, such as management fees and servicing fees on real estate mortgages or other loans which are not assets of the bank (report as "Other fee income" in item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033).

(2) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books (report as "Other fee income" in item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033). Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales.

Item No. **Caption and Instructions**

1.a (cont.)

(3) Net gains (losses) from the sale of all assets reportable as loans. Banks should consistently report net gains (losses) either as "All other noninterest income" in item 5.b.(2) on the FFIEC 034; item 5.f.(2) on the FFIEC 031, 032, and 033 or as "Other noninterest expense" in item 7.c. Refer to the Glossary entry for "transfers of financial assets."

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

(5) Transaction or per item charges levied against deposit accounts for the processing of checks drawn against insufficient funds that the bank assesses regardless of whether it decides to pay, return, or hold the check, so-called "NSF check charges" (report as "Service charges on deposit accounts (in domestic offices)," in item 5.a on the FFIEC 034; item 5.b on the FFIEC 031, 032, and 033; or, if levied against deposit accounts in foreign offices, in item 5.f.(1), "Other fee income," on the FFIEC 031). See inclusion (6) above.

NOTE: The item instructions for interest and fee income on loans on the FFIEC 033 and 034 report forms are presented on pages RI-3 and RI-4. The item instructions for interest and fee income on loans on the FFIEC 031 and 032 report forms are presented on pages RI-5 and RI-6.

Item Instructions for the FFIEC 033 and 034: "Interest and fee income on loans"

For further information on the loan categories that banks filing the FFIEC 033 and 034 report forms use when reporting interest and fee income on loans, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
1.a.(1)	-	**Interest and fee income on total loans**. On the FFIEC 034 report forms, the $25 million asset size test referred to in Schedule RI, items 1.a.(1) through 1.a.(5) below is based on the reporting bank's total assets as reflected in the Report of Condition for June of the previous year. Once a bank begins to report loan detail in Schedule RI, items 1.a.(2) through 1.a.(5), it must continue to report such loan detail in this schedule. For further information, refer to the discussion of "Shifts in Reporting Status" in the General Instructions section of this book. To be reported by banks with total assets of less than $25 million. Report all interest, fees, and similar charges levied against or associated with all loans (as defined for Schedule RC-C, part I, items 1 through 8).

Item Instructions for the FFIEC 033 and 034: "Interest and fee income on loans" (cont.)

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
1.a.(2)	**1.a.(1)**	**Interest and fee income on real estate loans**. To be reported by banks with total assets of $25 million or more. Report all interest, fees, and similar charges levied against or associated with all real estate loans. For purposes of this schedule, real estate loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. Banks with total assets of less than $25 million should report a zero or the word "none" in this item.
1.a.(3)	**1.a.(2)**	**Interest and fee income on installment loans**. To be reported by banks with total assets of $25 million or more. Report all interest, fees, and similar charges levied against or associated with all installment loans. For purposes of this schedule, installment loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. Banks with total assets of less than $25 million should report a zero or the word "none" in this item.
1.a.(4)	**1.a.(3)**	**Interest and fee income on credit cards and related plans**. To be reported by banks with total assets of $25 million or more. Report all interest, fees, and similar charges levied against or associated with all credit cards and related plans. For purposes of this schedule, credit cards and related plans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. Exclude annual or other periodic fees paid by holders of credit cards issued by the bank (report as "Other fee income" in item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 033). Banks with total assets of less than $25 million should report a zero or the word "none" in this item.
1.a.(5)	**1.a.(4)**	**Interest and fee income on commercial (time and demand) and all other loans**. To be reported by banks with total assets of $25 million or more. Report all interest, fees, and similar charges levied against or associated with all commercial (time and demand) and all other loans. For purposes of this schedule, commercial (time and demand) and all other loans is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories of loans. Banks with total assets of less than $25 million should report a zero or the word "none" in this item.

Item Instructions for the FFIEC 031 and 032: "Interest and fee income on loans"

FFIEC 032 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	1.a.(1)	**Interest and fee income on loans in domestic offices**. Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule RC-C, part I, items 1 through 9, column B.
1.a.(1)	1.a.(1)(a)	**Interest and fee income on loans secured by real estate (in domestic offices)**. Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 1, "Loans secured by real estate."
-	1.a.(1)(b)	**Interest and fee income on loans to depository institutions in domestic offices**. Report all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule RC-C, part I, item 2, "Loans to depository institutions."
1.a.(2)	1.a.(1)(c)	**Interest and fee income on loans to finance agricultural production and other loans to farmers (in domestic offices)**. Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 3, "Loans to finance agricultural production and other loans to farmers."
1.a.(3)	1.a.(1)(d)	**Interest and fee income on commercial and industrial loans (in domestic offices)**. Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 4, "Commercial and industrial loans."
-	1.a.(1)(e)	**Interest and fee income on acceptances of other banks in domestic offices**. Report all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule RC-C, part I, item 5, "Acceptances of other banks."
1.a.(4)	1.a.(1)(f)	**Interest and fee income on loans to individuals for household, family, and other personal expenditures (in domestic offices)**. Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 6, "Loans to individuals for household, family, and other personal expenditures."
1.a.(4)(a)	1.a.(1)(f)(1)	**Credit cards and related plans**. Report all interest, fees, and similar charges levied against or associated with all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards and related plans (in domestic offices) reportable in Schedule RC-C, part I, item 6.a, "Credit cards and related plans," on the FFIEC 032 and in Schedule RC-C, part I, item 6, column B, on the FFIEC 031. Exclude annual or other periodic fees paid by holders of credit cards issued by the bank (report in item 5.f.(1), "Other fee income").

Item Instructions for the FFIEC 031 and 032: "Interest and fee income on loans" (cont.)

FFIEC 032 Item No.	FFIEC 031 Item No.	Caption and Instructions
1.a.(4)(b)	1.a.(1)(f)(2)	**Other loans to individuals for household, family, and other personal expenditures**. Report all interest, fees, and similar charges levied against or associated with all other loans to individuals for household, family, and other personal expenditures (in domestic offices) reportable in Schedule RC-C, part I, item 6.b, "Other," on the FFIEC 032 and in Schedule RC-C, part I, item 6, column B, on the FFIEC 031.
1.a.(5)	1.a.(1)(g)	**Interest and fee income on loans to foreign governments and official institutions**. Report all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 7, "Loans to foreign governments and official institutions."
1.a.(6)	1.a.(1)(h)	**Interest and fee income on obligations (other than securities and leases) of states and political subdivisions in the U.S. (in domestic offices).** Report in the appropriate subitem all interest, fees, and similar charges levied against or associated with all loans (in domestic offices) reportable in Schedule RC-C, part I, item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S."
1.a.(6)(a)	1.a.(1)(h)(1)	**Taxable obligations**. Report all interest, fees, and similar charges levied against or associated with all taxable loans to states and political subdivisions in the U.S. (in domestic offices) reportable in Schedule RC-C, part I, item 8. Taxable loans are those loans to states and political subdivisions in the U.S. the interest from which must be included in gross income under the regular tax system for federal income tax purposes (i.e., the interest from which is taxable).
1.a.(6)(b)	1.a.(1)(h)(2)	**Tax-exempt obligations**. Report all interest, fees, and similar charges levied against or associated with all tax-exempt loans to states and political subdivisions in the U.S. (in domestic offices) reportable in Schedule RC-C, part I, item 8, column B. Tax-exempt loans are those loans to states and political subdivisions in the U.S. the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan.
1.a.(7)	1.a.(1)(i)	**Interest and fee income on all other loans (in domestic offices)**. On the FFIEC 032, report all interest, fees, and similar charges levied against or associated with all loans reportable in Schedule RC-C, part I, item 2, "Loans to depository institutions," item 5, "Acceptances of other banks," and item 9, "Other loans." On the FFIEC 031, report all interest, fees, and similar charges levied against or associated with all loans in domestic offices reportable in Schedule RC-C, part I, item 9, "Other loans."
-	1.a.(2)	**Interest and fee income on loans in foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report all interest, fees, and similar charges levied against or associated with all loans in foreign offices, Edge and Agreement subsidiaries, and IBFs reportable in Schedule RC-C, part I, items 1 through 9.

Item No. **Caption and Instructions**

1.b **Income from lease financing receivables**. On the FFIEC 034, report as a single total and, on the FFIEC 031, 032, and 033, report in the appropriate subitem, all income from direct financing and leveraged leases reportable in Schedule RC-C, part I, item 9 on the FFIEC 034; item 10 on the FFIEC 031, 032, and 033, "Lease financing receivables (net of unearned income)." (See the Glossary entry for "lease accounting.")

Exclude:

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

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

(3) Rental fees applicable to operating leases for furniture and equipment rented to others (report as "Other fee income" in item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033).

NOTE: Items 1.b.(1) and 1.b.(2) are not applicable to banks filing the FFIEC 034 report forms.

1.b.(1) **Taxable leases**. On the FFIEC 031, 032, and 033, report the income from all leases reportable in Schedule RC-C, part I, item 10, "Lease financing receivables (net of unearned income)," the income from which must be included in gross income under the regular tax system for federal income tax purposes, regardless of the availability of investment tax credits derived from the leased property at the inception of the lease (i.e., the income from which is taxable).

1.b.(2) **Tax-exempt leases**. On the FFIEC 031, 032, and 033, report the income from those leases reportable in Schedule RC-C, part I, item 10, "Lease financing receivables (net of unearned income)," the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the lease must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the lease. Such income is normally derived from certain lease financing receivables of states and political subdivisions in the U.S.

1.c **Interest income on balances due from depository institutions**. On the FFIEC 034, 033, and 032, report as a single total and, on the FFIEC 031, report in the appropriate subitem all income on assets reportable in Schedule RC, item 1.b, "Interest-bearing balances due from depository institutions."

NOTE: Items 1.c.(1) and 1.c.(2) are not applicable to banks filing the FFIEC 032, 033, and 034 report forms.

1.c.(1) **In domestic offices**. On the FFIEC 031, report all income on interest-bearing balances due from depository institutions in domestic offices.

1.c.(2) **In foreign offices, Edge and Agreement subsidiaries, and IBFs**. On the FFIEC 031, report all income on interest-bearing balances due from depository institutions in foreign offices, Edge and Agreement subsidiaries, and IBFs.

Item No.	Caption and Instructions
1.d	**Interest and dividend income on securities**. Report in the appropriate subitem all income on assets that are reportable in Schedule RC-B, Securities. Include accretion of discount and deduct amortization of premium on securities. Refer to the Glossary entry for "premiums and discounts." Include interest and dividends on securities held in the bank's held-to-maturity and available-for-sale portfolios, even if such securities have been lent, sold under agreements to repurchase that are treated as borrowings, or pledged as collateral for any purpose. Include interest received at the sale of securities to the extent that such interest had not already been accrued on the bank's books. Do not deduct accrued interest included in the purchase price of securities from income on securities and do not charge to expense. Record such interest in a separate asset account (to be reported in Schedule RC-F, item 4, "Other" assets) to be offset upon collection of the next interest payment. Report income from detached U.S. Government security coupons and ex-coupon U.S. Government securities not held for trading on the FFIEC 034 in item 1.d.(2) as interest and dividend income on "U.S. Government securities and other debt securities" and on the FFIEC 031, 032, and 033 in item 1.d.(3) as interest and dividend income on "Other domestic debt securities." Refer to the Glossary entry for "coupon stripping, Treasury receipts, and STRIPS." Exclude realized gains (losses) on held-to-maturity securities and on available-for-sale securities (report in Schedule RI, items 6.a and 6.b, respectively). Exclude income from advances to, or obligations of, majority-owned subsidiaries not consolidated, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report as "All other noninterest income" in item 5.b.(2) on the FFIEC 034; item 5.f.(2) on the FFIEC 031, 032, and 033).

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
-	1.d.(1)	**U.S. Treasury securities and U.S. Government agency obligations**. Report income from all securities reportable in Schedule RC-B, item 1, "U.S. Treasury securities," item 2, "U.S. Government agency obligations," item 4.a.(1), Pass-through securities "Guaranteed by GNMA," item 4.a.(2), Pass-through securities "Issued by FNMA and FHLMC," and item 4.b.(1), Other mortgage-backed securities "Issued by FNMA and FHLMC." Include accretion of discount on U.S. Treasury bills.
1.d.(1)	1.d.(2)	**Securities issued by states and political subdivisions in the U.S.** Report in the appropriate subitem income from all securities reportable in Schedule RC-B, item 3, "Securities issued by states and political subdivisions in the U.S."

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
1.d.(1)(a)	1.d.(2)(a)	**Taxable securities**. Report the income from those securities issued by states and political subdivisions in the U.S. reportable in Schedule RC-B, item 3, the interest from which must be included in gross income under the regular tax system for federal income tax purposes (i.e., whose interest is taxable).
1.d.(1)(b)	1.d.(2)(b)	**Tax-exempt securities**. Report the income from those securities issued by states and political subdivisions in the U.S. reportable in Schedule RC-B, item 3, the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the securities must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the securities.
1.d.(2)	-	**U.S. Government securities and other debt securities**. Report income from all securities reportable in Schedule RC-B, item 1, "U.S. Treasury securities," item 2, "U.S. Government agency obligations," item 4, "Mortgage-backed securities," and item 5, "Other debt securities." Include accretion of discount on U.S. Treasury bills.
-	1.d.(3)	**Other domestic debt securities**. Report income from all securities reportable in Schedule RC-B, item 4.a.(3), "Other pass-through securities," item 4.b.(2), Other mortgage-backed securities "Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA," item 4.b.(3), "All other mortgage-backed securities," and item 5.a, "Other domestic debt securities."
-	1.d.(4)	**Foreign debt securities**. Report income from all securities reportable in Schedule RC-B, item 5.b, "Foreign debt securities."
1.d.(3)	1.d.(5)	**Equity securities**. Report income from all securities reportable as "Equity securities" in Schedule RC-B, item 6, including income from all investments in mutual funds. Exclude from income on equity securities: (1) Net unrealized holding gains (losses) on equity securities that must be carried at fair value on the balance sheet (Schedule RC) in accordance with FASB Statement No. 115 (include the amount of such net unrealized holding gains (losses) in Schedule RC, item 26.b, and the calendar year-to-date change in such net unrealized holding gains (losses) in Schedule RI-A, item 11). (2) The bank's proportionate share of the net income or loss from its common stock investments in unconsolidated subsidiaries, associated companies, and those corporate joint ventures over which the bank exercises significant influence (report income or loss before extraordinary items and other adjustments as "All other noninterest income" in item 5.b.(2) of the FFIEC 034 and in item 5.f.(2) on the FFIEC 033, 032, and 031 and report extraordinary items and other adjustments in item 11).

FFIEC 031, 032, 033, and 034

Item No. Caption and Instructions

1.e **Interest income from trading assets**. Report the interest income earned on assets reportable in Schedule RC, item 5, "Trading assets."

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

Exclude gains and losses and fees from trading assets (on the FFIEC 034, report trading gains and losses in Schedule RI, item 5.b.(2), "All other noninterest income," and report fees in Schedule RI, item 5.b.(1), "Other fee income;" on the FFIEC 031, 032, and 033, report trading gains and losses and fees in Schedule RI, item 5.c).

1.f **Interest income on federal funds sold and securities purchased under agreements to resell**. Report the gross revenue from assets reportable in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell."

Report the expense of federal funds purchased and securities sold under agreements to repurchase in Schedule RI, item 2.b; do not deduct from the gross revenue reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with FASB Interpretation No. 41, the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

1.g **Total interest income**. Report the sum of items 1.a through 1.f.

2 **Interest expense**:

2.a **Interest on deposits**. Report in the appropriate subitem all interest expense, including amortization of the cost of merchandise or property offered in lieu of interest payments, on deposits reportable in Schedule RC, item 13.a.(2), "Interest-bearing deposits in domestic offices," and, for banks filing the FFIEC 031 report forms, Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

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

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

Deduct from the gross interest expense of the appropriate category of time deposits penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal. If material, portions of penalties for

FFIEC 032, 033, and 034 Item No.	FFIEC 031 Item No.	Caption and Instructions
2	2	early withdrawals that exceed the interest accrued or paid to the date of withdrawal should not be treated as a reduction of interest expense but should be included in "All other noninterest income" on the FFIEC 034 in Schedule RI, item 5.b.(2), and on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2).
-	2.a.(1)	**Interest on deposits in domestic offices**:
2.a.(1)	2.a.(1)(a)	**Interest on transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)**. Report interest expense on the three interest-bearing categories of transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts) reportable in Schedule RC-E, (part I,) column A, "Total transaction accounts." Exclude all costs incurred by the bank in connection with demand deposits which are noninterest-bearing transaction accounts. See the Glossary entry for "deposits" for the definitions of "NOW accounts," "ATS accounts," and "telephone or preauthorized transfer accounts."
2.a.(2)	2.a.(1)(b)	**Interest on nontransaction accounts**. Report in the appropriate subitem interest expense on all deposits reportable in Schedule RC-E, (part I,) column C, "Total nontransaction accounts."
2.a.(2)(a)	2.a.(1)(b)(1)	**Interest on money market deposit accounts (MMDAs)**. Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.a.(1), "Money market deposit accounts (MMDAs)."
2.a.(2)(b)	2.a.(1)(b)(2)	**Interest on other savings deposits**. Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.a.(2), "Other savings deposits."
2.a.(2)(c)	2.a.(1)(b)(3)	**Interest on time deposits of $100,000 or more**. Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.c, "Total time deposits of $100,000 or more."
2.a.(2)(d)	2.a.(1)(b)(4)	**Interest on time deposits of less than $100,000**. Report interest expense on all deposits reportable in Schedule RC-E, (part I,) Memorandum item 2.b, "Total time deposits of less than $100,000."
-	2.a.(2)	**Interest on deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report interest expense on all deposits in foreign offices reportable in Schedule RC, item 13.b.(2), "Interest-bearing deposits in foreign offices, Edge and Agreement subsidiaries, and IBFs."

Item No. **Caption and Instructions**

2.b **Expense of federal funds purchased and securities sold under agreements to repurchase**. Report the gross expense of all liabilities reportable in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase."

Report the income of federal funds sold and securities purchased under agreements to resell in Schedule RI, item 1.f; do not deduct from the gross expense reported in this item. However, if amounts recognized as payables under repurchase agreements have been offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in Schedule RC, Balance Sheet, in accordance with FASB Interpretation No. 41, the income and expense from these agreements may be reported on a net basis in Schedule RI, Income Statement.

2.c **Interest on demand notes issued to the U.S. Treasury, trading liabilities, and other borrowed money**. Report the interest expense on all liabilities reportable in Schedule RC, item 15.a, "Demand notes issued to the U.S. Treasury," item 15.b, "Trading liabilities," and item 16, "Other borrowed money."

2.d Not applicable.

2.e **Interest on subordinated notes and debentures**. Report the interest expense on all liabilities reportable in Schedule RC, item 19, "Subordinated notes and debentures."

Include amortization of expenses incurred in the issuance of subordinated notes and debentures. Capitalize such expenses, if material, and amortize them over the life of the related notes and debentures.

Exclude dividends declared or paid on limited-life preferred stock (report dividends declared in Schedule RI-A, item 7, and, for the report periods ending March 31, June 30, and September 30 on the FFIEC 034, in Schedule RI, Memorandum item 5).

2.f **Total interest expense**. Report the sum of items 2.a through 2.e.

3 **Net interest income**. Report the difference between Schedule RI, item 2.f, "Total interest expense," and Schedule RI, item 1.g, "Total interest income."

If the amount is negative, enclose it in parentheses.

4 **Provisions**:

4.a **Provision for loan and lease losses**. Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule RC, item 4.b, adequate to absorb expected loan and lease losses, based upon management's evaluation of the bank's current loan and lease portfolio. The amount reported in this item (plus any amount expensed as the provision for credit losses related to off-balance sheet credit exposures that the bank reports elsewhere in Schedule RI) must equal Schedule RI-B, part II, item 4, "Provision for loan and lease losses." Enclose negative amounts in parentheses.

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

Refer to the Glossary entry for "allowance for loan and lease losses" for additional information.

Item No.	Caption and Instructions
4.b	**Provision for allocated transfer risk**. If the reporting bank is required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 351 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies, report in this item the amount of the provision for allocated transfer risk. Enclose negative amounts in parentheses. If the reporting bank is not required to establish and maintain an allocated transfer risk reserve, report a zero or the word "none."
5	**Noninterest income**:

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
-	5.a	**Income from fiduciary activities**. Report gross income from services rendered by the bank's trust department or by any of its consolidated subsidiaries acting in any fiduciary capacity. Exclude commissions and fees received for the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when they are not handled by the bank's trust department (report in Schedule RI, item 5.b, "Service charges on deposit accounts (in domestic offices)"). Report a zero or the word "none" if the bank has no trust department and no consolidated subsidiaries that render services in any fiduciary capacity.
5.a	5.b	**Service charges on deposit accounts (in domestic offices)**. Report in this item amounts charged depositors (in domestic offices): (1) For the maintenance of their deposit accounts with the bank, so-called "maintenance charges." (2) For their failure to maintain specified minimum deposit balances. (3) Based on the number of checks drawn on and deposits made in their deposit accounts. (4) For checks drawn on so-called "no minimum balance" deposit accounts. (5) For withdrawals from nontransaction deposit accounts. (6) For the closing of savings accounts before a specified minimum period of time has elapsed. (7) For accounts which have remained inactive for extended periods of time or which have become dormant.

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5.a (cont.)	**5.b** (cont.)	(8) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units. (9) For the processing of checks drawn against insufficient funds, so-called "NSF check charges," that the bank assesses regardless of whether it decides to pay, return, or hold the check. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn, the magnitude of the overdrawn balance, or which are otherwise equivalent to interest (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans (in domestic offices)"). (10) For issuing stop payment orders. (11) For certifying checks. (12) For the accumulation or disbursement of funds deposited to Individual Retirement Accounts (IRAs) or Keogh Plan accounts when not handled by the bank's trust department. Report such commissions and fees received for accounts handled by the bank's trust department on the FFIEC 034 in Schedule RI, item 5.b.(1), "Other fee income," and on the FFIEC 031, 032, and 033 in Schedule RI, item 5.a, "Income from fiduciary activities." Exclude penalties paid by depositors for the early withdrawal of time deposits (report as "All other noninterest income" on the FFIEC 034 in Schedule RI, item 5.b.(2), and on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), or deduct from the interest expense of the related category of time deposits, as appropriate).
-	**5.c**	**Trading revenue**. Report the net gain or loss from trading cash instruments and off-balance sheet derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. The amount reported in this item must equal the sum of Schedule RI, Memorandum items 8.a through 8.d. Include as trading revenue: (1) Revaluation adjustments to the carrying value of assets and liabilities reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15.b, "Trading liabilities," resulting from the periodic marking to market of such assets and liabilities. (2) Revaluation adjustments from the periodic marking to market of interest rate, foreign exchange, equity derivative, and commodity and other contracts reportable in Schedule RC-L, item 15, "Total gross notional amount of derivative contracts held for trading."

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
-	5.c (cont.)	(3) Incidental income and expense related to the purchase and sale of assets and liabilities reportable in Schedule RC, item 5, "Trading assets," and Schedule RC, item 15.b, "Trading liabilities," and off-balance sheet derivative contracts reportable in Schedule RC-L, item 15, "Total gross notional amount of derivative contracts held for trading." If the amount to be reported in this item is a net loss, enclose it in parentheses.
-	5.d	Not applicable.
-	5.e	Not applicable.
5.b	5.f	**Other noninterest income**:
5.b.(1)	5.f.(1)	**Other fee income**. Report the amount of service charges, commissions, and fees not required to be reported in the preceding items of Schedule RI, Income Statement. Include as other fee income: (1) Service charges, commissions, and fees for such services as: (a) Safekeeping and the rental of safe deposit boxes. (b) The sale of credit life, credit accident and health, and other insurance policies and the collection of premiums (when permitted by state law) on such policies. (c) The sale of bank drafts, money orders, cashiers' checks, and travelers' checks. (d) The collection of utility bills, checks, notes, bond coupons, and bills of exchange. (e) The redemption of U.S. savings bonds. (f) The handling of food stamps and the U.S. Treasury Tax and Loan Account, including fees received in connection with the bank's issuance of interest-bearing demand notes. (g) The execution of acceptances and the issuance of commercial letters of credit, standby letters of credit, deferred payment letters of credit, and letters of credit issued for cash or its equivalent. Exclude income on bankers acceptances and trade acceptances (report in the appropriate subitem of Schedule RI, item 1.a, "Interest and fee income on loans," or in Schedule RI, item 1.e, "Interest income from trading assets," as appropriate). (h) The servicing of real estate mortgages or other financial assets held by others. Report premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. Banks may report servicing income net of the servicing assets' amortization expense. (i) The purchase and sale of securities, acceptances, and commercial paper where the bank is acting as agent for other banks or bank customers. (j) The notarizing of forms and documents.

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5.b.(1) (cont.)	**5.f.(1)** (cont.)	(k) The negotiation or management of loans from other lenders for customers or correspondents. (l) The providing of consulting and advisory services to others. (m) The lending of securities owned by the bank or by bank customers. (n) The using of the bank's automated teller machines or remote service units by depositors of other depository institutions. (2) Annual or other periodic fees paid by holders of credit cards issued by the bank. Fees that are periodically charged to cardholders shall be deferred and recognized on a straight-line basis over the period the fee entitles the cardholder to use the card. (3) Charges to merchants for the bank's handling of credit card or charge sales when the bank does not carry the related loan accounts on its books. Banks may report this income net of the expenses (except salaries) related to the handling of these credit card or charge sales. (4) Certain fee income associated with standby and other option contracts held for purposes other than trading. Refer to the Glossary entry for "derivative contracts" for a discussion of the reporting of such fee income. (5) Rental fees applicable to operating leases for furniture and equipment rented to others. (6) Loan commitment fees that are recognized during the commitment period (i.e., fees retrospectively determined and fees for commitments where exercise is remote) or included in income when the commitment expires and loan syndication fees that are not required to be deferred. Refer to the Glossary entry for "loan fees" for further information. (7) On the FFIEC 034 only, gross income from services rendered by the bank's trust department or by any of its consolidated subsidiaries acting in any fiduciary capacity. (On the FFIEC 031, 032, and 033, report such income in Schedule RI, item 5.a, "Income from fiduciary activities.") (8) On the FFIEC 034 only, fees from trading transactions. (On the FFIEC 031, 032, and 033, report such income in Schedule RI, item 5.c.) (9) On the FFIEC 031 only, service charges on deposit accounts in foreign offices. (10) Any other service charges, commissions, and fees not required to be reported in other items of Schedule RI, Income Statement.
5.b.(2)	**5.f.(2)**	**All other noninterest income**. Report all operating income of the bank for the calendar year to date not required to be reported on the FFIEC 034 in Schedule RI, items 1.a through 1.f, 5.a, 5.b.(1), 6.a, and 6.b, and on the FFIEC 031, 032, and 033 in Schedule RI, items 1.a through 1.f and 5.a through 5.f.(1), 6.a, and 6.b.

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5.b.(2) (cont.)	**5.f.(2)** (cont.)	If the absolute value of the dollar amount of net gains (losses) on other real estate owned, net gains (losses) on sales of loans and leases, or net gains (losses) on sales of premises and fixed assets exceeds ten percent of the amount reported in this item, report the dollar amount of this individual component of "All other noninterest income" in Schedule RI-E, item 1.a, 1.b, or 1.c, respectively. (Absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) For those other individual components of this item with the three largest dollar amounts that exceed ten percent of the amount reported in this item, state the dollar amount and provide a description of the component in Schedule RI-E, items 1.d through 1.f.

Include as all other noninterest income:

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

(2) Net gains (losses) from the sale or other disposal of assets other than securities and trading assets. Banks should consistently report net gains (losses) on each of the following types of assets either in this item or in Schedule RI, item 7.c. Include in this item net gains (losses) from:

(a) All assets reportable as loans and leases in Schedule RC-C. Include net unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale during the calendar year to date.

(b) Premises and fixed assets.

(c) Other real estate owned. Include all gains and losses recognized on sales or other disposals of other real estate owned, increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense during the calendar year to date. Do not include as a loss on other real estate owned any amount charged to the allowance for loan and lease losses at the time of foreclosure (or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.

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

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

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

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5.b.(2) (cont.)	**5.f.(2)** (cont.)	(3) On the FFIEC 034 only, (a) the net gain or loss from trading cash instruments and off-balance sheet derivative contracts (including commodity contracts), (b) revaluation adjustments resulting from the periodic marking to market of assets reportable in Schedule RC, item 5, "Trading assets," liabilities reportable in Schedule RC, item 15.b, "Trading liabilities," and interest rate, foreign exchange rate, equity derivative, and commodity and other contracts reportable in Schedule RC-L, "Total gross notional amount of derivative contracts held for trading," and (c) any related incidental income and expense. (On the FFIEC 031, 032, and 033, report such amounts in Schedule RI, item 5.c.)
		(4) Net gains (losses) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.c.
		(5) Gross rentals and other income from all real estate reportable in Schedule RC, item 7, "Other real estate owned."
		(6) Credits resulting from litigation or other claims.
		(7) Interest income from advances to, or obligations of, and the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in subsidiaries that have not been consolidated; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence. Exclude the bank's proportionate share of material extraordinary items and other adjustments of these entities (report in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes").
		(8) Net tellers' overages, forged check recoveries, recoveries on payment of checks over stop payment orders, and similar recurring operating transactions.
		(9) Certain net gains (losses) on futures and forward contracts held for purposes other than trading recognized as described in the Glossary entry for "derivative contracts." Banks should consistently report these net gains (losses) either in this item or in Schedule RI, item 7.c.
		(10) Portions of penalties for early withdrawals of time deposits that exceed the interest accrued or paid on the deposit to the date of withdrawal, if material. Penalties for early withdrawals, or portions of such penalties, that represent the forfeiture of interest accrued or paid to the date of withdrawal are a reduction of interest expense and should be deducted from the gross interest expense of the appropriate category of time deposits in Schedule RI, item 2.a, "Interest on deposits."

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5.b.(2) (cont.)	**5.f.(2)** (cont.)	(11) Interest received on tax refunds.
		(12) Life insurance proceeds on policies for which the bank is the beneficiary.
		(13) Gross income generated by securities contributed to charitable contribution Clifford Trusts.
		(14) Income from ground rents and air rights.
		(15) Income from the sale of checks to depositors.
5.c	**5.g**	**Total noninterest income**. On the FFIEC 034, report the sum of items 5.a, 5.b.(1), and 5.b.(2). On the FFIEC 031, 032, and 033, report the sum of items 5.a through 5.f.(2).

FFIEC 031, 032, 033, and 034

Item No.	Caption and Instructions
6.a	**Realized gains (losses) on held-to-maturity securities**. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.a, "Held-to-maturity securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item write-downs of the cost basis of individual held-to-maturity securities for other than temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses. Exclude from this item realized gains (losses) on available-for-sale securities (report in Schedule RI, item 6.b below) and on trading securities (report in Schedule RI, item 5.b.(2) on the FFIEC 034; item 5.c on the FFIEC 031, 032, and 033).
6.b	**Realized gains (losses) on available-for-sale securities**. Report the net gain or loss realized during the calendar year to date from the sale, exchange, redemption, or retirement of all securities reportable in Schedule RC, item 2.b, "Available-for-sale securities." The realized gain or loss on a security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and its amortized cost. Also include in this item write-downs of the cost basis of individual available-for-sale securities for other than temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses. Exclude from this item: (1) The change in net unrealized holding gains (losses) on available-for-sale securities during the calendar year to date (report in Schedule RI-A, item 11). (2) Realized gains (losses) on held-to-maturity securities (report in Schedule RI, item 6.a above) and on trading securities (report in Schedule RI, item 5.b.(2) on the FFIEC 034; item 5.c on the FFIEC 031, 032, and 033).

Item No. **Caption and Instructions**

7 **Noninterest expense**:

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

Include as salaries and employee benefits:

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

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

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

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

(5) Cost of office temporaries whether hired directly by the bank or through an outside agency.

(6) Workmen's compensation insurance premiums.

(7) The net cost to the bank for employee dining rooms, restaurants, and cafeterias.

(8) Accrued vacation pay earned by employees during the calendar year-to-date.

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

Exclude from salaries and employee benefits (report in Schedule RI, item 7.c, "Other noninterest expense"):

(1) Amounts paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not salaried officers or employees of the bank (except if these professionals, in form, are employed by an affiliate of the reporting bank but, in substance, do substantially all of their work for the reporting bank).

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

Item No. **Caption and Instructions**

7.a (cont.)

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

(4) Premiums on life insurance policies for which the bank is the beneficiary.

(5) The cost of athletic activities in which officers and employees participate when the purpose may be construed to be for public relations, and employee benefits are only incidental to the activities.

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

7.b **Expenses of premises and fixed assets**. Report all noninterest expenses related to the use of premises, equipment, furniture, and fixtures reportable in Schedule RC, item 6, "Premises and fixed assets," net of rental income. If this net amount is a credit balance, enclose it in parentheses.

Deduct rental income from gross premises and fixed asset expense. Rental income includes all rentals charged for the use of buildings not incident to their use by the reporting bank and its consolidated subsidiaries, including rentals by regular tenants of the bank's buildings, income received from short-term rentals of other bank facilities, and income from subleases. Also deduct income from stocks and bonds issued by nonmajority-owned corporations that indirectly represent premises, equipment, furniture, or fixtures and are reportable in Schedule RC, item 6, "Premises and fixed assets."

Include as expenses of premises and fixed assets:

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

(2) All operating lease payments made by the bank on premises (including parking lots), equipment (including data processing equipment), furniture, and fixtures.

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

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

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

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

Item No. **Caption and Instructions**

7.b (cont.)

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

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

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

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

(11) Fuel, maintenance, and other expenses related to the use of the bank-owned automobiles, airplanes, and other vehicles for bank business.

Exclude from expenses of premises and fixed assets:

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

(2) Interest on mortgages, liens, or other encumbrances on premises or equipment owned, including the portion of capital lease payments representing interest expense (report in Schedule RI, item 2.c, "Interest on demand notes issued to the U.S. Treasury, trading liabilities, and other borrowed money").

(3) All expenses associated with other real estate owned (report in Schedule RI, item 7.c,"Other noninterest expense").

(4) Gross rentals from other real estate owned and fees charged for the use of parking lots properly reported as other real estate owned, as well as safe deposit box rentals and rental fees applicable to operating leases for furniture and equipment rented to others (report in the appropriate subitem of Schedule RI, item 5.b on the FFIEC 034; Schedule RI, item 5.f on the FFIEC 031, 032, and 033).

7.c **Other noninterest expense**. Report all operating expenses of the bank for the calendar year-to-date not required to be reported in items 2.a through 2.e, 6.a, 6.b, 7.a, and 7.b.

If the absolute value of the dollar amount of net (gains) losses on other real estate owned, net (gains) losses on sales of loans and leases, or net (gains) losses on sales of premises and fixed assets exceeds ten percent of the amount reported in this item, report the dollar amount of this individual component of "Other noninterest expense" in Schedule RI-E, item 2.b, 2.c, or 2.d, respectively. (Absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) For those other individual components of this item with the three largest dollar amounts that exceed ten percent of the amount reported in this item, state the dollar amount and provide a description of the component in Schedule RI-E, items 2.e through 2.g.

Item No. **Caption and Instructions**

7.c Include as other noninterest expense:

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

(2) Premiums on fidelity insurance (blanket bond, excess employee dishonesty bond), directors' and officers' liability insurance, and life insurance policies for which the bank is the beneficiary.

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

(4) Legal fees and other direct costs incurred in connection with foreclosures and subsequent noninterest expenses related to holdings of real estate owned other than bank premises (including depreciation charges, if appropriate).

(5) Net losses (gains) from the sale or other disposal of assets other than securities and trading assets. Banks should consistently report net losses (gains) on each of the following types of assets either in this item or in Schedule RI, item 5.b.(2) on the FFIEC 034, item 5.f.(2) on the FFIEC 031, 032, and 033. Include in this item net losses (gains) from:

(a) All assets reportable as loans and leases in Schedule RC-C. Include net unrealized losses (and subsequent recoveries of such net unrealized losses) on loans and leases held for sale during the calendar year to date.

(b) Premises and fixed assets.

(c) Other real estate owned. Include all gains and losses recognized on sales or other disposals of other real estate owned, increases and decreases in the valuation allowance for foreclosed real estate, and write-downs of other real estate owned subsequent to acquisition (or physical possession) charged to expense during the calendar year to date. Do not include as a loss on other real estate owned any amount charged to the allowance for loan and lease losses at the time of foreclosure (or physical possession) for the difference between the carrying value of a loan and the fair value less cost to sell of the foreclosed real estate.

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

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

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

(6) Management fees assessed by parent bank holding companies, whether for specific services rendered or of a general (prorated) nature.

Item No. **Caption and Instructions**

7.c (cont.)

(7) Sales taxes, taxes based on the number of shares of bank stock outstanding, taxes based on the bank's total assets or total deposits, taxes based on the bank's gross revenues or gross receipts, capital stock taxes, and other taxes not included in other categories of expense. Exclude any foreign, state, and local taxes based on a net amount of revenues less expenses (report as applicable income taxes in Schedule RI, items 9 and 11, as appropriate).

(8) Amortization expense of intangible assets (as defined for Schedule RC, item 10) (list and describe regardless of amount in Schedule RI-E, item 2.a). Banks also are permitted to net any servicing asset amortization expense against servicing income reported in Schedule RI, item 5.b.(1) on the FFIEC 034, item 5.f.(1) on the FFIEC 031, 032, and 033.

(9) Cost of data processing services performed for the bank by others.

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

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

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

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

(14) Net losses (gains) from all transactions involving foreign currency or foreign exchange other than trading transactions. Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.b.(2) on the FFIEC 034, item 5.f.(2) on the FFIEC 031, 032, and 033.

(15) Charges resulting from litigation or other claims.

(16) Charitable contributions including donations by Clifford Trusts.

(17) Retainer fees, legal fees, audit fees, and other fees and expenses paid to attorneys, accountants, management consultants, investment counselors, and other professionals who are not bank officers or employees.

(18) Certain net losses (gains) on futures and forward contracts held for purposes other than trading recognized as described in the Glossary entry for "derivative contracts." Banks should consistently report these net losses (gains) either in this item or in Schedule RI, item 5.b.(2) on the FFIEC 034, item 5.f.(2) on the FFIEC 031, 032, and 033.

Item No.	Caption and Instructions
7.c (cont.)	(19) Office supplies purchased, printing, and postage.
	(20) Telephone and telegraph expenses.
	(21) Examination and other fees levied by supervisory authorities.
	(22) Net tellers' shortages, forged check losses, losses on payment of checks over stop payment orders, losses from counterfeit money, and similar recurring operating losses of this type.
	(23) Minority interests in the net income or loss of the reporting bank's consolidated subsidiaries.
	(24) Losses from robberies, defalcations, and other criminal acts not covered by the bank's blanket bond.
	(25) Travel and entertainment expenses, including costs incurred by bank officers and employees for attending meetings and conventions.
	(26) Dues, fees, and other expenses associated with memberships in country clubs, social or private clubs, civic organizations, and similar clubs and organizations.
	(27) Civil money penalties and fines.
	(28) All service charges, commissions, and fees levied by others for the repossession of assets and the collection of the bank's loans or other assets, including charged-off loans or other charged-off assets.
	(29) Expenses (except salaries) related to handling credit card or charge sales received from merchants when the bank does not carry the related loan accounts on its books. Banks are also permitted to net these expenses against their charges to merchants for the bank's handling of these sales in Schedule RI, item 5.b.(1) on the FFIEC 034, item 5.f.(1) on the FFIEC 031, 032, and 033.
	(30) Expenses related to the testing and training of officers and employees.
	(31) The cost of bank newspapers and magazines prepared for distribution to bank officers and employees or to others.
	(32) Depreciation expense of furniture and equipment rented to others under operating leases.
	(33) Cost of checks provided to depositors.
	(34) Amortization expense of purchased computer software and of the costs of computer software to be sold, leased, or otherwise marketed capitalized in accordance with the provisions of FASB Statement No. 86.

Item No. **Caption and Instructions**

7.c (cont.) Exclude from other noninterest expense:

(1) Material expenses incurred in the issuance of subordinated notes and debentures (capitalize such expenses and amortize them over the life of the related notes and debentures and report the expense in Schedule RI, item 2.e, "Interest on subordinated notes and debentures").

(2) Expenses incurred in the sale of preferred and common stock (deduct such expenses from the sale proceeds and credit the net amount to the appropriate stock account. For perpetual preferred and common stock only, report the net sales proceeds in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net").

(3) Depreciation and other expenses related to the use of bank-owned automobiles, airplanes, and other vehicles for bank business (report in Schedule RI, item 7.b, "Expenses of premises and fixed assets").

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

7.d **Total noninterest expense**. Report the sum of items 7.a through 7.c.

8 **Income (loss) before income taxes and extraordinary items and other adjustments**. Report the bank's pretax operating income.

On the FFIEC 034, this amount will generally be determined by taking item 3, "Net interest income," minus items 4.a, "Provision for loan and lease losses," and 4.b, "Provision for allocated transfer risk," plus item 5.c, "Total noninterest income," plus or minus item 6.a, "Realized gains (losses) on held-to-maturity securities," plus or minus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.d, "Total noninterest expense."

On the FFIEC 031, 032, and 033, this amount will generally be determined by taking item 3, "Net interest income," minus items 4.a, "Provision for loan and lease losses," and 4.b, "Provision for allocated transfer risk," plus item 5.g, "Total noninterest income," plus or minus item 6.a, "Realized gains (losses) on held-to-maturity securities," plus or minus item 6.b, "Realized gains (losses) on available-for-sale securities," minus item 7.d, "Total noninterest expense." If the result is negative, enclose it in parentheses.

9 **Applicable income taxes (on item 8)**. Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "Income (loss) before income taxes and extraordinary items and other adjustments." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, enclose it in parentheses.

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

Item No. **Caption and Instructions**

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

Include the tax benefit of an operating loss carryforward or carryback for which the source of the income or loss in the current year is reported in Schedule RI, item 8, "Income (loss) before income taxes and extraordinary items and other adjustments."

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

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

(1) Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes."

(2) Schedule RI-A, item 9, "Cumulative effect of changes in accounting principles from prior years."

(3) Schedule RI-A, item 10, "Corrections of material accounting errors from prior years."

(4) On the FFIEC 031 only, Schedule RI-A, item 12, "Foreign currency translation adjustments."

Refer to the Glossary entry for "income taxes" for additional information.

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

11 **Extraordinary items and other adjustments, net of income taxes**. Report the total of the transactions listed below, if any, net of any applicable income tax effect. If the amount reported in this item is a net loss, enclose it in parentheses. State the dollar amount and provide a description of each transaction included in this item and any applicable income tax effect of the transaction in Schedule RI-E, item 3.

Include as extraordinary items and other adjustments:

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

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

Item No. **Caption and Instructions**

11 (cont.)

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

(4) The cumulative effect of all changes in accounting principles except for those required to be reported in Schedule RI-A, item 9, "Cumulative effect of changes in accounting principles from prior years." Refer to the Glossary entry for "accounting changes" for further discussion of changes in accounting principles.

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

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

Exclude from extraordinary items and other adjustments:

(1) Net gains or losses from the sale or other disposal of:

(a) All assets reportable as loans and leases in Schedule RC-C.
(b) Premises and fixed assets.
(c) Other real estate owned.
(d) Personal property acquired for debts previously contracted (such as automobiles, boats, equipment, and appliances).
(e) Coins, art, and other similar assets.
(f) Branches (i.e., where the reporting bank sells a branch's assets to another depository institution which assumes the deposit liabilities of the branch).

For each of the above categories, banks should consistently report net gains or losses either as "Other noninterest income" in Schedule RI, item 5.b.(2) on the FFIEC 034; item 5.f.(2) on the FFIEC 031, 032, and 033, or as "Other noninterest expense" in Schedule RI, item 7.c.

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

12 **Net income (loss)**. Report the sum of items 10 and 11. This item must equal Schedule RI-A, item 4, "Net income (loss)." If this amount is a net loss, enclose it in parentheses.

Memoranda

Item No. **Caption and Instructions**

1 **Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes**. Report the bank's best estimate of the amount of the year-to-date interest expense included in Schedule RI, item 2.f, "Total interest expense," that is subject to a 100 percent loss of deductibility for federal income tax purposes because it is deemed to have been incurred to carry tax-exempt securities, loans, and leases of states and political subdivisions in the U.S. acquired after August 7, 1986. Tax-exempt securities, loans, and leases are those securities, loans, and leases of states and political subdivisions in the U.S. whose interest is excludable from gross income under the regular tax system for federal income tax purposes, regardless of whether the income must be included in the bank's alternative minimum taxable income.

Exclude from this item interest expense incurred to carry (1) tax-exempt securities, loans, and leases of states and political subdivisions in the U.S. acquired after December 31, 1982, but before August 8, 1986, and (2) so-called "Qualified tax-exempt obligations" acquired after August 7, 1986, 20 percent of which is not deductible for federal income tax purposes.

The general formula that may be used for computing the amount of interest expense that is subject to a 100 percent loss of deductibility is as follows:

$$\frac{\text{Tax-exempt securities, loans, and leases of states and political subdivisions in the U.S. acquired after August 7, 1986 (excluding "Qualified tax-exempt obligations") (Year-to-date average)}}{\text{Total assets (Year-to-date average)}} \times \text{Year-to-date total interest expense (Schedule RI, item 2.f)}$$

For the March 31, June 30, and September 30 Call Reports, the amount reported in Memorandum item 1 should not be an estimate of the amount of interest expense that will not be deductible for the entire calendar year.

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

Include in this item:

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

Memoranda

Item No.	Caption and Instructions
2 (cont.)	(2) Income from leasing arrangements with affiliated and unaffiliated entities who lease space in bank offices for use in selling mutual funds and annuities. Income from leasing arrangements should be reported as income as earned (i.e., on an accrual basis), but may be reported as income when payment is received if the results would not differ materially from those obtained using an accrual basis.
	(3) Fees for providing investment advisory services for proprietary mutual funds and annuities.
	(4) Fees for providing securities custody, transfer agent, and other operational and ancillary services to mutual funds and annuities that are sold on bank premises or are otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.
	Also include income from sales conducted through the reporting bank's trust department that are not executed in a fiduciary capacity (e.g., trustee, executor, administrator, conservator), but exclude income from sales conducted by the trust department that are executed in a fiduciary capacity.
	In general, this income will have been included in the amount of "Other fee income" reported in Schedule RI, item 5.b.(1) on the FFIEC 034; item 5.f.(1) on the FFIEC 031, 032, and 033. However, income from leasing arrangements, or the portion thereof, that is fixed in amount and does not vary based on sales volume may have been reported as a deduction from Schedule RI, item 7.b, "Expenses of premises and fixed assets." Thus, the income to be included in this item should be reported gross rather than net of expenses incurred by the reporting bank or a consolidated subsidiary.
	Exclude fees earned for providing securities custody, transfer agent, and other operational and ancillary services to third party mutual funds and annuities that are not sold on bank premises and are not otherwise sold by the reporting bank, through a bank subsidiary, or by affiliated or unaffiliated entities from whom the bank receives income at the time of the sale or over the duration of the account.

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
3	-	**Estimated income on tax-exempt loans and leases to states and political subdivisions in the U.S.** Report the bank's best estimate of the income earned (1) on tax-exempt loans to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 7, which has been included in Schedule RI, item 1.a, "Interest and fee income on loans," above, and (2) on tax-exempt leases to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 9, which has been included in Schedule RI, item 1.b, "Income from lease financing receivables," above. Tax-exempt loans and leases are those loans and leases to states and political subdivisions in the U.S. whose income is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan or lease must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan or lease.
-	3	Not applicable.

FFIEC 032, 033, 034 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	4	Not applicable.
4	5	**Number of full-time equivalent employees at end of current period**. Report the number of full-time equivalent employees of the bank and its consolidated subsidiaries as of the report date (round to the nearest whole number). For purposes of this Memorandum item, a bank should include as employees individuals who, in form, are employed by an affiliate but who, in substance, do substantially all of their work for the reporting bank. However, banking organizations should not segregate the compensation component of other intercompany cost allocations arising from arrangements other than that described in the preceding sentence nor calculate the related pro rata number of full-time equivalent employees for purposes of this Memorandum item. To convert the number of part-time employees to full-time equivalent employees, add the total number of hours all part-time and temporary employees worked during the quarter ending on the report date and divide this amount by the number of hours a full-time employee would have been expected to work during the quarter. Round the result to the nearest whole number and add it to the number of full-time employees. (A full-time employee may be expected to work more or less than 40 hours each week, depending on the policies of the reporting bank.)

Memoranda

FFIEC 034 Item No.	FFIEC 031, 032, 033 Item No.	Caption and Instructions
5	-	**Cash dividends declared during the calendar year to date**. For the report periods ending March 31, June 30, and September 30 only, report all cash dividends declared on limited-life preferred, perpetual preferred, and common stock during the calendar year to date, including dividends not payable until after the report date. Do not include in this item dividends declared during the previous calendar year but paid in the current calendar year. For further information on cash dividends, see the Glossary entry for "dividends."

FFIEC 031, 032, 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
-	5	**Interest and fee income on tax-exempt obligations (other than securities and leases) of states and political subdivisions in the U.S. included in item 1.a above**. Report all interest, fees, and similar charges levied against or associated with all tax-exempt loans to states and political subdivisions in the U.S. reportable in Schedule RC-C, part I, item 8. Tax-exempt loans are those loans to states and political subdivisions in the U.S. the income from which is excludable from gross income for federal income tax purposes, regardless of whether the income from the loan must be included in the bank's alternative minimum taxable income and regardless of the federal income tax treatment of the interest expense incurred to carry the loan. The income reported in this item will have been included in one or more of Schedule RI, items 1.a.(1) through 1.a.(4) above.

FFIEC 033 and 034 Item No.	FFIEC 031 and 032 Item No.	Caption and Instructions
6	-	**Interest and fee income on agricultural loans included in item 1.a above**. To be reported by banks with total assets of $25 million or more and with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (on the FFIEC 034, sum of Schedule RC-C, part I, items 1 through 8, less item 10; on the FFIEC 033, sum of Schedule RC-C, part I, items 1 through 9, less item 11). Report in this item all interest, fees, and similar charges levied against or associated with agricultural loans. On the FFIEC 034, this income will have been included in one or more of items 1.a.(2) through 1.a.(5) in Schedule RI above. On the FFIEC 033, this income will have been included in one or more of items 1.a.(1) through 1.a.(4) in Schedule RI above. For purposes of this schedule, agricultural loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Memoranda

FFIEC 033 and 034 Item No.	FFIEC 031 and 032 Item No.	Caption and Instructions
6 (cont.)	-	Banks with total assets of less than $25 million and banks with loans to finance agricultural production and other loans to farmers less than or equal to five percent of total loans, net of unearned income, should report a zero or the word "none" in this item.

FFIEC 031, 032, 033, and 034

Item No.	Caption and Instructions
7	**If the reporting bank has restated its balance sheet as a result of applying push down accounting this calendar year, report the date of the bank's acquisition.** If the reporting bank was acquired during the calendar year-to-date reporting period and applied push down accounting to its balance sheet in accordance with the "push down accounting" section of the Glossary entry for "business combinations," report the date (year, month, and day) as of which the acquisition took place. For example, a bank that was acquired as of the close of business June 1, 1997, and applied push down accounting to its balance sheet would report 19970601 in this Memorandum item in the Reports of Condition and Income for June 30, September 30, and December 31, 1997. Push down accounting is the establishment of a new accounting basis for a bank in its separate financial statements (including its Call Report) as a result of a substantive change in control. When push down accounting is used to account for the acquisition of a bank that retains its separate corporate existence, the acquired bank's assets and liabilities (Schedule RC) are restated to their fair values as of the acquisition date. The bank's post-acquisition income statements (Schedule RI) only include amounts from the date of its acquisition through the end of the calendar year-to-date reporting period. If the reporting bank has not been acquired during this calendar year or if the reporting bank has been acquired during this calendar year but push down accounting was not applied, the bank should report zeros (i.e., 00000000) in the year, month, and day columns of this Memorandum item.
8	**Trading revenue (from cash instruments and off-balance sheet derivative instruments)**. Memorandum items 8.a through 8.d are applicable only to banks filing the FFIEC 031, 032, and 033 report forms. Report, in the appropriate item below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule RI, item 5.c. For each of the four types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and off-balance sheet derivative instruments. For purposes of Memorandum item 8, the reporting bank should determine the underlying risk exposure category in which to report the trading revenue from cash instruments and off-balance sheet derivative instruments in the same manner that the bank makes this determination for other financial reporting purposes. The sum of Memorandum items 8.a through 8.d must equal Schedule RI, item 5.c.

Memoranda

Item No. Caption and Instructions

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

Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting bank manages as foreign exchange exposures. Report such trading revenue in Memorandum item 8.b.

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

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

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

Memoranda

Item No. **Caption and Instructions**

9 **Impact on income of off-balance sheet derivatives held for purposes other than trading**.

Memorandum items 9.a through 9.c are applicable only to banks filing the FFIEC 031, 032, and 033 report forms.

For derivatives held for purposes other than trading, report the impact that these contracts had on the bank's income as reported in Schedule RI. The amounts to be reported include amounts recognized in Schedule RI in the period in which the transactions occur as well as the amortization in the year-to-date period of amounts previously deferred. Under current practice, many banks report periodic net settlements for many swaps and other amounts related to off-balance-sheet instruments accounted for on the hedge or accrual basis as components of the interest income, interest expense, and other noninterest income Call Report income statement (Schedule RI) items to which they relate.

For example, if a swap is intended to hedge interest rate risk on commercial loans, the bank may report the income or expense associated with net settlement accruals on that swap in the income statement items for "interest and fee income on commercial loans" in Schedule RI of the Call Report. There is no change to this existing reporting practice. In such a situation, the bank would also report these net settlement accruals in Memorandum item 9.a for the net increase (decrease) to interest income. As another example, if a swap is intended to hedge interest rate risk on money market deposit accounts, the bank may report the income or expense associated with net settlement accruals on that swap in the income statement items for "interest expense on money market deposit accounts" in Schedule RI of the Call Report. There is no change to this existing reporting practice. In such a situation, the bank would also report these net settlement accruals in Memorandum item 9.b for the net (increase) decrease to interest expense.

9.a **Net increase (decrease) to interest income**. Report the net sum of all amounts reported in Schedule RI interest income items (items 1.a through 1.f) which were recognized from off-balance-sheet derivative transactions used to hedge or adjust interest income from assets. If the net sum is a net decrease to interest income, enclose this amount in parentheses.

9.b **Net (increase) decrease to interest expense.** Report the net sum of all amounts reported in Schedule RI interest expense items (items 2.a through 2.e) which were recognized from off-balance-sheet derivative transactions used to hedge or adjust interest expense from liabilities. If the net sum is a net increase to interest expense, enclose this amount in parentheses.

9.c **Other (noninterest) allocations**. Report the net sum of all amounts reported in Schedule RI, but not reported in Memorandum items 9.a or 9.b above, which were recognized from off-balance-sheet derivative transactions for purposes other than trading. For example, include all amounts recognized from off-balance-sheet derivative transactions reported in other noninterest income (Schedule RI, item 5.f.(2)) and other noninterest expense (Schedule RI, item 7.c). If the net sum is a net expense or loss, enclose this amount in parentheses.

Memoranda

Item No. Caption and Instructions

9.c (cont.) A bank may use off-balance-sheet derivatives to hedge assets carried at the lower of cost or market value (LOCOM) such as mortgages held for sale. If, in accordance with the instructions for the Reports of Condition and Income, the gains and losses on the derivatives are used to adjust the cost basis of these assets (rather than being recognized through earnings), include in this item the difference between (1) the actual calendar year-to-date change in the LOCOM valuation allowance, if any, that the reporting bank has included in the year-to-date earnings reported in Schedule RI, "Income Statement," and (2) the amount that the calendar year-to-date change in the LOCOM valuation allowance would have been if the gains and losses on these derivatives had been recognized through earnings and not deferred.

10 Credit losses on off-balance sheet derivatives.

Memorandum item 10 is applicable only to banks filing the FFIEC 031 and 032 report forms.

Report the bank's year-to-date credit losses (e.g., charge-offs) incurred on off-balance sheet derivative contracts (as defined for Schedule RC-L, item 14). The amount reported in this item should include all credit losses regardless of whether the bank charged such losses directly to income (e.g., trading revenue) or to another account (e.g., allowance for credit losses on derivatives).

11 Does the reporting bank have a Subchapter S election in effect for federal income tax purposes for the current tax year? Indicate whether the bank is, for federal income tax purposes, either an "S corporation" or a "qualifying subchapter S subsidiary," as defined in Internal Revenue Code Section 1361, as of the report date. In order to be an S corporation, the bank must have filed a valid election with the Internal Revenue Service and obtained the consent of all of its shareholders. An election for a bank to be a qualifying subchapter S subsidiary must have been made by a bank's parent holding company, which must also have made a valid election to be an S corporation. In addition, the bank (and its parent holding company, if applicable) must meet specific criteria for federal income tax purposes at all times during which the election remains in effect. These specific criteria include, for example, having no more than 75 qualifying shareholders and having only one class of stock outstanding.

12 Deferred portion of total applicable income taxes included in Schedule RI, items 9 and 11. (To be reported in the December report only.) Report that portion of the total applicable income taxes included in Schedule RI, items 9 and 11, which represents the deferred income tax expense or benefit for the year. In general, this amount is measured as the change in the bank's net deferred tax assets or liabilities during the year, excluding the portion of the change, if any, that is charged or credited directly to the separate component of equity capital for "Net unrealized holding gains (losses) on available-for-sale securities" (Schedule RC, item 26.b).

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

SCHEDULE RI-A -- CHANGES IN EQUITY CAPITAL

General Instructions

On the FFIEC 034, this schedule is to be completed for the report period ending December 31. On the FFIEC 031, 032, and 033, this schedule is to be completed quarterly.

Total equity capital includes perpetual preferred stock, common stock, surplus, undivided profits and capital reserves, and net unrealized holding gains (losses) on available-for-sale securities (and, on the FFIEC 031, cumulative foreign currency translation adjustments). All amounts in Schedule RI-A, other than those reported in items 1, 3, and 13 (items 1, 3, and 14 on the FFIEC 031), should represent net aggregate changes for the calendar year-to-date. Enclose all net decreases and losses (net reductions in equity capital) in parentheses.

Item No. **Caption and Instructions**

1 **Total equity capital originally reported in the December 31, 19xx, Reports of Condition and Income**. Report the bank's total equity capital balance as of the previous calendar year-end as originally reported in the Reports of Condition and Income before the filing of any amended report(s).

For banks opened since January 1 of the current calendar year, report a zero or the word "none" in this item. Report the bank's opening (original) total equity capital in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net."

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

2 **Equity capital adjustments from amended Reports of Income, net**. Include the net cumulative effect of all corrections and adjustments made in any amended report(s) on the total equity capital ending balance originally reported in the Reports of Condition and Income for the previous calendar year-end. State the dollar amount of and describe each adjustment included in this item in Schedule RI-E, item 4.

Report a zero or the word "none" in this item if no amended report has been filed for the previous year-end report date.

3 **Amended balance end of previous calendar year**. Report the sum of items 1 and 2. If no amended report was filed for the previous calendar year-end reporting period, Schedule RI-A, item 3, must equal Schedule RI-A, item 1.

4 **Net income (loss)**. Report the net income (loss) for the calendar year-to-date as reported in Schedule RI, item 12, "Net income (loss)."

5 **Sale, conversion, acquisition, or retirement of capital stock, net**. Report the changes in the bank's total equity capital resulting from:

(1) Sale of the bank's perpetual preferred stock or common stock. Limited-life preferred stock is not included in equity capital; any proceeds from the sale of limited-life preferred stock during the calendar year-to-date is not to be reported in this schedule.

Item No. **Caption and Instructions**

5 (cont.) (2) Exercise of stock options, including:

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

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

(3) Conversion of convertible debt, limited-life preferred stock, or perpetual preferred stock into perpetual preferred or common stock.

(4) Redemption of perpetual preferred stock or common stock.

(5) Retirement of perpetual preferred stock or common stock.

(6) Acquisition (without retirement) and resale or other disposal of the bank's own perpetual preferred stock or common stock, i.e., treasury stock transactions (see the Glossary entry for "treasury stock").

(7) Capital-related transactions involving the bank's Employee Stock Ownership Plan.

Include in this item:

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

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

For banks opened since January 1 of the year-to-date reporting period, report opening (original) equity capital in this item. Report all pre-opening income earned and expenses incurred from the bank's inception through the date the bank commenced operations in the appropriate items of Schedule RI, Income Statement.

6 **Changes incident to business combinations, net**. If the bank has entered into a business combination which became effective during the year-to-date reporting period and which has been accounted for as a pooling of interests, report the historical equity capital balances of the bank or other business acquired as of the end of the previous calendar year. For further information of poolings of interests, refer to the Glossary entry for "business combinations."

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

Item No. **Caption and Instructions**

6 (cont.) If the bank has been acquired in a transaction accounted for using push down accounting, report in this item the initial increase or decrease in equity capital that results from the application of push down accounting, i.e., the difference between the bank's total equity capital as of the end of the previous calendar year and its restated equity capital after the push down adjusting entries have been recorded as of the acquisition date. For further information on push down accounting, refer to the Glossary entry for "business combinations."

7 **LESS: Cash dividends declared on preferred stock**. Report all cash dividends declared on limited-life preferred and perpetual preferred stock during the calendar year-to-date, including dividends not payable until after the report date.

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

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

8 **LESS: Cash dividends declared on common stock**. Report all cash dividends declared on common stock during the calendar year-to-date, including dividends not payable until after the report date.

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

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

9 **Cumulative effect of changes in accounting principles from prior years**. Report the cumulative effect, net of applicable income taxes, of those changes in accounting principles adopted during the calendar year-to-date reporting period that were applied retroactively and for which prior years' financial statements were restated.

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

The cumulative effect, if any, of all other changes in accounting principles adopted during the calendar year-to-date reporting period must be reported in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes."

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

Refer to the Glossary entry for "accounting changes" for additional information on how to report the effects of changes in accounting principles.

10 **Corrections of material accounting errors from prior years**. Report the sum of all corrections, net of applicable income taxes, resulting from material accounting errors which were made in prior years' Reports of Condition and Income and not corrected by the filing of an amended report for the period in which the error was made. Include only those corrections which result from:

Item No. **Caption and Instructions**

10 (cont.) (1) Mathematical mistakes.

(2) Mistakes in applying accounting principles.

(3) Improper use of information which existed when the prior Reports of Condition and Income were prepared.

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

State the dollar amount of and describe each correction included in this item in Schedule RI-E, item 6.

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

11 **Change in net unrealized holding gains (losses) on available-for-sale securities**. Report the change during the calendar year to date in Schedule RC, item 26.b, "Net unrealized holding gains (losses) on available-for-sale securities." If the amount to be reported represents a reduction in the bank's equity capital, enclose it in parentheses.

FFIEC 032, 033, and 034 Item No.	FFIEC 031 Item No.	Caption and Instructions
-	12	**Foreign currency translation adjustments**. Report the increase or decrease during the calendar year-to-date in the cumulative foreign currency translation adjustments and qualifying foreign currency transaction gains and losses, net of applicable income taxes, if any. Refer to the Glossary entry for "foreign currency transactions and translation" for further information on accounting for foreign currency translation.
12	13	**Other transactions with parent holding company**. Report the net aggregate amount of transactions with the bank's parent holding company which affect equity capital directly, other than those reported in Schedule RI-A, items 5, 7, and 8 above, such as: (1) Capital contributions other than those for stock (report issuances of perpetual preferred and common stock in Schedule RI-A, item 5 above; issuances of limited-life preferred stock are not reported in this schedule).

FFIEC 032, 033, and 034 Item No.	FFIEC 031 Item No.		Caption and Instructions
12 (cont.)	**13** (cont.)	(2)	Dividends to the holding company in the form of property rather than cash (report cash dividends in Schedule RI-A, items 7 or 8, as appropriate). Record such property dividends at the fair value of the transferred asset. Include any gain or loss recognized on the disposition of the asset in the determination of net income for the calendar year-to-date in Schedule RI, Income Statement. Refer to the Glossary entry for "dividends" for additional information on property dividends. State the dollar amount of and describe each transaction included in this item in Schedule RI-E, item 7.
13	**14**		**Total equity capital end of current period**. On the FFIEC 032, 033, and 034, report the sum of items 3 through 12. On the FFIEC 031, report the sum of items 3 through 13. On the FFIEC 034, this item must equal Schedule RC, item 28.a, "Total equity capital." On the FFIEC 031, 032, and 033, this item must equal Schedule RC, item 28, "Total equity capital."

SCHEDULE RI-B -- CHARGE-OFFS AND RECOVERIES IN ALLOWANCE FOR LOAN AND LEASE LOSSES

For those banks required to establish and maintain an allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Subpart D of Federal Reserve Regulation K, Part 351 of the FDIC's Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies, this schedule excludes charge-offs and recoveries of loans and leases through such an allocated transfer risk reserve and excludes a reconcilement of this reserve.

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

General Instructions

This part has two columns. In column A report loans and leases charged off against the allowance for loan and lease losses during the current calendar year-to-date. In column B report amounts recovered through the allowance for loan and lease losses during the calendar year-to-date on loans and leases previously charged off.

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

Item Instructions

NOTE: The item instructions for part I for the FFIEC 033 and 034 report forms are presented on pages RI-B-1 through RI-B-4. The item instructions for part I for the FFIEC 031 and 032 report forms are presented on pages RI-B-5 through RI-B-7.

Item Instructions for the FFIEC 033 and 034

Schedule RI-B is one of four schedules (and one memorandum item) in the FFIEC 033 and 034 Reports of Condition and Income in which banks are permitted to report loan detail in terms of general loan categories that are based upon each bank's own internal loan categorization system. While the definitions for the general loan categories are left to the choice of each reporting bank, each bank must use consistent definitions for these categories in each of the four schedules and the memorandum item. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Item No.	Caption and Instructions
1	**Real estate loans**. Report in columns A and B, as appropriate, real estate loans charged off and recovered. For purposes of this schedule, real estate loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

Part I. (cont.)

Item Instructions for FFIEC 033 and 034 (cont.)

Item No. Caption and Instructions

2 **Installment loans**. Report in columns A and B, as appropriate, installment loans charged off and recovered. For purposes of this schedule, installment loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

3 **Credit cards and related plans**. Report in columns A and B, as appropriate, all extensions of credit under credit cards and related plans charged off and recovered. For purposes of this schedule, credit cards and related plans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

4 **Commercial (time and demand) and all other loans**. Report in columns A and B, as appropriate, commercial (time and demand) and all other loans charged off and recovered. For purposes of this schedule, commercial (time and demand) and all other loans is a residual category and, for each bank, its contents will depend on the contents of the three preceding categories of loans. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book.

5 **Lease financing receivables**. Report in columns A and B, as appropriate, all leases (as defined on the FFIEC 034 for Schedule RC-C, part I, item 9, and on the FFIEC 033 for Schedule RC-C, part I, item 10, "Lease financing receivables (net of unearned income)") charged off and recovered.

6 **Total**. Report in columns A and B the sum of items 1 through 5. The amount reported in column A must equal Schedule RI-B, part II, item 3, "Charge-offs," and the amount reported in column B must equal Schedule RI-B, part II, item 2, "Recoveries."

Memoranda

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
-	1	**Loans to foreign governments and official institutions included in part I, items 1 through 4 above**. 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, " Loans to foreign governments and official institutions") charged off and recovered. These charge-offs and recoveries will have been included in one or more of items 1 through 4 above.

Part I. (cont.)

Item Instructions for FFIEC 033 and 034 (cont.)

Memoranda

FFIEC 034 Item No.	FFIEC 033 Item No.	Caption and Instructions
1	2	**Agricultural loans included in part I, items 1 through 4 above**. To be reported by banks with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) exceeding five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, items 1 through 9, less item 11 on the FFIEC 033). Report in columns A and B, as appropriate, agricultural loans charged off and recovered. These charge-offs and recoveries will have been included in one or more of items 1 through 4 above. For purposes of this schedule, agricultural loans include those loans that each reporting bank characterizes as such in its own recordkeeping systems or for its own internal purposes. For further information, refer to the discussion of "Reporting of Loan Detail by Banks with Assets of Less Than $300 Million and No Foreign Offices" in the General Instructions section of this book. Banks with loans to finance agricultural production and other loans to farmers (as reported in Schedule RC-C, part I, item 3) less than or equal to five percent of total loans, net of unearned income (sum of Schedule RC-C, part I, items 1 through 8, less item 10 on the FFIEC 034; sum of Schedule RC-C, part I, item 1 through 9, less item 11 on the FFIEC 033), should report a zero or the word "none" in this item.
2-3	3	Not applicable.
4	4	**Loans to finance commercial real estate, construction, and land development activities included in Schedule RI-B, part I, items 2 through 4, above**. Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities not secured by real estate (as defined for Schedule RC-C, part I, Memorandum item 4) charged off and recovered. Such loans will have been included in items 2, 3, and 4 of Schedule RI-B, part I, above. Exclude from this item all real estate loans included in item 1 of Schedule RI-B, part I, above.
5	5	**Real estate loans**. Report in the appropriate subitem all real estate loans included in Schedule RI-B, part I, item 1, above. The sum of Memorandum items 5.a through 5.e must equal Schedule RI-B, part I, item 1.
5.a	5.a	**Construction and land development**. Report in columns A and B, as appropriate, real estate loans for construction and land development purposes charged off and recovered. Refer to Schedule RC-C, part I, item 1.a, for a description of "construction and land development."

Part I. (cont.)

Item Instructions for FFIEC 033 and 034 (cont.)

Memoranda

Item No.	Caption and Instructions
5.b	**Secured by farmland**. Report in columns A and B, as appropriate, real estate loans secured by farmland charged off and recovered. Refer to Schedule RC-C, part I, item 1.b, for a description of "farmland."
5.c	**Secured by 1-4 family residential properties**. Report in the appropriate subitem all real estate loans secured by 1-4 family residential properties charged off and recovered. Refer to Schedule RC-C, part I, item 1.c, for a description of "1-4 family residential properties."
5.c.(1)	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report in columns A and B, as appropriate, all revolving, open-end real estate loans secured by 1-4 family residential properties and extended under lines of credit charged off and recovered. Refer to Schedule RC-C, part I, item 1.c.(1), for a description of "revolving, open-end loans."
5.c.(2)	**All other loans secured by 1-4 family residential properties**. Report in columns A and B, as appropriate, all closed-end real estate loans secured by first or junior liens on 1-4 family residential properties charged off and recovered.
5.d	**Secured by multifamily (5 or more) residential properties**. Report in columns A and B, as appropriate, all real estate loans secured by multifamily (5 or more) residential properties charged off and recovered. Refer to Schedule RC-C, part I, item 1.d, for a description of "multifamily (5 or more) residential properties."
5.e	**Secured by nonfarm nonresidential properties**. Report in columns A and B, as appropriate, all real estate loans secured by nonfarm nonresidential properties charged off and recovered. Refer to Schedule RC-C, part I, item 1.e, for a description of "nonfarm nonresidential properties."

Part I. (cont.)

Item Instructions for the FFIEC 031 and 032

Item No. **Caption and Instructions**

1 **Loans secured by real estate**:

1.a **To U.S. addressees (domicile)**. Report in columns A and B, as appropriate, loans secured by real estate (as defined for Schedule RC-C, part I, item 1, "Loans secured by real estate") to U.S. addressees charged off and recovered.

1.b **To non-U.S. addressees (domicile)**. Report in columns A and B, as appropriate, loans secured by real estate (as defined for Schedule RC-C, part I, item 1, "Loans secured by real estate") to non-U.S. addressees charged off and recovered.

2 **Loans to depository institutions and acceptances of other banks**:

2.a **To U.S. banks and other U.S. depository institutions**. Report in columns A and B, as appropriate, loans to U.S. banks and other U.S. depository institutions and acceptances of U.S. banks (as defined for Schedule RC-C, part I, item 2.a.(2), "Loans to other commercial banks in the U.S.," item 2.b, "Loans to other depository institutions in the U.S.," item 2.c.(1), "Loans to foreign branches of other U.S. banks," and item 5.a, "Acceptances of U.S. banks") charged off and recovered.

2.b **To foreign banks**. Report in columns A and B, as appropriate, loans to foreign banks and acceptances of foreign banks (as defined for Schedule RC-C, part I, item 2.a.(1), "Loans to U.S. branches and agencies of foreign banks," item 2.c.(2), "Loans to other banks in foreign countries," and item 5.b, "Acceptances of foreign banks") charged off and recovered.

3 **Loans to finance agricultural production and other loans to farmers**. Report in columns A and B, as appropriate, agricultural loans (as defined for Schedule RC-C, part I, item 3, "Loans to finance agricultural production and other loans to farmers") charged off and recovered.

4 **Commercial and industrial loans**:

4.a **To U.S. addressees (domicile)**. Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule RC-C, part I, item 4.a, "Commercial and industrial loans to U.S. addressees") charged off and recovered.

4.b **To non-U.S. addressees (domicile)**. Report in columns A and B, as appropriate, commercial and industrial loans (as defined for Schedule RC-C, part I, item 4.b, "Commercial and industrial loans to non-U.S. addressees") charged off and recovered.

5 **Loans to individuals for household, family, and other personal expenditures**:

5.a **Credit cards and related plans**. Report in columns A and B, as appropriate, all extensions of credit under credit cards and related plans (as defined for Schedule RC-C, part I, item 6.a, "Credit cards and related plans") charged off and recovered.

Part I. (cont.)

Item Instructions for the FFIEC 031 and 032 (cont.)

Item No.	Caption and Instructions
5.b	**Other**. Report in columns A and B, as appropriate, other loans to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 6.b, "Other") charged off and recovered.
6	**Loans to foreign governments and official institutions**. Report in columns A and B, as appropriate, all loans to foreign governments and official institutions (as defined for Schedule RC-C, part I, item 7, "Loans to foreign governments and official institutions") charged off and recovered.
7	**All other loans**. Report in columns A and B, as appropriate, obligations of states and political subdivisions in the U.S. (as defined for Schedule RC-C, part I, item 8, "Obligations (other than securities and leases) of states and political subdivisions in the U.S.") and other loans (as defined for Schedule RC-C, part I, item 9, "Other loans") charged off and recovered.
8	**Lease financing receivables**:
8.a	**Of U.S. addressees (domicile)**. Report in columns A and B, as appropriate, leases (as defined for Schedule RC-C, part I, item 10.a, "Lease financing receivables of U.S. addressees") charged off and recovered.
8.b	**Of non-U.S. addressees (domicile)**. Report in columns A and B, as appropriate, leases (as defined for Schedule RC-C, part I, item 10.b, "Lease financing receivables of non-U.S. addressees") charged off and recovered.
9	**Total**. Report in columns A and B the sum of items 1 through 8. The amount reported in column A must equal part II, item 3, column A, "Charge-offs," below, and the amount reported in column B must equal part II, item 2, column A, "Recoveries," below.

Memorandum

Item No.	Caption and Instructions
1-3	Not applicable.
4	**Loans to finance commercial real estate, construction, and land development activities included in Schedule RI-B, part I, items 4 and 7, above**. Report in columns A and B, as appropriate, loans to finance commercial real estate, construction, and land development activities not secured by real estate (as defined for Schedule RC-C, part I, Memorandum item 4) charged off and recovered. Such loans will have been included in items 4 and 7 of Schedule RI-B, part I, above. Exclude from this item all loans secured by real estate included in item 1 of Schedule RI-B, part I, above.

Part I. (cont.)

Item Instructions for the FFIEC 031 and 032 (cont.)

Memorandum

Item No.	Caption and Instructions
5	**Loans secured by real estate (in domestic offices)**. Report in the appropriate subitem all loans secured by real estate included in Schedule RI-B, part I, item 1, above. On the FFIEC 031, the sum of Memorandum items 5.a through 5.e must not exceed the amount reported in Schedule RI-B, part I, item 1. On the FFIEC 032, the sum of Memorandum items 5.a through 5.e must equal Schedule RI-B, part I, item 1.
5.a	**Construction and land development**. Report in columns A and B, as appropriate, loans secured by real estate for construction and land development purposes (as defined for Schedule RC-C, part I, item 1.a, (column B on the FFIEC 031)) charged off and recovered.
5.b	**Secured by farmland**. Report in columns A and B, as appropriate, loans secured by farmland (as defined for Schedule RC-C, part I, item 1.b, (column B on the FFIEC 031)) charged off and recovered.
5.c	**Secured by 1-4 family residential properties**. Report in the appropriate subitem all loans secured by 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c, (column B on the FFIEC 031)) charged off and recovered.
5.c.(1)	**Revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit**. Report in columns A and B, as appropriate, all revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit (as defined for Schedule RC-C, part I, item 1.c.(1), (column B on the FFIEC 031)) charged off and recovered.
5.c.(2)	**All other loans secured by 1-4 family residential properties**. Report in columns A and B, as appropriate, all closed-end loans secured by first or junior liens on 1-4 family residential properties (as defined for Schedule RC-C, part I, item 1.c.(2), (column B on the FFIEC 031)) charged off and recovered.
5.d	**Secured by multifamily (5 or more) residential properties**. Report in columns A and B, as appropriate, all loans secured by multifamily (5 or more) residential properties (as defined for Schedule RC-C, part I, item 1.d, (column B on the FFIEC 031)) charged off and recovered.
5.e	**Secured by nonfarm nonresidential properties**. Report in columns A and B, as appropriate, all loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e, (column B on the FFIEC 031)) charged off and recovered.

Part II. Changes In Allowance for Loan and Lease Losses

General Instructions

Report the reconcilement of the allowance for loan and lease losses on a calendar year-to-date basis. If the bank maintains separate allowances for loan losses and for lease losses, the amounts reported in this part should represent the combined balances of and transactions in the separate allowances. On the FFIEC 034, Schedule RI-B, part II is to be completed for the report period ending December 31.

The AICPA's Audit and Accounting Guide for Banks and Savings Institutions requires the allocation on the balance sheet of the allowance for credit losses between on-balance sheet financial instruments and off-balance sheet credit exposures. For purposes of these reports, banks should allocate the allowance for credit losses on Schedule RC, Balance Sheet, consistent with their allocation methodology for other financial reporting purposes. Portions of the allowance related to off-balance sheet credit exposures that are reported as liabilities should be reported in Schedule RC, item 20, "Other liabilities," and in item 4 of Schedule RC-G. However, banks should aggregate these components of the allowance for credit losses when completing Schedule RI-B, part II. Banks are encouraged to disclose the amounts of these components in Schedule RI-E, item 9, "Other explanations."

Exclude the balances of any capital reserves included in Schedule RC, item 26.a, "Undivided profits and capital reserves," and the effects of any transactions therein.

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

If the bank has entered into a business combination that became effective during the reporting period which has been accounted for as a pooling of interests, include the recoveries, charge-offs, and provisions of the combined bank or other business for the calendar year-to-date. Report the balance as of the end of the previous year of the allowance for loan and lease losses of the bank or other business acquired in the pooling in item 5, "Adjustments."

If the bank purchased another bank or business during the reporting period, include the recoveries, charge-offs, and provisions of the combined bank or other business <u>only</u> after its acquisition. Report the amount of the allowance for loan and lease losses of the bank or other business acquired as of the effective date of the business combination in item 5, "Adjustments."

If the bank was acquired in a transaction which became effective during the reporting period and push down accounting was used to account for the acquisition, include only the recoveries, charge-offs, and provisions from the effective date of the bank's acquisition through the end of the year-to-date reporting period. Report the change in the balance of the allowance for loan and lease losses from the end of the previous year through the effective date of the bank's acquisition in item 5, "Adjustments."

For further information on poolings of interests, purchase acquisitions, and push down accounting, see the Glossary entry for "business combinations."

Part II. (cont.)

Item Instructions

Item No. Caption and Instructions

1 **Balance originally reported in the December 31, 19xx, Reports of Condition and Income**. Report the balance in the allowance for loan and lease losses from the Reports of Condition and Income as of the previous calendar year-end. (Also include any portions of the allowance for credit losses related to off-balance sheet credit exposures.) The amount reported in this item should equal the amount originally reported as the ending balance for the previous calendar year-end before the filing of any amended report(s).

2 **Recoveries**. Report the dollar amount credited to the allowance for loan and lease losses (and to portions of the allowance for credit losses related to off-balance sheet credit exposures) for recoveries during the calendar year-to-date on amounts previously charged against the allowance. On the FFIEC 033 and 034, the amount reported in this item must equal part I, item 6, column B, above (plus any recoveries credited to portions of the allowance for credit losses related to off-balance sheet credit exposures). On the FFIEC 031 and 032, the amount reported in this item must equal part I, item 9, column B, above (plus any recoveries credited to portions of the allowance for credit losses related to off-balance sheet credit exposures).

3 **LESS: Charge-offs**. Report the dollar amount of all loans and leases charged against the allowance for loan and lease losses during the calendar year-to-date (plus any amounts related to off-balance sheet credit exposures charged to portions of the allowance for credit losses related to off-balance sheet credit exposures). On the FFIEC 033 and 034, the amount reported in this item must equal part I, item 6, column A, above (plus any amounts charged to portions of the allowance for credit losses related to off-balance sheet credit exposures). On the FFIEC 031 and 032, the amount reported in this item must equal part I, item 9, column A, above (plus any amounts charged to portions of the allowance for credit losses related to off-balance sheet credit exposures).

4 **Provision for loan and lease losses**. Report the amount expensed as the provision for loan and lease losses during the calendar year-to-date (plus any amount expensed as the provision for credit losses related to off-balance sheet credit exposures). The amount reported in this item must equal Schedule RI, item 4.a (plus any amount expensed as the provision for credit losses related to off-balance sheet credit exposures that the bank reports elsewhere in Schedule RI). If the amount reported in this item is negative, enclose it in parentheses.

5 **Adjustments**. Report the net cumulative effect of all corrections and adjustments made in any amended report(s) to the amount originally reported as the ending balance of the allowance for loan and lease losses in the Reports of Condition and Income as of the previous calendar year-end.

Report the allowance for loan and lease losses of a bank or other business acquired in a business combination during the calendar year-to-date reporting period. Determine the amount to be reported in this item in accordance with the General Instructions at the beginning of part II.

Part II. (cont.)

Item No.	Caption and Instructions
5 (cont.)	If the bank was acquired in a transaction which became effective during the reporting period and push down accounting was used to account for the acquisition, report the change in the balance of the allowance for loan and lease losses from the end of the previous year through the effective date of the bank's acquisition in this item. For those banks required to establish and maintain an allocated transfer risk reserve, report all allowable adjustments made during the reporting period between the regular allowance for loan and lease losses and the allocated transfer risk reserve as specified in Section 905(a) of the International Lending Supervision Act of 1983, in the agency regulations implementing the Act (Federal Reserve Regulation K, Part 351 of the FDIC Rules and Regulations, and Part 20 of the Comptroller of the Currency's Regulations), and in any guidelines, letters, or instructions issued by the agencies. For banks with foreign offices that file the FFIEC 031 report forms, report any increases or decreases resulting from the translation into dollars of any portions of the regular allowance for loan and lease losses which are denominated in a foreign currency. Also include the effects of any similar transactions involving any portions of the allowance for credit losses related to off-balance sheet credit exposures. If the amount reported in this item is negative, enclose it in parentheses. State the dollar amount of and describe each transaction included in this item in Schedule RI-E, Explanations, item 8.
6	**Balance end of current period**. Report the sum of items 1, 2, 4, and 5, minus item 3. The amount reported in this item must equal Schedule RC, item 4.b, "Allowance for loan and lease losses," (plus any portions of the allowance for credit losses related to off-balance sheet credit exposures).

SCHEDULE RI-D -- INCOME FROM INTERNATIONAL OPERATIONS

General Instructions

Schedule RI-D is applicable only to certain banks that file the FFIEC 031 report forms.

Banks with foreign offices, Edge or Agreement subsidiaries, or IBFs are required to estimate their net income attributable to international operations if these operations account for more than 10 percent of their total revenues, total assets, or net income; otherwise, the bank need not complete this schedule.

In contrast to the reporting requirements applicable to the Report of Condition and to other schedules of the Report of Income, several items of this schedule are not reported on a fully consolidated basis. That is, transactions or transfers between domestic offices and foreign offices of the bank are to be reported in part I, items 1.a and 1.b, and part II, items 1 and 2, rather than eliminated as would be required for full consolidation.

The amounts reported in part I, items 1.a and 1.b, and part II, items 1 and 2, shall be on an "as-booked" basis, that is, they should reflect only the amounts actually recorded on the books of the respective domestic offices, foreign offices, Edge or Agreement subsidiaries, and IBFs.

An estimate of the amount of income or expense attributable to international operations is reported in part I, items 3.a through 3.c, 5, and 7, and part II, items 3, 4, and 5. These estimates should reflect all appropriate internal allocations of income or expense, whether or not "booked" that way in the bank's formal accounting records. To the extent feasible, the bank should attempt to maintain consistency over time in its procedures for making such allocations.

Part I. Estimated Income from International Operations

Item No. **Caption and Instructions**

1 **Interest income and expense booked at foreign offices, Edge and Agreement subsidiaries, and IBFs**:

1.a **Interest income booked**. Report total interest income (including fees and other interest associated charges) actually recorded on the books of foreign offices, Edge and Agreement subsidiaries, and IBFs. Intracompany interest income actually paid by domestic offices to foreign offices and recorded on the books of foreign offices should be included in this item. However, transactions among foreign offices, Edge and Agreement subsidiaries, and IBFs should be eliminated through consolidation of the foreign office segment. Interest income attributed to foreign offices for purposes of management information reports, stockholder reports, or other purposes but not actually booked at foreign offices should not be included in this item.

1.b **Interest expense booked**. Report total interest expense actually recorded on the books of foreign offices, Edge and Agreement subsidiaries, and IBFs. Intracompany interest expense actually paid to domestic offices by foreign offices and recorded on the books of foreign offices should be included in this item. However, transactions among foreign offices, Edge and Agreement subsidiaries, and IBFs should be eliminated through consolidation of the foreign office segment. Interest expense attributed to foreign offices for purposes of management information reports, stockholder reports, or other purposes but not actually booked at foreign offices should not be included in this item.

Part I. (cont.)

Item No.	Caption and Instructions
1.c	**Net interest income booked at foreign offices, Edge and Agreement subsidiaries, and IBFs**. Report the difference between items 1.a and 1.b. If the result is negative, enclose it in parentheses.
2	**Adjustments for booking location of international operations**:
2.a	**Net interest income attributable to international operations booked at domestic offices**. Report management's estimate of net interest income received by domestic offices from non-U.S. addressees (eliminate intracompany accounts). Exclude from this item net interest income of IBFs and Edge and Agreement subsidiaries.
2.b	**Net interest income attributable to domestic business booked at foreign offices**. Report management's estimate of net interest income received by foreign offices from U.S. addressees (eliminate intracompany accounts).
2.c	**Net booking location adjustment**. Report the difference between items 2.a and 2.b. If the result is negative, enclose it in parentheses.
3	**Noninterest income and expense attributable to international operations**:
3.a	**Noninterest income attributable to international operations**. Report the bank's best estimate of that portion of Schedule RI, item 5.g, "Total noninterest income," item 6.a, "Realized gains (losses) on held-to-maturity securities," item 6.b, "Realized gains (losses) on available-for-sale securities," and item 11, "Extraordinary items and other adjustments, net of income taxes," that is allocable to international operations.
3.b	**Provision for loan and lease losses attributable to international operations**. Report the bank's best estimate of that portion of the provision for loan and lease losses (reported in Schedule RI, item 4.a) that is allocable to loans and leases to non-U.S. addressees.
3.c	**Other noninterest expense attributable to international operations**. Report the bank's best estimate of that portion of Schedule RI, item 7.d, "Total noninterest expense," that is allocable to international operations.
3.d	**Net noninterest income (expense) attributable to international operations**. Report the total of item 3.a less items 3.b and 3.c. If the result is negative, enclose it in parentheses.
4	**Estimated pretax income attributable to international operations before capital allocation adjustment**. Report the sum of items 1.c and 2.c less item 3.d. If the amount is negative, enclose it in parentheses. This amount represents the bank's best estimate of income before a capital allocation adjustment and income taxes that is attributable to international operations. The estimate should reflect all appropriate internal allocations of income and expense.
5	**Adjustment to pretax income for internal allocations to international operations to reflect the effects of equity capital on overall bank funding costs**. Report any amount credited to estimated pretax income attributable to international operations that reflects management's estimate of the effect of equity capital allocable to international operations. Equity capital, which is interest-free, helps to reduce a bank's overall funding costs and increase net interest income.

Part I. (cont.)

Item No. **Caption and Instructions**

6 **Estimated pretax income attributable to international operations after capital allocation adjustment**. Report the sum of items 4 and 5. If the result is negative, enclose it in parentheses.

7 **Income taxes attributable to income from international operations as estimated in item 6**. Report the bank's best estimate of income taxes, both U.S. and foreign, that are applicable to estimated pretax income attributable to international operations.

8 **Estimated net income attributable to international operations**. Report the difference between item 6 and item 7. If the result is negative, enclose it in parentheses. This amount represents the bank's best estimate of net income attributable to international operations.

Memoranda

Item No. **Caption and Instructions**

1 **Intracompany interest income included in item 1.a**. Report interest income actually booked at foreign offices, Edge and Agreement subsidiaries, and IBFs and included in Schedule RI-D, part I, item 1.a above that was received from domestic offices of the bank.

2 **Intracompany interest expense included in item 1.b**. Report interest expense actually booked at foreign offices, Edge and Agreement subsidiaries, and IBFs and included in Schedule RI-D, part I, item 1.b above that was paid to domestic offices of the bank.

Part II. Supplementary Details on Income from International Operations Required by the Departments of Commerce and Treasury for Purposes of the U.S. International Accounts and the U.S. National Income and Product Accounts

Item No. Caption and Instructions

1 **Interest income booked at IBFs**. Report the portion of total interest income that is actually recorded on the books of all IBFs established by the reporting bank or by its Edge or Agreement subsidiaries. The amount reported in this item is a component of Schedule RI-D, part I, item 1.a, above.

2 **Interest expense booked at IBFs**. Report the portion of total interest expense actually recorded on the books of all IBFs established by the reporting bank or by its Edge or Agreement subsidiaries. The amount reported in this item is a component of Schedule RI-D, part I, item 1.b, above.

3 **Noninterest income attributable to international operations booked at domestic offices (excluding IBFs)**:

3.a **Gains (losses) and extraordinary items**. Report the amount of trading revenue, realized gains (losses) on held-to-maturity and available-for-sale securities, and extraordinary items and other adjustments, gross of income taxes, (as defined for Schedule RI, items 5.c, 6.a, 6.b, and 11.a) included in Schedule RI-D, part I, item 3.a, "Noninterest income attributable to international operations," that has been booked at domestic offices (as defined in the Glossary entry for "domestic office") of the reporting bank.

3.b **Fees and other noninterest income**. Report the amount of income from fiduciary activities, service charges on deposit accounts in domestic offices, other fee income, and all other noninterest income (as defined for Schedule RI, items 5.a, 5.b, 5.f.(1), and 5.f.(2)) included in Schedule RI-D, part I, item 3.a, "Noninterest income attributable to international operations," that has been booked at domestic offices (as defined in the Glossary entry for "domestic office") of the reporting bank.

4 **Provision for loan and lease losses attributable to international operations booked at domestic offices (excluding IBFs)**. Report that portion of Schedule RI-D, part I, item 3.b, above that is booked at domestic offices (as defined in the Glossary entry for "domestic office") of the reporting bank.

5 **Other noninterest expense attributable to international operations booked at domestic offices (excluding IBFs)**. Report that portion of Schedule RI-D, part I, item 3.c, above that is booked at domestic offices (as defined in the Glossary entry for "domestic office") of the reporting bank.

SCHEDULE RI-E -- EXPLANATIONS

General Instructions

Schedule RI-E is to be completed each quarter on a calendar year-to-date basis. On those lines for which your bank must provide a description of the amount being reported, the description should not exceed 50 characters (including punctuation and spacing between words). If additional space is needed to complete a description, item 9 may be used.

Item No. **Caption and Instructions**

1 **All other noninterest income**. Report in items 1.a, 1.b, and 1.c the dollar amount of the specified component of noninterest income if the absolute value of the dollar amount of the component exceeds ten percent of the amount reported on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), and on the FFIEC 034 in item 5.b.(2), "All other noninterest income." (Absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) List and briefly describe in items 1.d, 1.e, and 1.f the dollar amount of the three largest other components of "All other noninterest income" that exceed ten percent of the amount reported on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), and on the FFIEC 034 in Schedule RI, item 5.b.(2).

1.a **Net gains (losses) on other real estate owned**. Report the dollar amount of net gains (losses) on other real estate owned (reportable in Schedule RC, item 7) included in "All other noninterest income" if the absolute value of this amount exceeds ten percent of the amount reported on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), and on the FFIEC 034 in Schedule RI, item 5.b.(2). If the bank reports a net loss in this item, the amount should be enclosed in parentheses.

If the bank reports net gains (losses) on other real estate owned in this item, it must report a zero or the word "none" in Schedule RI-E, item 2.b, "Net (gains) losses on other real estate owned."

1.b **Net gains (losses) on sales of loans**. Report the dollar amount of net gains (losses) on sales of loans and leases (reportable in Schedule RC-C) included in "All other noninterest income" if the absolute value of this amount exceeds ten percent of the amount reported on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), and on the FFIEC 034 in Schedule RI, item 5.b.(2). If the bank reports a net loss in this item, the amount should be enclosed in parentheses.

If the bank reports net gains (losses) on sales of loans in this item, it must report a zero or the word "none" in Schedule RI-E, item 2.c, "Net (gains) losses on sales of loans."

1.c **Net gains (losses) on sales of premises and fixed assets**. Report the dollar amount of net gains (losses) on sales of premises and fixed assets (reportable in Schedule RC, item 6) included in "All other noninterest income" if the absolute value of this amount exceeds ten percent of the amount reported on the FFIEC 031, 032, and 033 in Schedule RI, item 5.f.(2), and on the FFIEC 034 in Schedule RI, item 5.b.(2). If the bank reports a net loss in this item, the amount should be enclosed in parentheses.

Item No. **Caption and Instructions**

1.c (cont.) If the bank reports net gains (losses) on sales of premises and fixed assets in this item, it must report a zero or the word "none" in Schedule RI-E, item 2.d, "Net (gains) losses on sales of premises and fixed assets."

2 **Other noninterest expense**. Report in item 2.a amortization expense of intangible assets. Report in items 2.b, 2.c, and 2.d the dollar amount of the specified component of noninterest expense if the absolute value of the dollar amount of the component exceeds ten percent of the amount reported in Schedule RI, item 7.c, "Other noninterest expense." (Absolute value refers to the magnitude of the dollar amount without regard to whether the amount is a net gain or loss.) List and briefly describe in items 2.e, 2.f, and 2.g the dollar amount of the three largest other components of "Other noninterest expense" that exceed ten percent of the amount reported in Schedule RI, item 7.c.

2.a **Amortization expense of intangible assets**. Report the dollar amount of any amortization expense of intangible assets (reportable in Schedule RC, item 10) included in Schedule RI, item 7.c, regardless of amount.

2.b **Net (gains) losses on other real estate owned**. Report the dollar amount of net (gains) losses on other real estate owned (reportable in Schedule RC, item 7) included in "Other noninterest expense" if the absolute value of this amount exceeds ten percent of the amount reported in Schedule RI, item 7.c. If the bank reports a net gain in this item, the amount should be enclosed in parentheses.

If the bank reports net (gains) losses on other real estate owned in this item, it must report a zero or the word "none" in Schedule RI-E, item 1.a, "Net gains (losses) on other real estate owned."

2.c **Net (gains) losses on sales of loans**. Report the dollar amount of net (gains) losses on sales of loans and leases (reportable in Schedule RC-C) included in "Other noninterest expense" if the absolute value of this amount exceeds ten percent of the amount reported in Schedule RI, item 7.c. If the bank reports a net gain in this item, the amount should be enclosed in parentheses.

If the bank reports net (gains) losses on sales of loans in this item, it must report a zero or the word "none" in Schedule RI-E, item 1.b, "Net gains (losses) on sales of loans."

2.d **Net (gains) losses on sales of premises and fixed assets**. Report the dollar amount of net (gains) losses on sales of premises and fixed assets (reportable in Schedule RC, item 6) included in "Other noninterest expense" if the absolute value of this amount exceeds ten percent of the amount reported in Schedule RI, item 7.c. If the bank reports a net gain in this item, the amount should be enclosed in parentheses.

If the bank reports net (gains) losses on sales of premises and fixed assets in this item, it must report a zero or the word "none" in Schedule RI-E, item 1.c, "Net gains (losses) on sales of premises and fixed assets."

3 **Extraordinary items and other adjustments and applicable income tax effect**. List and briefly describe in items 3.a, 3.b, and 3.c the gross dollar amount of each item included in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes," and its related income tax effect, if any. If Schedule RI, item 11, includes more than three items, report the additional items and their related tax effects in Schedule RI-E, item 9 below.

Item No. **Caption and Instructions**

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

4 **Equity capital adjustments from amended Reports of Income**. List and briefly describe in items 4.a and 4.b the dollar amount of each adjustment included in Schedule RI-A, item 2, "Equity capital adjustments from amended Reports of Income, net." If Schedule RI-A, item 2, includes more than two adjustments, report the additional adjustments in Schedule RI-E, item 9 below.

If an equity capital adjustment represents a reduction of the bank's equity capital, enclose the dollar amount reported in parentheses.

5 **Cumulative effect of changes in accounting principles from prior years**. List and briefly describe in items 5.a and 5.b the dollar amount of the cumulative effect, net of applicable income taxes, of each change in accounting principle included in Schedule RI-A, item 9. If Schedule RI-A, item 9, includes the effect of more than two changes, report the additional cumulative effects in Schedule RI-E, item 9 below.

If the cumulative effect of a change represents a reduction of the bank's equity capital, enclose the dollar amount reported in parentheses.

6 **Corrections of material accounting errors from prior years**. List and briefly describe in items 6.a and 6.b the dollar amount of each correction, net of applicable income taxes, of a material accounting error from a prior year that is included in Schedule RI-A, item 10. If Schedule RI-A, item 10, includes more than two corrections, report the additional corrections in Schedule RI-E, item 9 below.

If the correction of a material accounting error represents a reduction of the bank's equity capital, enclose the dollar amount reported in parentheses.

7 **Other transactions with parent holding company**. List and briefly describe in items 7.a and 7.b the dollar amount of each type of other transaction with the bank's parent holding company that is included in Schedule RI-A, item 12 (item 13 on the FFIEC 031). If Schedule RI-A, item 12 (item 13 on the FFIEC 031), includes more than two types of other transactions, report the additional types of other transactions in Schedule RI-E, item 9 below.

If the effect of a type of other transaction with the bank's parent holding company is to reduce the bank's equity capital, enclose the dollar amount reported in parentheses.

8 **Adjustments to allowance for loan and lease losses**. List and briefly describe in items 8.a and 8.b the dollar amount of each adjustment to the allowance for loan and lease losses that is included in Schedule RI-B, part II, item 5. If Schedule RI-B, part II, item 5, includes more than two adjustments, report the additional adjustments in Schedule RI-E, item 9 below.

If the effect of an adjustment is to reduce the bank's allowance for loan and lease losses, enclose the dollar amount reported in parentheses.

Item No. **Caption and Instructions**

9 **Other explanations**. In the space provided on the report form, the bank may, at its option, list and briefly describe any other significant items relating to the Report of Income. The bank's other explanations must not exceed 750 characters, including punctuation and standard spacing between words and sentences.

GLOSSARY

The definitions in this Glossary apply to the Reports of Condition and Income and are not necessarily applicable for other regulatory or legal purposes. Similarly, the accounting discussions in this Glossary are those relevant to the preparation of these reports and are not intended to constitute a comprehensive presentation on bank accounting.

Acceptances: See "bankers acceptances."

Accounting Changes: Changes in accounting principles -- The accounting principles that banks have adopted for the preparation of their Reports of Condition and Income should be changed only in the direction of more preferable accounting practices. If a bank changes from the use of one acceptable accounting principle to one that is more preferable at any time during the calendar year, it must report the income or expense item(s) affected by the change for the entire year on the basis of the newly adopted accounting principle regardless of the date when the change is actually made. However, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error as discussed below.

New accounting standards that are adopted by the Financial Accounting Standards Board (or such other body officially designated to establish accounting principles) may apply retroactively and may require or allow a bank to restate prior years' financial statements prepared in accordance with generally accepted accounting principles. Because each Report of Income covers a single discrete period, retroactive restatement of prior years' Reports of Condition and Income is not permitted. However, the effects of restatement should be reported in the Reports of Condition and Income in a manner consistent with a bank's financial statements for the same reporting period prepared in accordance with generally accepted accounting principles. Therefore, if restatement of prior periods is required (or if the bank elects to restate prior periods if restatement is allowed but not required), the effect on the amount of undivided profits at the beginning of the year in which the new standard is first adopted for purposes of the Reports of Condition and Income (net of applicable income taxes, if any) is to be excluded from net income and reported as a direct adjustment to equity capital in Schedule RI-A, item 9, and detailed in Schedule RI-E, item 5.

On the other hand, if a new standard must be applied retroactively but restatement of prior years' financial statements is not allowed (or if the bank elects not to restate prior periods if restatement is allowed but not required), the effect of the retroactive application on undivided profits at the beginning of the year in which the new standard is first adopted for purposes of the Reports of Condition and Income is to be included in net income like the cumulative effect of a change in accounting principle as described above. The amount of this effect (net of applicable income taxes, if any) is to be reported in Schedule RI, item 11, and detailed in Schedule RI-E, item 3.

Changes in accounting estimates -- Accounting and the preparation of financial statements involve the use of estimates. As more current information becomes known, estimates may be changed. In particular, accruals are derived from estimates based on judgments about the outcome of future events and changes in these estimates are an inherent part of accrual accounting.

Reasonable changes in accounting estimates do not require the restatement of amounts of income and expenses and assets, liabilities, and capital reported in previously submitted Reports of Condition and Income. Computation of the cumulative effect of these changes is also not ordinarily necessary. Rather, the effect of such changes is handled on a prospective basis. That is, beginning in the period when an accounting estimate is revised, the related item of income or expense for that period is adjusted accordingly. For example, if the bank's estimate of the remaining useful life of certain bank equipment is increased, the remaining undepreciated cost of the

Accounting Changes (cont.):

equipment would be spread over its revised remaining useful life. Similarly, immaterial accrual adjustments to items of income and expenses, including provisions for loan and lease losses and income taxes, are considered changes in accounting estimates and would be taken into account by adjusting the affected income and expense accounts for the year in which the adjustments were found to be appropriate.

However, large and unusual changes in accounting estimates may be more properly treated as constituting accounting errors, and if so, must be reported accordingly as described below.

Corrections of accounting errors -- A bank may become aware of an error in a Report of Condition or Report of Income after it has been submitted to the appropriate federal bank regulatory agency through either its own or its regulator's discovery of the error. An error in a report for a prior period may result from:

(1) a mathematical mistake;

(2) a mistake in applying accounting principles; or

(3) the improper use of information that existed when the Reports of Condition and Income for prior periods were prepared.

When a bank's primary federal bank regulatory agency determines that the bank's Reports of Condition and Income contain a material accounting error, the bank may be directed to file amended condition and/or income report data for each prior period that was significantly affected by the error. Normally, such refilings will not be retroactively required for a period exceeding five years. If amended reports are not required, the bank should report the effect of such corrections on undivided profits at the beginning of the year, net of applicable income taxes, in Schedule RI-A, item 10, "Corrections of material accounting errors from prior years," and in Schedule RI-E, item 6. The effect of such corrections on income and expenses since the beginning of the year in which the error is discovered should be reflected in each affected income and expense account on a year-to-date basis in the next quarterly Report of Income to be filed and not as a direct adjustment to undivided profits.

In addition, a change from an accounting principle that is neither accepted nor sanctioned by bank supervisors to one that is acceptable to supervisors is to be reported as a correction of an error. When such a change is implemented, the cumulative effect that applies to prior periods, calculated in the same manner as described above for other changes in accounting principles, should be reported in Schedule RI-A, item 10, "Corrections of material accounting errors from prior years," and in Schedule RI-E, item 6. In most cases of this kind undertaken voluntarily by the reporting bank in order to adopt more acceptable accounting practices, such a change will not result in a request for amended reports for prior periods unless substantial distortions in the bank's previously reported results are in evidence.

For further information on these three topics, see APB Opinion No. 20, "Accounting Changes," as amended.

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

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

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

Acquisition, Development, or Construction (ADC) Arrangements: An ADC arrangement is an arrangement in which a bank provides financing for real estate acquisition, development, or construction purposes and participates in the expected residual profit resulting from the ultimate sale or other use of the property. ADC arrangements should be reported as loans, real estate joint ventures, or direct investments in real estate in accordance with guidance presented by the American Institute of Certified Public Accountants in a Notice to Practitioners issued in February 1986 (or, if appropriate, in notices issued in November 1983 and November 1984).

12 USC 29 limits the authority of national banks to hold real estate. National banks should review real estate ADC arrangements carefully for compliance. State member banks are not authorized to invest in real estate except with the prior approval of the Federal Reserve Board under Federal Reserve Regulation H (12 CFR Part 208).

Agreement Corporation: See "Edge and Agreement corporation."

Allowance for Loan and Lease Losses: Each bank must maintain an allowance for loan and lease losses (allowance) that is adequate to absorb estimated credit losses associated with its loan and lease portfolio, including all binding commitments to lend. To the extent not provided for in a separate liability account, the allowance should also be sufficient to absorb estimated credit losses associated with off-balance sheet credit instruments such as standby letters of credit. (These instruments are included in the terms "loan(s)," "loans and leases" and "portfolio," as used in this Glossary entry.)

The term "estimated credit losses" means an estimate of the current amount of the loan and lease portfolio (net of unearned income) that is not likely to be collected; that is, net charge-offs that are likely to be realized for a loan or pool of loans given facts and circumstances as of the evaluation date. These estimated credit losses should meet the criteria for accrual of a loss contingency (i.e., a provision to the allowance) set forth in generally accepted accounting principles (GAAP).

As of the end of each quarter, or more frequently if warranted, the management of each bank must evaluate, subject to examiner review, the collectibility of the loan and lease portfolio, including any recorded accrued and unpaid interest (i.e., not already reversed or charged off), and make appropriate entries to maintain the balance of the allowance for loan and lease losses on the balance sheet at a level adequate to absorb estimated credit losses. Management must maintain reasonable records in support of their evaluations and entries.

Additions to, or reductions of, the allowance account resulting from such evaluations are to be made through charges or credits to the "provision for loan and lease losses" (provision) in the Report of Income. When available information confirms that specific loans and leases, or portions thereof, are uncollectible, these amounts should be promptly charged off against the allowance. All charge-offs of loans and leases shall be charged directly to the allowance and any recoveries on loans or leases previously charged off shall be credited to the allowance. Under no circumstances can loan or lease losses be charged directly to "Undivided profits and capital reserves."

The allowance account must never have a debit balance. If losses charged off exceed the amount of the allowance, a provision sufficient to restore the allowance to an adequate level must be charged to expense on the income statement immediately. A bank shall not increase the allowance account by transferring an amount from undivided profits or any segregation thereof to the allowance for loan and lease losses.

To the extent that a bank's reserve for bad debts for tax purposes is greater than or less than its "allowance for loan and lease losses" on the balance sheet of the Report of Condition, the difference is referred to as a temporary difference. See the Glossary entry for "income taxes" for guidance on how to report the tax effect of such a temporary difference.

Allowance for Loan and Lease Losses (cont.):

Recourse liability accounts that arise from recourse obligations for any transfers of loans that are reported as sales for purposes of these reports should not be included in the allowance for loan and lease losses. These accounts are considered separate and distinct from the allowance account and should be reported as liabilities on Schedule RC, item 20, "Other liabilities."

For comprehensive guidance on the maintenance of an adequate allowance for loan and lease losses, banks should refer to the Interagency Policy Statement on the Allowance for Loan and Lease Losses dated December 21, 1993. National banks should also refer to the Office of the Comptroller of the Currency's Banking Circular 201 (BC-201) and the section of the Comptroller's Handbook for National Bank Examiners discussing the allowance for loan and lease losses. Information on the application of FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," to the determination of an allowance for credit losses on those loans covered by that accounting standard is provided in the Glossary entry for "loan impairment."

For information on reporting on foreclosed and repossessed assets, see the Glossary entry for "foreclosed assets."

Applicable Income Taxes: See "income taxes."

Associated Company: See "subsidiaries."

ATS Account: See "deposits."

Bankers Acceptances: A banker's acceptance, for purposes of these reports, is a draft or bill of exchange that has been drawn on and accepted by a banking institution (the "accepting bank") or its agent for payment by that institution at a future date that is specified in the instrument. Funds are advanced to the drawer of the acceptance by the discounting of the accepted draft either by the accepting bank or by others; the accepted draft is negotiable and may be sold and resold subsequent to its original discounting. At the maturity date specified, the holder or owner of the acceptance at that date, who has advanced funds either by initial discount or subsequent purchase, presents the accepted draft to the accepting bank for payment.

The accepting bank has an unconditional obligation to put the holder in funds (to pay the holder the face amount of the draft) on presentation on the specified date. The account party (customer) has an unconditional obligation to put the accepting bank in funds at or before the maturity date specified in the instrument.

The following description covers the treatment in the Report of Condition of (1) acceptances that have been executed by the reporting bank, that is, those drafts that have been drawn on and accepted by it; (2) "participations" in acceptances, that is, "participations" in the accepting bank's obligation to put the holder of the acceptance in funds at maturity, or participations in the accepting bank's risk of loss in the event of default by the account party; and (3) acceptances owned by the reporting bank, that is, those acceptances -- whether executed by the reporting bank or by others -- that the bank has discounted or purchased.

(1) Acceptances executed by the reporting bank -- With the exceptions described below, the accepting bank must report on its balance sheet the full amount of the acceptance in both (1) the liability item, "Bank's liability on acceptances executed and outstanding" (Schedule RC, item 18), reflecting the accepting bank's obligation to put the holder of the acceptance in funds at maturity, and (2) the asset item, "Customers' liability to this bank on acceptances outstanding" (Schedule RC, item 9), reflecting the account party's liability to put the accepting bank in funds at or before maturity.

Bankers Acceptances (cont.):

Exceptions to the mandatory reporting by the accepting bank of the full amount of all outstanding drafts accepted by the reporting bank in both Liability Item 18 and Asset Item 9 on the balance sheet of the Consolidated Report of Condition occur in the following situations:

(a) One exception occurs in situations where the accepting bank acquires -- through initial discounting or subsequent purchase -- and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the reporting bank's own acceptances that are held by it will not be reported in the acceptance liability and asset items noted above (i.e., "Bank's liability on acceptances executed and outstanding" and "Customers' liability to this bank on acceptances outstanding"). The bank's holdings of its own acceptances will be reported either in "Loans and leases, net of unearned income" (Schedule RC, item 4.a) or, if held for trading, in "Trading assets" (Schedule RC, item 5).

(b) Another exception occurs in situations where the account party anticipates its liability to the reporting bank on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the reporting bank will decrease the asset item "Customers' liability to this bank on acceptances outstanding" (Schedule RC, item 9) by the amount of such prepayment; the prepayment will not affect the liability item "Bank's liability on acceptances executed and outstanding" (Schedule RC, item 18), which would continue to reflect the full amount of the acceptance until the bank has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 9 of Schedule RC but should be reflected in the bank's deposit liabilities.

In all situations other than these two exceptions just described, the accepting bank must report the full amount of its acceptances in its liability item, "Bank's liability on acceptances executed and outstanding," and in its asset item, "Customers' liability to this bank on acceptances outstanding." There are no other circumstances in which the accepting bank can report as a balance sheet liability anything less than the full amount of the obligation to put the holder of the acceptance in funds at maturity. Moreover, there are no circumstances in which the reporting bank can net its acceptance assets against its acceptance liabilities.

NOTE: The amount of a reporting member (both national and state) bank's acceptances that are subject to statutory limitations on eligible acceptances as set forth in federal statute 12 USC 372 and in Federal Reserve regulation 12 CFR Part 250 may differ from the required reporting of acceptances on the balance sheet of the Consolidated Report of Condition, as described above. These differences are mainly attributable to ineligible acceptances, to participations in the reporting bank's acceptances conveyed to others, to participations acquired by the reporting bank in other banks' acceptances, and to the effect of the consolidation of subsidiaries in the Report of Condition.

(2) "Participations" in acceptances -- The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the accepting bank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in

Bankers Acceptances (cont.):

the event of default on the part of the account party.[1] In any such sharing arrangement or participation agreement -- regardless of its form or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement -- the existence of the participation or other agreement does not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity nor change the requirement for the accepting bank to report the full amount of the acceptance in the liability and asset items described above.

The existence of such participations is not to be recorded on the balance sheet (Schedule RC) of the accepting bank that conveys shares in its obligation to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, and similarly is not to be recorded on the balance sheets (Schedule RC) of the other banks that are party to, or acquire, such participations. However, in such cases of agreements to participate, both the accepting bank conveying the participation to others and the bank acquiring the participation from an accepting bank must report the amounts of such participations in the appropriate item in Schedule RC-L, Off-Balance Sheet Items. The accepting bank engaging in the participation agreement will report in the item "Participations in acceptances conveyed to others by the reporting bank" (item 5 of Schedule RC-L on FFIEC 031, 032, and 033; not included in Schedule RC-L on FFIEC 034); the nonaccepting bank acquiring the participation will report in the item "Participations in acceptances acquired by the reporting (nonaccepting) bank" (item 6 of Schedule RC-L on FFIEC 031, 032, 033, and 034). This same Schedule RC-L reporting treatment applies to a bank that acquires a participation in an acceptance of another (accepting) bank and subsequently conveys the participation to others and to a bank that acquires such a participation. Moreover, the bank that both acquires and conveys a participation in another bank's acceptance must report the amounts of the participations in both acceptance participation items in Schedule RC-L.

NOTE: The amount of participations in acceptances reported in Schedule RC-L by a member bank may differ from the amount of such participations that enter into the calculation of the bank's acceptances to be counted toward its acceptance limit under federal statute 12 USC 372 and Federal Reserve regulation 12 CFR Part 250. Such differences are mainly attributable to participations in ineligible acceptances, to participations with "noncovered" institutions, and to participations that do not conform to the minimum requirements set forth in 12 CFR Part 250.

(3) Acceptances owned by the reporting bank -- The treatment of acceptances owned or held by the reporting bank (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held for trading or in portfolio and upon whether the acceptances held have been accepted by the reporting bank or by other banks.

All acceptances held for trading by the reporting bank (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 5, "Trading assets." Banks that file the FFIEC 031 and 032 report forms that must complete Schedule RC-D will identify these holdings (in domestic offices) in item 8, "Bankers acceptances (in domestic offices)."

[1] This discussion does not deal with participations in holdings of bankers acceptances, which are reportable as loans. Such participations are treated like any participations in loans as described in the Glossary entry for "transfers of financial assets."

Bankers Acceptances (cont.):

The reporting bank's holdings of acceptances other than those held for trading (whether acceptances of the reporting bank or of other banks) are to be reported in Schedule RC, item 4.a, "Loans and leases, net of unearned income," and in Schedule RC-C, part I, which calls for detail on "Loans and lease financing receivables."

In Schedule RC-C, part I, the reporting bank's holdings of other banks' acceptances, other than those held for trading, are to be reported in "Acceptances of other banks" (item 5). On the other hand, the bank's holdings of its own acceptances, other than those held for trading, are to be reported in Schedule RC-C, part I, according to the account party of the draft. Thus, holdings of own acceptances for which the account parties are commercial or industrial enterprises are to be reported in Schedule RC-C, part I, in "Commercial and industrial loans" (item 4); holdings of own acceptances for which the account parties are other banks (e.g., in connection with the refinancing of another acceptance or for the financing of dollar exchange) are to be reported in Schedule RC-C, part I, in "Loans to depository institutions" (item 2); and holdings of own acceptances for which the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange) are to be reported on the FFIEC 031, 032, and 033 in Schedule RC-C, part I, "Loans to foreign governments and official institutions" (item 7) and on the FFIEC 034 in Schedule RC-C, part I, "All other loans" (item 8).

The difference in treatment between holdings of own acceptances and holdings of other banks' acceptances reflects the fact that, for other banks' acceptances, the holding bank's immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the bank's immediate claim is on the account party named in the accepted draft.

If the account party prepays its acceptance liability on an acceptance of the reporting bank that is held by the reporting bank (either in the loan portfolio or as trading assets) so as to immediately reduce its indebtedness to the reporting bank, the recording of the holding -- in "Commercial and industrial loans," "Loans to depository institutions," or "Trading assets," as appropriate -- is reduced by the prepayment.

Banks, U.S. and Foreign: In the classification of banks as customers of the reporting bank, distinctions are drawn for purposes of the Reports of Condition and Income between "U.S. banks" and "commercial banks in the U.S." and between "foreign banks" and "banks in foreign countries." Some report items call for one set of these categories and other items call for the other set. The distinctions center around the inclusion or exclusion of foreign branches of U.S. banks and U.S. branches and agencies of foreign banks. For purposes of describing the office location of banks as customers of the reporting bank, the term "United States" covers the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. (This is in contrast to the usage with respect to the offices of the reporting bank, where offices in Puerto Rico and U.S. territories and possessions and U.S.-domiciled Edge and Agreement subsidiaries and IBFs are included in "foreign" offices.)

U.S. banks - The term "U.S. banks" covers both the U.S. and foreign branches of banks chartered and headquartered in the U.S. (including U.S.-chartered banks owned by foreigners), but excluding U.S. branches and agencies of foreign banks. On the other hand, the term "banks in the U.S." or "commercial banks in the U.S." (the institutional coverage of which is described in detail later in this entry) covers the U.S. offices of U.S. banks (including their IBFs) and the U.S. branches and agencies of foreign banks, but excludes the foreign branches of U.S. banks.

Foreign banks - Similarly, the term "foreign banks" covers all branches of banks chartered and headquartered in foreign countries (including foreign banks owned by U.S. nationals and institutions), including their U.S.-domiciled branches and agencies, but excluding the foreign

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

branches of U.S. banks. In contrast, the term "banks in foreign countries" covers foreign-domiciled branches of banks, including the foreign branches of U.S. banks, but excluding the U.S. branches and agencies of foreign banks.

The following table summarizes these contrasting categories of banks considered as customers as used in the Reports of Condition and Income ("X" indicates inclusion; no entry indicates exclusion.)

	"U.S. banks"	"Commercial banks in the U.S."	"Foreign banks"	"Banks in foreign countries"
U.S. branches of U.S. banks (including IBFs)	X	X		
Foreign branches of U.S. banks	X			X
Foreign branches of foreign banks			X	X
U.S. branches and agencies of foreign banks		X	X	

Commercial banks in the U.S. -- The detailed institutional composition of "commercial banks in the U.S." includes:

(1) the U.S.-domiciled head offices and branches of:

(a) national banks;
(b) state-chartered commercial banks;
(c) trust companies that perform a commercial banking business;
(d) industrial banks;
(e) private or unincorporated banks;
(f) International Banking Facilities (IBFs) of U.S. banks;
(g) Edge and Agreement corporations; and

(2) the U.S.-domiciled branches and agencies of foreign banks (as defined below).

This coverage includes the U.S. institutions listed above that are owned by foreigners. Excluded from commercial banks in the U.S. are branches located in foreign countries of U.S. banks.

U.S. savings and loan associations and savings banks are treated as "other depository institutions in the U.S." for purposes of the Reports of Condition and Income.

U.S. branches and agencies of foreign banks -- U.S. branches of foreign banks include any offices or places of business of foreign banks that are located in the United States at which deposits are

Banks, U.S. and Foreign (cont.):
accepted. U.S. agencies of foreign banks include any offices or places of business of foreign banks that are located in the United States at which credit balances are maintained incidental to or arising out of the exercise of banking powers but at which deposits may not be accepted from citizens or residents of the United States.

For purposes of the 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, rediscounted trade acceptances, and all assets sold under repurchase agreements or endorsements. 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 that are issued in denominations of $100,000 or less or that are issued in denominations greater than $100,000 and participated out by the deposit broker in shares of $100,000 or less.

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 in question has not been established for the primary purpose of placing funds with insured depository institutions;
(4) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;
(5) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;
(6) the trustee of a testamentary account;
(7) the trustee of an irrevocable trust (other than a trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;
(8) a trustee or custodian of a pension or profit-sharing plan qualified under Section 401(d) or 430(a) of the Internal Revenue Code of 1986; or
(9) an agent or nominee whose primary purpose is not the placement of funds with depository institutions. (For purposes of applying this ninth exclusion from the definition of deposit broker, "primary purpose" does not mean "primary activity," but should be construed as "primary intent.")

Notwithstanding these nine 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.

[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.

Brokered Deposits (cont.):
In addition, deposit instruments of the reporting bank that are sold to brokers, dealers, or underwriters (including both bank affiliates of the reporting bank and nonbank subsidiaries of the reporting bank's parent holding company such as so-called Section 20 affiliates) who then reoffer and/or resell these deposit instruments to one or more investors, regardless of the minimum denomination which the investor must purchase, are considered brokered deposits.

Broker's Security Draft: A broker's security draft is a draft with securities or title to securities attached that is drawn to obtain payment for the securities. This draft is sent to a bank for collection with instructions to release the securities only on payment of the draft.

Business Combinations: Business combinations between unrelated parties are of two types: "poolings of interests" and "purchase acquisitions." A business combination involving the exchange of voting common stock between stock institutions and meeting all 12 of the conditions specified in APB Opinion No. 16, "Business Combinations," is a pooling of interests. All other unrelated party business combinations are purchase acquisitions.

Pooling of interests -- In a pooling of interests, 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 market value. The historical cost-based amount (cost adjusted for amortization of premiums and discounts or depreciation) of each asset, liability, and capital account of the acquiring bank 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 "Undivided profits and capital reserves," 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 "Undivided profits."

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

Purchase acquisition -- In a purchase acquisition the assets and liabilities of the acquired business must be recorded on the books of the combined bank at their fair value. The fair value of an asset is generally its market or appraised value and liabilities are generally valued on a present value basis. Therefore, to the extent possible, the cost of the acquisition is allocated to each identifiable asset or liability being acquired or assumed. Identifiable assets may be tangible (such as securities or fixed assets) or intangible (such as service contracts or the estimated value of certain deposit relationships). If the amount allocated to an identifiable tangible or intangible asset or liability differs from the tax basis of the asset or liability, this difference is considered a temporary difference (see the Glossary entry for "income taxes"). As a result, the acquired asset or liability must be recorded at fair value and a deferred tax asset or liability is recorded for the difference between the assigned value of the acquired asset or liability and its tax basis.

Business Combinations (cont.):

Any excess of the cost of the acquisition over the net fair value of the identifiable assets and liabilities acquired or assumed is purchased goodwill. Identifiable and unidentifiable intangible assets (i.e., goodwill) are reportable in Schedule RC, item 10, "Intangible assets," and in Schedule RC-M, item 6. Consistent with Securities and Exchange Commission guidance, all intangible assets should be amortized over their estimated useful lives, generally not to exceed 25 years. The amortization expense of purchased goodwill and any other intangible assets shall be reported in Schedule RI, item 7.c, "Other noninterest expense," and in Schedule RI-E, item 2.a.

If the net fair value of the identifiable assets and liabilities acquired or assumed exceeds the cost of the acquisition, the values otherwise assignable to the acquired fixed assets, intangible assets, and other assets of a "noncurrent" nature shall be reduced proportionately for the amount of such excess. Negative goodwill shall not be recorded unless these categories of assets acquired are reduced to a zero value. Negative goodwill should be reported in Schedule RC, item 20, "Other liabilities," and in Schedule RC-G and should be amortized systematically to income over the period estimated to be benefited. Negative goodwill should not be used to reduce the amount of goodwill reportable in Schedule RC, item 10, and in Schedule RC-M.

In a purchase acquisition, the historical equity capital balances of the acquired business are not to be carried forward to the balance sheet of the combined bank. If the reporting bank has issued any stock in connection with the acquisition, the fair value of the shares issued shall be used in determining the cost of the acquisition unless the net fair value of the assets acquired and liabilities assumed presents a more accurate measure of the value of the transaction. The aggregate par or stated value of perpetual preferred or common shares issued shall be credited to the acquiring bank's appropriate stock account and any excess of fair value over par or stated value of shares issued (reduced by any direct costs of issuing the shares) shall be credited to surplus. The total fair value of limited-life preferred stock issued shall be credited to Schedule RC, item 19, "Subordinated notes and debentures." The operating results of the acquired bank or business are to be included in the income and expenses of the reporting bank only from the date of acquisition.

Push down accounting -- Push down accounting is the establishment of a new accounting basis for a bank in its separate financial statements as a result of a substantive change in control. Under push down accounting, when a bank is acquired, yet retains its separate corporate existence, the assets and liabilities of the acquired bank are restated to their fair values as of the acquisition date. These values, including any goodwill, are reflected in the separate financial statements of the acquired bank as well as in any consolidated financial statements of the bank's parent.

Push down accounting is required for purposes of the Reports of Condition and Income if a direct or indirect change in control of at least 95 percent of the voting stock of the bank has occurred, and the bank does not have an outstanding issue of publicly traded debt or preferred stock. Push down accounting also is required if the bank's separate financial statements are presented on a push down basis in reports filed with the Securities and Exchange Commission. Push down accounting may also be used when a direct or indirect change in control of at least 80 percent, but less than 95 percent, of the voting stock of the bank has occurred.

In all cases, the bank's primary federal supervisory authority reserves the right to determine whether or not a bank must use push down accounting for purposes of the Reports of Condition and Income.

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 resulting in a substantive change in control of at least 80 percent must have occurred, and

(2) The push down adjusting entries eliminated the undivided profits account (therefore, the entire undivided profits of the bank before the acquisition will not be available for the payment of dividends after the acquisition).

In the Reports of Condition and Income for the remainder of the year in which the acquisition occurs, a bank shall report the initial increase or decrease in its equity capital that results from the application of push down accounting in item 6, "Changes incident to business combinations, net," of Schedule RI-A, Changes in Equity Capital. In addition, when push down accounting is used, no income or expense for the period of the calendar year prior to the acquisition date should be included in subsequent Reports of Income.

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

A bank holding company's investment in a bank or other business that was acquired in a purchase business combination 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 FASB Emerging Issues Task Force Issue No. 90-5, 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 details on the general treatment of business combinations, see APB Opinion No. 16 and FASB Statement No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions."

Call Option: See "derivative contracts."

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.

Capitalization of Interest Costs (cont.):

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

For further information, see 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.)

"Transaction accounts of a single type" means demand deposit accounts or NOW accounts, but not a combination thereof. For purposes of cash management arrangements, the terms "right" and "capacity" relate to the form of legal ownership such as being held in an agency or trust capacity, as a joint tenant, or as an individual. "Single legal entity" means a natural person, partnership, corporation, trust, or estate.

The reporting bank must maintain readily available records which will allow for the verification of cash management arrangements. Such documentation must provide account numbers, account titles, ownership of accounts, and the terms and conditions surrounding the management of the accounts, and must also clearly show that both the customer and the reporting bank have agreed to such terms and conditions. These terms and conditions must clearly indicate the understanding that payments from one account will be honored as long as a net credit balance exists within the group of related transaction accounts taken as a whole and maintained in the same right and capacity. A written cash management agreement, signed by both the customer (a single legal entity) and the reporting bank, accurately maintained and incorporating the above information, will be acceptable evidence of a bona fide cash management arrangement. In addition, the reporting bank must maintain readily available records which will allow for the verification of account balances within cash management arrangements.

See "deposits" for the definitions of transaction account, demand deposit, and NOW account. See also "overdraft."

Certificate of Deposit: See "deposits."

Changes in Accounting Estimates: See "accounting changes."

Changes in Accounting Principles: See "accounting changes."

Clearing Accounts: See "suspense accounts."

Commercial Banks in the U.S.: See "banks, U.S. and foreign."

Commercial Letter of Credit: See "letter of credit."

Commercial Paper: Commercial paper consists of short-term negotiable promissory notes issued in the United States by commercial businesses, including finance companies and banks. Commercial paper usually matures in 270 days or less and is not collateralized. Commercial paper may be backed by a standby letter of credit from a bank, as in the case of documented discounted notes. Holdings of commercial paper are to be reported as "securities" in Schedule RC-B, normally in item 5, "Other debt securities," unless held for trading and therefore reportable in Schedule RC, item 5, "Trading assets."

Commodity or Bill-of-Lading Draft: A commodity or bill-of-lading draft is a draft that is issued in connection with the shipment of goods. If the commodity or bill-of-lading draft becomes payable only when the shipment of goods against which it is payable arrives, it is an arrival draft. Arrival drafts are usually forwarded by the shipper to the collecting depository institution with instructions to release the shipping documents (e.g., bill of lading) conveying title to the goods only upon payment of the draft. Payment, however, cannot be demanded until the goods have arrived at the drawee's destination. Arrival drafts provide a means of insuring payment of shipped goods at the time that the goods are released.

Common Stock of Unconsolidated Subsidiaries, Investments in: See the instruction to Report of Condition Schedule RC-M, item 8.b, "Investments in unconsolidated subsidiaries and associated companies."

Continuing Contract: See "federal funds transactions."

Corporate Joint Venture: See "subsidiaries."

Corrections of Accounting Errors: See "accounting changes."

Coupon Stripping, Treasury Receipts, and STRIPS: Coupon stripping occurs when a security holder physically detaches unmatured coupons from the principal portion of a security and sells either the detached coupons or the ex-coupon security separately. (Such transactions are generally considered by federal bank supervisory agencies to represent "improper investment practices" for banks.) In accounting for such transactions, the carrying amount of the security must be allocated between the ex-coupon security and the detached coupons based on their relative fair values at the date of the sale in accordance with FASB Statement No. 125. (See the Glossary entry for "transfers of financial assets.")

Detached U.S. Government security coupons and ex-coupon U.S. Government securities that are held in the reporting bank's securities portfolio, whether resulting from the coupon stripping activities of the reporting bank or from its purchase of stripped securities, shall be reported as "Other domestic securities" in Schedule RC-B, item 5. The amount of any discount or premium relating to the detached coupons or ex-coupon securities must be amortized. (See the Glossary entry for "premiums and discounts.")

A variation of coupon stripping has been developed by several securities firms which have marketed instruments with such names as CATS (Certificates of Accrual on Treasury Securities), TIGR (Treasury Investment Growth Receipts), COUGAR (Certificates on Government Receipts), LION (Lehman Investment Opportunity Notes), and ETR (East Treasury Receipts). A securities dealer purchases U.S. Treasury securities, delivers them to a trustee, and sells receipts representing the rights to future interest and/or principal payments on the U.S. Treasury securities held by the trustee. Such Treasury receipts are not an obligation of the U.S. Government and, when held in the reporting bank's securities portfolio, shall be reported as "Other debt securities" in Schedule RC-B, item 5. The discount on these Treasury receipts must be accreted.

Coupon Stripping, Treasury Receipts, and STRIPS (cont.):
Under a program called Separate Trading of Registered Interest and Principal of Securities (STRIPS), the U.S. Treasury has issued certain long-term note and bond issues that are maintained in the book-entry system operated by the Federal Reserve Banks in a manner that permits separate trading and ownership of the interest and principal payments on these issues. Even after the interest or principal portions of U.S. Treasury STRIPS have been separately traded, they remain obligations of the U.S. Government. STRIPS held in the reporting bank's securities portfolio shall be reported as U.S. Treasury securities in Schedule RC-B. The discount on separately traded portions of STRIPS must be accreted.

Detached coupons, ex-coupon securities, Treasury receipts, and U.S. Treasury STRIPS held for trading shall be reported in Schedule RC, item 5, and valued on a basis consistent with the valuation of other trading assets.

Custody Account: A custody account is one in which securities or other assets are held by a bank on behalf of a customer under a safekeeping arrangement. Assets held in such capacity are not to be reported in the balance sheet of the reporting bank nor are such accounts to be reflected as a liability. Assets of the reporting bank held in custody accounts at other banks are to be reported on the reporting bank's balance sheet in the appropriate asset categories as if held in the physical custody of the reporting bank.

Dealer Reserve Account: A dealer reserve account arises when a bank purchases at full face value a dealer's installment note receivables, but credits less than the full face value directly to the dealer's account. The remaining amount is credited to a separate dealer reserve account. That account is held by the bank as collateral for the installment notes and, for reporting purposes, is treated as a deposit in the appropriate items of Schedule RC-E. The bank will subsequently disburse to the dealer predetermined portions of the reserve as the purchased notes are paid in a timely manner.

For example, if a bank purchases $100,000 in notes from a dealer for the full face amount ($100,000) and pays to the dealer $90,000 in cash or credits to his/her deposit account, the remaining $10,000, which is held as collateral security, would be credited to the dealer reserve account.

See also "deposits."

Deferred Income Taxes: See "income taxes."

Demand Deposits: See "deposits."

Depository Institutions in the U.S.: Depository institutions in the U.S. consist of:

(1) U.S. branches and agencies of foreign banks;

(2) U.S.-domiciled head offices and branches of U.S. banks, i.e.,
   (a) national banks,
   (b) state-chartered commercial banks,
   (c) trust companies that perform a commercial banking business,
   (d) industrial banks,
   (e) private or unincorporated banks,
   (f) Edge and Agreement corporations, and
   (g) International Banking Facilities (IBFs) of U.S. banks; and

Depository Institutions in the U.S. (cont.):

(3) U.S.-domiciled head offices and branches of other depository institutions in the U.S., i.e.,
- (a) mutual or stock savings banks,
- (b) savings or building and loan associations,
- (c) cooperative banks,
- (d) credit unions,
- (e) homestead associations,
- (f) other similar depository institutions in the U.S., and
- (g) International Banking Facilities (IBFs) of other depository institutions in the U.S.

Deposits: The basic statutory and regulatory definitions of "deposits" are contained in Section 3(l) of the Federal Deposit Insurance Act and in Federal Reserve Regulation D. The definitions in these two legal sources differ in certain respects. Furthermore, for purposes of these reports, the reporting standards for deposits specified in these instructions do not strictly follow the precise legal definitions in these two sources. The definitions of deposits to be reported in the deposit items of the Reports of Condition and Income are discussed below under the following headings:

(I) FDI Act definition of deposits.
(II) Transaction-nontransaction deposit distinction.
(III) Interest-bearing-noninterest-bearing deposit distinction.

(I) FDI Act definition of deposits:

(1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: Provided, That, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank or savings association for collection,

(2) trust funds as defined in this Act received or held by such bank or savings association, whether held in the trust department or held or deposited in any other department of such bank or savings association,

(3) money received or held by a bank or savings association, or the credit given for money or its equivalent received or held by a bank or savings association, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or savings association or others (including funds held as dealers reserves) or for securities loaned by the bank or savings association, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes: Provided, That there shall not be included funds which are received by the bank or savings association for immediate application to the reduction of an indebtedness to the receiving bank or savings association, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness,

Deposits (cont.):

(4) outstanding draft (including advice or authorization to charge a bank's or a savings association's balance in another bank or savings association), cashier's check, money order, or other officer's check issued in the usual course of business for any purpose, including without being limited to those issued in payment for services, dividends, or purchases, and

(5) such other obligations of a bank or savings association as the Board of Directors, after consultation with the Comptroller of the Currency, Director of the Office of Thrift Supervision, and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage, except that the following shall not be a deposit for any of the purposes of this Act or be included as part of the total deposits or of an insured deposit:

(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.

(II) Transaction-nontransaction deposit distinction: The Monetary Control Act of 1980 and the current Federal Reserve Regulation D, "Reserve Requirements of Depository Institutions," establish, for purposes of federal reserve requirements on deposit liabilities, a category of deposits designated as "transaction accounts." All deposits that are not transaction accounts are "nontransaction accounts."

(1) Transaction accounts -- With the exceptions noted below, a "transaction account," as defined in Regulation D and in these instructions, is a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine (ATM), a remote service unit (RSU), or another electronic device, including by debit card.

Excluded from transaction accounts are savings deposits (both money market deposit accounts (MMDAs) and other savings deposits) as defined below in the nontransaction account category, even though such deposits permit some third-party transfers. However, an account that otherwise meets the definition of a savings deposit but that authorizes or permits the depositor to exceed the transfer limitations specified for that account shall be reported as a transaction account. (Please refer to the definition of savings deposits for further detail.)

Deposits (cont.):

NOTE: Under the Federal Reserve's current Regulation D, no transaction account, regardless of its other characteristics, is classified either as a savings deposit or as a time deposit. Thus, those transaction accounts that are not demand deposits--NOW accounts, ATS (Automatic Transfer Service) accounts, and telephone and preauthorized transfer accounts--are excluded from Regulation D time and savings deposits. However, for FDIC insurance assessment purposes as set forth in the FDI Act, all such transaction accounts that are not demand deposits are included in "time and savings deposits." This FDIC usage is to be followed only in Schedule RC-O. For all other items in the Reports of Condition and Income involving time or savings deposits, a strict distinction, based on Regulation D definitions, is to be maintained between transaction accounts and time and savings accounts.

Transaction accounts consist of the following types of deposits: (a) demand deposits; (b) NOW accounts; (c) ATS accounts; and (d) telephone and preauthorized transfer accounts, all as defined below. Interest that is paid by the crediting of transaction accounts is also included in transaction accounts.

(a) Demand deposits are noninterest-bearing deposits that are payable immediately on demand, or that are issued with an original maturity or required notice period of less than seven days, or that represent funds for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal. Demand deposits include any matured time deposits without automatic renewal provisions, unless the deposit agreement provides for the funds to be transferred at maturity to another type of account. Demand deposits do not include: (i) money market deposit accounts (MMDAs) or (ii) NOW accounts, as defined below in this entry.

(b) NOW accounts are interest-bearing deposits (i) on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and (ii) that can be withdrawn or transferred to third parties by issuance of a negotiable or transferable instrument.

NOW accounts, as authorized by federal law, are limited to accounts held by:

(i) Individuals or sole proprietorships;

(ii) Organizations that are operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and that are not operated for profit. These include organizations, partnerships, corporations, or associations that are not organized for profit and are described in section 501(c)(3) through (13) and (19) and section 528 of the Internal Revenue Code, such as church organizations; professional associations; trade associations; labor unions; fraternities, sororities and similar social organizations; and nonprofit recreational clubs; or

(iii) Governmental units including the federal government and its agencies and instrumentalities; state governments; county and municipal governments and their political subdivisions; the District of Columbia; the Commonwealth of Puerto Rico, American Samoa, Guam, and any territory or possession of the United States and their political subdivisions.

Deposits (cont.):

Also included are the balances of all NOW accounts of certain other nonprofit organizations that may not fall within the above description but that had established NOW accounts with the reporting institution prior to September 1, 1981.

NOTE: There are no regulatory requirements with respect to minimum balances to be maintained in a NOW account or to the amount of interest that may be paid on a NOW account.

(c) ATS accounts are deposits or accounts of individuals or sole proprietorships on which the depository institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account and from which, pursuant to written agreement arranged in advance between the reporting institution and the depositor, withdrawals may be made automatically through payment to the depository institution itself or through transfer of credit to a demand deposit or other account in order to cover checks or drafts drawn upon the institution or to maintain a specified balance in, or to make periodic transfers to, such other accounts.

Some institutions may have entered into agreements with their customers providing that in the event the customer should overdraw a demand deposit (checking) or NOW account, the institution will transfer from that customer's savings account an amount sufficient to cover the overdraft. The availability of the overdraft protection plan would not in and of itself require that such a savings account be regarded as a transaction account provided that the overall transfer and withdrawal restrictions of a savings deposit are not exceeded. Please refer to the definition of savings deposit for further detail.

(d) Telephone or preauthorized transfer accounts consist of deposits or accounts, other than savings deposits, (1) in which the entire beneficial interest is held by a party eligible to hold a NOW account, (2) on which the reporting institution has reserved the right to require at least seven days' written notice prior to withdrawal or transfer of any funds in the account, and (3) under the terms of which, or by practice of the reporting institution, the depositor is permitted or authorized to make more than six withdrawals per month or statement cycle (or similar period) of at least four weeks for purposes of transferring funds to another account of the depositor at the same institution (including a transaction account) or for making payment to a third party by means of preauthorized transfer, or telephonic (including data transmission) agreement, order or instruction. An account that permits or authorizes more than six such withdrawals in a "month" (a calendar month or any period approximating a month that is at least four weeks long, such as a statement cycle) is a transaction account whether or not more than six such withdrawals actually are made in the "month."

A "preauthorized transfer" includes any arrangement by the reporting institution to pay a third party from the account of a depositor (1) upon written or oral instruction (including an order received through an automated clearing house (ACH)), or (2) at a predetermined time or on a fixed schedule.

Telephone and preauthorized transfer accounts also include:

(i) Deposits or accounts maintained in connection with an arrangement that permits the depositor to obtain credit directly or indirectly through the drawing of a negotiable or nonnegotiable check, draft, order or instruction or other similar

Deposits (cont.):

device (including telephone or electronic order or instruction) on the issuing institution that can be used for the purpose of making payments or transfers to third parties or others, or to another deposit account of the depositor.

(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.

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. However, for FDIC insurance assessment purposes, as set forth in the FDI Act, all transaction accounts other than demand deposits--i.e., NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts--are included in "time and savings deposits." This FDIC usage is to be followed only in Schedule RC-0.

(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

Deposits (cont.):

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 telephonic (including data transmission) agreement, order, or instruction, and no more than three of the six such transfers may be made 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 or three-draft 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.

Deposits (cont.):

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.

(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) three of the 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.

Deposits (cont.):

(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.

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.

(III) Interest-bearing-noninterest-bearing deposit distinction:

(a) Interest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution pays compensation to the holder for the use of the funds. Such compensation may be in the form of cash, merchandise, or property or as a credit to an account. Deposits with a zero percent interest rate that are issued on a discount basis are to be treated as interest-bearing.

(b) Noninterest-bearing deposit accounts consist of deposit accounts on which the issuing depository institution pays no compensation to the holder for the use of the funds.

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

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

Deposits (cont.):

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. Up to three, but no more than three, of the six transfers 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.

Example 4

A savings deposit permits up to three, but no more than three, "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 to manage (position or hedge) their exposure to market risk (including interest rate risk and foreign exchange risk), cash flow risk, and other risks in their operations. Although certain accounting standards address specific types of derivatives (e.g., futures, foreign currency forwards, and some swaps), authoritative guidance for other types of derivatives is limited. Further, the existing guidance does not provide consistent accounting treatment among those types of derivatives that are addressed. Therefore, accounting practice for many types of derivatives has evolved primarily through industry convention and by analogy to the guidance for futures and foreign currency transactions.

Banks should follow generally accepted accounting principles (GAAP), consistent with the guidance provided in these instructions, to account for futures, forwards, options, swaps, and similar derivative instruments in their Call Reports. The interpretive guidance included in this Glossary entry falls within the range of GAAP, and banks that deviate from this guidance when preparing their Call Reports may be required to justify those departures.

Mortgage derivative products such as Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMICs) are not covered under this guidance as they are normally considered debt securities.

Derivative Contracts (cont.):

Types of Derivatives:

A derivative contract is a financial instrument whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. Derivative financial instruments that are covered by these instructions include futures, forwards, options, swaps, and other financial contracts with similar characteristics.

Financial instruments that contain embedded derivatives generally should be reported based on the primary characteristics of the instrument. For example, a bank granting a mortgage loan would generally provide the borrower an embedded option to prepay the remaining principal outstanding on the loan at any time. The bank would account for the transaction as a loan and not as an option. Similarly, a structured note that provides its issuer with an option to pay off principal at specified points in time would be categorized as a debt security.

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

Futures contracts are standardized forward contracts that are traded on organized exchanges. Exchanges in the U.S. are registered with and regulated by the Commodity Futures Trading Commission. The deliverable financial instruments underlying interest-rate future contracts are specified investment-grade financial instruments, such as U.S. Treasury securities or mortgage-backed securities. Foreign currency futures contracts involve specified deliverable amounts of a particular foreign currency. The deliverable products under commodity futures contracts are specified amounts and grades of commodities such as gold bullion. Equity futures contracts are derivatives that have a portion of their return linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Other forward contracts are traded over the counter and their terms are not standardized. Such contracts can only be terminated, other than by receipt of the underlying asset, by agreement of both buyer and seller. A forward rate agreement is a forward contract that specifies a reference interest rate and an agreed on interest rate (one to be paid and one to be received), an assumed principal amount (the notional amount), and a specific maturity and settlement date.

Swap contracts are forward-based contracts in which two parties agree to swap streams of payments over a specified period. The payments are based on an agreed upon notional principal amount. An interest rate swap generally involves no exchange of principal at inception or maturity. Rather, the notional amount is used to calculate the payment streams to be exchanged. However, foreign exchange swaps often involve the exchange of principal.

Option contracts (standby contracts) are traded on exchanges and over the counter. Option contracts grant the right, but do not obligate, the purchaser (holder) to buy (call) or sell (put) a specific or standard commodity, financial, or equity instrument at a specified price during a specified period or at a specified date. A purchased option is a contract in which the buyer has paid compensation (such as a fee or premium) to acquire the right to sell or purchase an instrument at a stated price on a specified future date. A written option obligates the option seller to purchase or sell the instrument at the option of the buyer of the contract. Option contracts may relate to purchases or sales of securities, money market instruments, futures contracts, other financial instruments, or commodities.

Derivative Contracts (cont.):

Interest rate caps are option contracts in which the cap seller, in return for a premium, agrees to limit the cap holder's risk associated with an increase in interest rates. If rates go above a specified interest-rate level (the strike price or cap rate), the cap holder is entitled to receive cash payments equal to the excess of the market rate over the strike price multiplied by the notional principal amount. For example, an issuer of floating-rate debt may purchase a cap to protect against rising interest rates, while retaining the ability to benefit from a decline in rates.

Interest rate floors are option contracts in which the floor seller, in return for a premium, agrees to limit the risk associated with a decline in interest rates based on a notional amount. If rates fall below an agreed rate, the floor holder will receive cash payments from the floor writer equal to the difference between the market rate and an agreed rate, multiplied by the notional principal amount.

Interest rate collars are option contracts that combine a cap and a floor (one held and one written). Interest rate collars enable a user with a floating rate contract to lock into a predetermined interest-rate range often at a lower cost than a cap or a floor.

Reporting Derivative Contracts:

At the inception of a derivative transaction, an institution should classify the derivative instrument into one of two categories: "trading" or "other than trading" (end-user derivatives) based on the reasons for entering into the transaction.

All derivatives classified as "trading" should be marked to market. Changes in fair value on trading derivatives should be reflected in current period income as trading gains or losses. Trading derivatives with positive fair values should be reported as trading assets. Trading derivatives with negative fair values should be reported as trading liabilities. The trading liabilities account should be reported separately from the trading assets account. Netting of trading assets and liabilities is prohibited except as permitted under FASB Interpretation No. 39. (See the Glossary entry for "offsetting.")

Hedge Accounting -- Consistent with the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Banks and Savings Institutions and other relevant accounting literature, derivative financial instruments should generally be marked to market, with resulting market value gains and losses recognized in current earnings. However, if certain criteria are met, an institution may recognize the gains and losses on instruments used for hedging at the same time that it recognizes the effects of related changes of the items hedged. In other words, market value gains and losses are either reported currently or deferred, for both the hedging instrument and the hedged item to achieve income symmetry. This accounting treatment is referred to as "hedge accounting."

In practice, "hedge accounting" has become a generic term used to describe several accounting methods designed to achieve income symmetry. One form of "hedge accounting" is "deferral accounting." "Deferral accounting" generally means that market value gains and losses are not recognized in current income. Instead, gain or loss recognition is deferred until a future reporting period. Depending on the specific accounting guidance and derivative instrument, the market value gain or loss may be deferred as a basis adjustment of the hedged item or otherwise deferred until a future period.

Another form of "hedge accounting" for derivatives is "accrual" accounting (also referred to as synthetic instrument accounting). Under accrual accounting, cash receivable or payable under the terms of the derivative contract are accrued to income and considered adjustments to the interest income or expense of the hedged item. However, market value gains and losses on the hedged item are not recorded.

Derivative Contracts (cont.):

Institutions should determine whether hedge accounting is appropriate for a derivative by evaluating these instructions, the relevant accounting literature, industry practice, and the particular facts and circumstances of the situation. If hedging criteria are met, the gains or losses associated with a derivative designated as "other than trading" may be deferred and recognized consistent with gains or losses on the item that is being hedged.

Under GAAP, hedge accounting criteria vary based on the instrument used and the position being hedged. In addition to the criteria required in specific accounting standards, institutions using hedge accounting should meet the following minimum requirements:

(1) The hedging transaction should be consistent with risk management policies of the institution.

(2) Derivative instruments and the hedged assets, liabilities, firm commitments, or anticipated transactions must be designated when the hedging transaction is initiated. Adequate documentation of the designation must be maintained.

If the hedged asset or liability is marked to market, the hedging instrument should also be marked to market with the changes in the fair values of both recognized consistently (either in income, or in the case of available-for-sale securities, in equity). Furthermore, derivatives used for speculative purposes, market making, or other nonhedging purposes do not qualify for hedge accounting and must be accounted for at fair value with changes in fair value reported in current income. Mark-to-market accounting is also appropriate if a derivative is designated as a hedge, but applicable criteria for hedge accounting are not met.

Valuation of open positions -- The fair value of an asset (or liability) is the amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

The fair value of a futures contract or exchange-traded option contract is to be based on published price quotations. Quoted market prices in active markets provide the best evidence of fair value and should be used as the basis for measurement, if available. However, quoted market prices may not be readily available for some derivative instruments such as forwards, swaps, or over-the-counter option contracts. In those cases, an institution should estimate fair value based on the best information available. Examples of valuation techniques include the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved, option-pricing models, matrix pricing, option adjusted spread models and fundamental analysis. (See FASB Statement No. 125, paragraphs 42-44, for additional information about estimating fair value.) The notional amount of assets deliverable under derivative contracts generally should not be reported in the balance sheet.

Accounting for the Credit Quality of Derivatives -- The fair value of derivative contracts generally should reflect the credit quality of the counterparties. Therefore, when derivative contracts are marked to market, deterioration or improvement in credit quality of the counterparties should be reflected as an adjustment to the fair value of the derivatives. Institutions should follow the guidance in FASB Statement No. 105 and the AICPA's Audit and Accounting Guide for Banks and Savings Institutions which requires that any reserves or allowances for credit losses on derivatives be reported on the balance sheet separate from the allowance for loan and lease losses account.

Derivative Contracts (cont.):

Margin Accounts and Performance Bonds -- Funds deposited as margin should be reported as initial deposits, generally as other assets. When the reporting bank, as either buyer or seller of futures contracts, has posted a performance bond in the form of a margin account deposited with a broker or exchange, the current balance (as of the report date) of that margin account shall be reported in the Report of Condition in Schedule RC-F, Other Assets. Amounts deposited with exchanges to settle daily margin requirements should also be reported in Schedule RC-F.

Reporting Open Derivative Contracts -- Derivative contracts are outstanding (i.e., open) until they have been terminated by acquisition or delivery of the underlying financial instruments, or, for futures contracts, by offset, or, for option contracts, by expiring unexercised. These contracts can be "offset" by the liquidating of a purchase of futures through the sale of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange, or the covering of a short sale of futures through the purchase of an equal number of contracts of the same delivery month on the same underlying instrument on the same exchange.

Open derivatives contracts to sell securities or other assets should not be treated as a sale of all, or any part, of the underlying assets, nor netted against recorded asset values. Further, open derivatives contracts to purchase securities or other assets, should not be reported as a purchase of such assets, nor be added to recorded asset values. Only when the termination of an open position in a derivatives contract results in the acquisition of the underlying asset should the underlying asset be reported in the balance sheet. Open positions in futures, forwards, options, and swaps are reported in Schedule RC-L, Off-Balance Sheet Items.

Termination of Derivative Contracts -- For terminated derivatives that qualified and were reported as hedges, the unamortized balance of any realized deferred gain or loss should be reported in Schedule RC-M, item 11, "Net unamortized realized deferred gains (losses) on off-balance sheet derivative contracts included in assets and liabilities reported in Schedule RC." For terminated derivatives that did not qualify as hedges, any gain or loss should be reported in the Report of Income in "All other noninterest income," "Other noninterest expense," or "Trading revenue," as appropriate.

Accounting Treatment:

The following is a brief summary of GAAP for certain derivatives and additional guidance that is applicable for Call Report purposes.

Foreign Currency Transactions -- The primary authoritative accounting guidance for forwards, futures, and swaps involving foreign currencies is FASB Statement No. 52, "Foreign Currency Translation." Under this accounting standard, gains and losses on foreign currency transactions are recognized in income unless the transaction qualifies as a hedge of a foreign currency commitment or a net investment in a foreign entity. (See the Glossary entry for "Foreign Currency Transactions and Translation" and Statement No. 52 for additional information about accounting for foreign currency transactions, including hedges of foreign operations.)

Statement No. 52 generally permits the gain or loss on contracts or transactions that effectively hedge foreign currency commitments to be deferred from income and included in the measurement of the related foreign currency transaction. Losses should not be deferred, however, if it is estimated that deferral would lead to recognizing losses in later periods. A foreign currency transaction shall be considered a hedge of an identifiable foreign currency commitment provided both of the following conditions are met: (a) the foreign currency transaction is designated as, and is effective as, a hedge of a foreign currency commitment, and (b) the foreign currency commitment

Derivative Contracts (cont.):

is firm. The standard does not permit hedges of anticipated transactions. See Statement No. 52 for the specific criteria that must be met for a foreign currency transaction to qualify for hedge accounting treatment.

The hedge criteria in Statement No. 52 may also be applied to hedges using assets or liabilities denominated in a foreign currency. For example, an asset or liability denominated in a foreign currency may be designated as a hedge of a foreign currency commitment and the gain or loss from the asset or liability may be deferred and included in the measurement of the transaction resulting from the commitment. In addition, an asset or liability denominated in a foreign currency may effectively be hedged under Statement No. 52 if the gain or loss on both the foreign currency denominated asset or liability and the hedging instrument are recognized currently in income. Current recognition of the offsetting gains and losses in income eliminates the need to defer gains and losses on the hedging instrument.

Futures Contracts -- The accounting for futures contracts, except foreign currency futures contracts (which are covered under FASB Statement No. 52), is established in FASB Statement No. 80, "Accounting for Futures Contracts."

Under Statement No. 80, changes in the market value of futures contracts are recognized in income unless certain criteria are met. If the criteria are met, an institution may be able to defer market value gains or losses and recognize these amounts as adjustments to the carrying amount of the hedged item. The Statement No. 80 criteria include:

(1) designation by management of the hedge position at inception,

(2) the item being hedged exposes the institution to price (or interest rate) risk,

(3) the futures contract reduces the bank's exposure to risk at the enterprise or business unit level, and

(4) changes in the market values of both the hedged item and the futures contract are highly correlated at the inception of the hedge and on an ongoing basis so that the change in the fair value of the futures contract will substantially offset the effects of price or interest rate changes on the hedged item.

For Call Report purposes, "high correlation" is achieved when cumulative changes in the value of the futures contract and the hedged item (the cash position) are at least 80 percent correlated. This may also be expressed as a range of 80 percent to 125 percent. Thus, if correlation is less than 80 percent or greater than 125 percent, it would not normally be acceptable to defer gains or losses on the futures contract.

To satisfy the criterion that changes in the values of the hedged item(s) and futures contract(s) are highly correlated at inception, an institution must consider actual correlation in relevant past periods. When making this assessment, the analysis period should normally cover at least the preceding 12 months. In addition, once a hedge is in place, the Statement No. 80 deferral criteria require an institution to assess correlation on a regular basis. Accordingly, institutions should assess correlation at least quarterly, but more frequent assessments may be warranted in certain circumstances. Documentation of the correlation analyses should be retained.

Derivative Contracts (cont.):

Statement No. 80 also indicates that a futures contract may qualify as a hedge of an anticipated transaction if the following two additional criteria are met:

(1) the significant characteristics and expected terms of the anticipated transaction are identified, and

(2) it is probable that the anticipated transaction will occur.

To satisfy the requirement that it is probable that an anticipated transaction will occur, a high level of assurance is necessary for the related futures contract to qualify as a hedge. Probability should be supported by observable facts and circumstances. The likelihood that a transaction will take place can be supported by the frequency of similar past transactions, substantial commitment of resources to an activity, and the length of time to the anticipated transaction date. As indicated in FASB Emerging Issues Task Force (EITF) Issue No. 86-34, the Statement No. 80 probability criterion is difficult to meet when the anticipated transactions are expected to take place over a relatively long period of time (e.g., more than one year). See Statement No. 80 for further discussion of probability.

Forward Contracts -- Institutions should refer to FASB Statement No. 80 and the preceding guidance for futures contracts for guidance on accounting for domestic forward contracts. Foreign currency forward rate agreements and foreign currency forward contracts are generally accounted for under FASB Statement No. 52.

Interest Rate Swaps -- The EITF has issued some guidance on accounting for interest rate swaps. For example, EITF Issue No. 84-7 applies to the early termination of swaps that hedge a financial instrument. Under this guidance, gain or loss from early termination should be deferred and amortized as a yield adjustment to the underlying financial instrument if the financial instrument is not marked to market. EITF Issue No. 84-36 indicates that if a company entering into a swap has an underlying debt obligation on its balance sheet, it may account for the swap like a hedge of that obligation and record interest expense using the revised rate. (FASB Statement No. 52 provides guidance on the use of hedge accounting for currency swaps.)

In practice, many interest rate swaps are accounted for in a manner consistent with the underlying asset or liability to which they are designated. For example, if an institution uses a swap to change a fixed interest rate asset to a variable rate asset (or vice versa), it would accrue the interest payable or receivable as an adjustment to interest income or expense. Accordingly, when an institution uses a swap to alter the interest rate characteristics of an underlying asset or liability, it does not recognize any market value gain or loss on the swap. Instead, it records interest income or expense using the revised interest rate, with any fees or other payments amortized as yield adjustments. Consistent with EITF Issues No. 84-7 and No. 84-36, the gain or loss on a terminated interest rate swap should be deferred and recognized over the life of the hedged item if this item is not marked to market. If the financial instrument is marked to market with gains and losses recognized in current earnings, the gain or loss on termination should also be recognized in income.

Banks are generally permitted to account for interest rate swaps as hedges in the Call Report when permitted in accordance with GAAP, provided the swap is linked with a specific asset or liability or pool of assets and liabilities. However, interest rate swaps containing leverage, or not meeting the general guidance for hedge accounting (as stated above in these instructions) should be marked to market.

Derivative Contracts (cont.):

Purchased Options -- Virtually no authoritative literature has been issued for the accounting for purchased options. In the absence of specific guidance, some institutions have adopted some aspects of an AICPA Issues Paper released in 1986. However, this paper is not authoritative. Accordingly, accounting practice for purchased options has developed primarily by analogy to FASB Statements No. 80 and No. 52 and where addressed, by the AICPA's Audit and Accounting Guide for Banks and Savings Institutions.

For hedges of foreign currency risk involving purchased options, EITF Issue No. 90-17, "Hedging with Purchased Options," provides limited guidance. Under this guidance, when an option has little or no intrinsic value[3] and it hedges an anticipated transaction that is probable, an institution may use hedge accounting for the gains or losses on the option, if the following criteria are met:

(1) The item to be hedged exposes the hedging enterprise to foreign currency risk.

(2) The purchased option is designated as a hedge and reduces the enterprise's exposure to risk.

(3) The significant characteristics and expected terms of the anticipated transaction are identified.

(4) It is probable that the anticipated transaction will occur.

Purchased options that hedge assets and liabilities marked to market through income should also be marked to market through income. In practice, for purchased options that hedge assets and liabilities carried at cost (or lower of cost or market), institutions recognize market value gain or loss in the appropriate period to match the timing of recognition of income or expense of the hedged item. The premium paid is typically amortized over the life of the option.

Institutions typically account for purchased interest rate caps, floors, collars, and similar option-based instruments used for hedging purposes like interest rate swaps. Accordingly, in practice, interest payable or receivable on such instruments is accrued as an adjustment to interest income or expense on the assets or liabilities being hedged and the market value gain or loss on the option-based instrument is not recognized in income.

As with an interest rate swap, to qualify for hedge accounting, a purchased option, interest rate cap, floor, collar, or similar instrument must be designated as a hedge and linked with a specific asset or liability, or pool of assets or liabilities. Again, hedging treatment depends on the specific facts and circumstances. In the absence of sufficient evidence that a hedge is being undertaken, the instrument should be marked to market.

Written Options - Written options do not qualify as hedges for accounting purposes. Such options should be marked to market through current earnings.

A loss on a written option should be reported in the Report of Income in "Other noninterest expense" or "Trading revenue," as appropriate. An accumulated loss position should be reported as a liability in the Report of Condition in Schedule RC-G, Other Liabilities, or in Schedule RC, item 15.b, "Trading liabilities," as appropriate.

[3] The market value of an option includes an intrinsic value component and a time value component. The intrinsic value of a call option, for example, is the excess, if any, of the market price of the underlying item over the exercise price of the option. Thus, an option may have no intrinsic value. The time value of a call option is the difference between the total premium for an option and the option's intrinsic value. The time value component is affected by several factors, including the probability that the price of the underlying item will move above the exercise price during the exercise period.

Discounts: See "premiums and discounts."

Dividends: Cash dividends are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the bank's board of directors (the declaration date) by debiting "undivided profits" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding" which is reportable in the "demand deposits" category of the bank's deposit liabilities.

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the board of directors. However, the bank may segregate a portion of undivided profits in the form of a net worth reserve in anticipation of the declaration of a dividend.

Stock dividends are distributions of additional shares to stockholders in proportion to the number of shares they own. Stock dividends are to be reported by transferring an amount equal to the fair value of the additional shares issued from undivided profits to a category of permanent capitalization (common stock and surplus). However, the amount transferred from undivided profits must be reduced by the amount of any mandatory and discretionary transfers previously made (such as those from undivided profits to surplus for increasing the bank's legal lending limit) provided such transfers have not already been used to record a stock dividend. In any event, the amount transferred from undivided profits may not be less than the par or stated value of the additional shares being issued.

Property dividends, also known as dividends in kind, are distributions to stockholders of assets other than cash. The transfer of securities of other companies, real property, or any other asset owned by the reporting bank to a stockholder or related party is to be recorded at the fair value of the asset on the declaration date of the dividend. A gain or loss on the transferred asset must be recognized in the same manner as if the property had been disposed of in an outright sale at or near the declaration date. In those instances where a bank transfers bank premises to a parent holding company in the form of a property dividend and the parent immediately enters into a sale-leaseback transaction with a third party, the gain must be deferred by the bank and amortized over the life of the lease.

Domestic Office: For purposes of these reports, a domestic office of the reporting bank is a branch or subsidiary (other than an Edge or Agreement subsidiary) located in the 50 states of the United States or the District of Columbia or a branch on a U.S. military facility wherever located. The domestic offices of the reporting bank exclude all International Banking Facilities (IBFs); all offices of Edge and Agreement subsidiaries, including their U.S. offices; and all branches and other subsidiaries of the bank located in Puerto Rico, U.S. territories and possessions, or foreign countries.

Domicile: Domicile is used to determine the foreign (non-U.S. addressee) or domestic (U.S. addressee) status of a customer of the reporting bank for the purposes of these reports. Domicile is determined by the principal residence address of an individual or the principal business address of a corporation, partnership, or sole proprietorship. If other addresses are used for correspondence or other purposes, only the principal address, insofar as it is known to the reporting bank, should be used in determining whether a customer should be regarded as a U.S. or non-U.S. addressee.

For purposes of defining customers of the reporting bank, U.S. addressees include residents of the 50 states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Non-U.S. addressees includes residents of any foreign country. The term non-U.S. addressee generally includes foreign-based subsidiaries of other U.S. banks.

Domicile (cont.):
For customer identification purposes, the IBFs of other U.S. depository institutions are U.S. addressees. (This is in contrast to the treatment of the IBFs of the reporting bank which are treated as foreign offices of the reporting bank.)

Due Bills: A due bill is an obligation that results when a bank sells an asset and receives payment, but does not deliver the security or other asset. A due bill can also result from a promise to deliver an asset in exchange for value received. In both cases, the receipt of the payment creates an obligation regardless of whether the due bill is issued in written form. Outstanding due bill obligations shall be reported as borrowings in Schedule RC, item 16, "Other borrowed money," by the issuing bank. Conversely, when the reporting bank is the holder of a due bill, the outstanding due bill obligation of the seller shall be reported as a loan to that party.

Edge and Agreement Corporation: An Edge corporation is a federally-chartered corporation organized under Section 25(a) of the Federal Reserve Act and subject to Federal Reserve Regulation K. Edge corporations are allowed to engage only in international banking or other financial transactions related to international business.

An Agreement corporation is a state-chartered corporation that has agreed to operate as if it were organized under Section 25 of the Federal Reserve Act and has agreed to be subject to Federal Reserve Regulation K. Agreement corporations are restricted, in general, to international banking operations. Banks must apply to the Federal Reserve for permission to acquire stock in an Agreement corporation.

A reporting bank's Edge or Agreement subsidiary, i.e., the bank's majority-owned Edge or Agreement corporation, is treated for purposes of these reports as a "foreign" office of the reporting bank.

Equity Method of Accounting: See the instruction to Report of Condition Schedule RC-M, item 8.b, "Investments in unconsolidated subsidiaries and associated companies."

Extinguishments of Liabilities: The accounting and reporting standards for extinguishments of liabilities occurring after December 31, 1996, are set forth in FASB Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Under Statement No. 125, a bank should remove a previously recognized liability from its balance sheet if and only if the liability has been extinguished. A liability has been extinguished if either of the following conditions is met:

(1) The bank pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivering cash, other financial assets, goods, or services or the bank's reacquiring its outstanding debt.
(2) The bank is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Extraordinary Items: Extraordinary items are material events and transactions that are (1) unusual and (2) infrequent. Both of those conditions must exist in order for an event or transaction to be reported as an extraordinary item.

To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of banks. An event or transaction which is beyond bank management's control is not automatically considered to be unusual.

Extraordinary Items (cont.):

To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Only a limited number of events or transactions qualify for treatment as extraordinary items. Among these are losses which result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), an expropriation, or a prohibition under a newly enacted law or regulation.

For further information, see APB Opinion No. 30, "Reporting the Results of Operations."

Fails: When a bank has sold an asset and, on settlement date, does not deliver the security or other asset and does not receive payment, a sales fail exists. When a bank has purchased a security or other asset and, on settlement date, does not receive the asset and does not pay for it, a purchase fail exists. Fails do not affect the way securities are reported in the Reports of Condition and Income.

Federal Funds Transactions: For purposes of the Reports of Condition and Income, federal funds transactions involve the reporting bank's lending (federal funds sold) or borrowing (federal funds purchased) of immediately available funds for one business day or under a continuing contract, regardless of the nature of the contract or of the collateral, if any. However, due bills and borrowings from the Discount and Credit Department of a Federal Reserve Bank are excluded from federal funds.

Immediately available funds are funds that the purchasing bank can either use or dispose of on the same business day that the transaction giving rise to the receipt or disposal of the funds is executed.

The borrowing and lending of immediately available funds is for one business day if the funds borrowed on one business day are to be repaid or the transaction reversed on the next business day, that is, if immediately available funds borrowed today are to be repaid tomorrow (in tomorrow's immediately available funds). Such transactions include those made on a Friday to mature or be reversed the following Monday and those made on the last business day prior to a holiday (for either or both of the parties to the transaction) to mature or be reversed on the first business day following the holiday. Federal funds include only those exchanges of immediately available funds that are for one business day (or under a continuing contract).

A continuing contract is a contract or agreement that remains in effect for more than one business day but has no specified maturity and does not require advance notice of either party to terminate. Such contracts may also be known as rollovers or as open-ended agreements.

Federal funds may take the form of the following four types of transactions provided that the transactions meet the above criteria (i.e., immediately available funds for one business day or under a continuing contract):

(1) Unsecured loans (federal funds sold) or borrowings (federal funds purchased). (In some market usage, the term "fed funds" or "pure fed funds" is confined to unsecured loans of immediately available balances.)

(2) Purchases (sales) of securities under agreements to resell (repurchase) and similar transactions, regardless of the terminology used, where a feature of the transaction is the resale (repurchase)

Federal Funds Transactions (cont.):

of identical or substantially similar securities. (Security resale and repurchase agreements of more than one business day maturity with this same feature are not covered by the term "federal funds," but they are part of the total amount of security resale and repurchase agreements which are combined with federal funds in items 3 and 14 on the balance sheet (Schedule RC). The term "federal funds" and the term "security repurchase (resale) agreement" both include security repurchase (resale) agreements of one business day maturity or under a continuing contract and thus overlap to that extent.)

(3) Purchases (sales) of loans or other assets under agreements to resell (repurchase) that have one business day maturities (or are under continuing contracts) and are in immediately available funds.

(4) Purchases (sales) of participations in pools of securities.

Any borrowing or lending of immediately available funds that matures in more than one business day, other than security repurchase or resale agreements, is to be treated as a borrowing or as a loan, not as federal funds. Such transactions are sometimes referred to as "term federal funds."

Federally-Sponsored Lending Agency: A federally-sponsored lending agency is an agency or corporation that has been chartered, authorized, or organized as a result of federal legislation for the purpose of providing credit services to a designated sector of the economy. These agencies include Banks for Cooperatives, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and the Student Loan Marketing Association.

Fees, Loan: See "loan fees."

Foreclosed Assets: The accounting and reporting standards for foreclosed assets are set forth in FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," and FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." A summary of the relevant provisions of these accounting standards follows. For further information, see FASB Statements No. 15 and 121.

A bank that receives from a borrower in full satisfaction of a loan either receivables from third parties, an equity interest in the borrower, or other types of assets (except long-lived assets that will be sold) shall account for those assets at their fair value at the time of the restructuring. A bank that receives long-lived assets that will be sold, such as real estate, from a borrower in full satisfaction of a loan shall account for those long-lived assets at their fair value less cost to sell. This fair value (less cost to sell) becomes the "cost" of the foreclosed asset. The amount, if any, by which the recorded amount of the loan exceeds the fair value (less cost to sell) of the asset is a loss which must be charged to the allowance for loan and lease losses at the time of foreclosure or repossession. (The recorded amount of the loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest.)

If an asset is sold shortly after it is received in a foreclosure or repossession, it would generally be appropriate to substitute the value received in the sale (net of the cost to sell for long-lived assets that will be sold such as real estate) for the fair value (less cost to sell for long-lived assets that will be sold such as real estate) that had been estimated at the time of foreclosure or repossession. Any adjustments should be made to the loss charged against the allowance. In those cases where property is received in full satisfaction of an asset other than a loan (e.g., a debt security), the loss should be reported on the income statement in a manner consistent with the balance sheet classification of the asset satisfied.

Foreclosed Assets (cont.):

An asset received in partial satisfaction of a loan should be accounted for as described above and the recorded amount of the loan should be reduced by the fair value (less cost to sell) of the asset at the time of foreclosure.

For purposes of these reports, foreclosed assets include loans where the bank, as creditor, has received physical possession of a borrower's assets, regardless of whether formal foreclosure proceedings take place. In such situations, the secured loan should be recategorized on the balance sheet in the asset category appropriate to the underlying collateral (e.g., as other real estate owned for real estate collateral) and accounted for as described above.

The amount of any senior debt (principal and accrued interest) to which foreclosed real estate is subject at the time of foreclosure must be reported as a liability in Schedule RC, item 16, "Other borrowed money."

After foreclosure, each foreclosed real estate asset (including any real estate for which the bank receives physical possession, regardless of whether formal foreclosure proceedings take place) must be carried at the lower of (1) the fair value of the asset minus the estimated costs to sell the asset or (2) the cost of the asset (as defined in the preceding paragraphs). This determination must be made on an asset-by-asset basis. If the fair value of a foreclosed real estate asset minus the estimated costs to sell the asset is less than the asset's cost, the deficiency must be recognized as a valuation allowance against the asset which is created through a charge to expense. The valuation allowance should thereafter be increased or decreased (but not below zero) through charges or credits to expense for changes in the asset's fair value or estimated selling costs.

If an asset received in a foreclosure or repossession is held for more than a short period of time, any additional losses in value and any gain or loss from the sale or disposition of the asset shall not be reported as a loan or lease loss or recovery and shall not be debited or credited to the allowance for loan and lease losses. Such additional declines in value and the gain or loss from the sale or disposition shall be reported net on the Report of Income as "other noninterest income" or "other noninterest expense."

Dispositions of Foreclosed Real Estate -- The primary accounting guidance for sales of foreclosed real estate is FASB Statement No. 66, "Accounting for Sales of Real Estate." This standard, which applies to all transactions in which the seller provides financing to the buyer of the real estate, establishes the following methods to account for dispositions of real estate. If a profit is involved in the sale of real estate, each method sets forth the manner in which the profit is to be recognized. Regardless of which method is used, however, any losses on the disposition of real estate should be recognized immediately.

Full Accrual Method -- Under the full accrual method, the disposition is recorded as a sale. Any profit resulting from the sale is recognized in full and the asset resulting from the seller's financing of the transaction is reported as a loan. This method may be used when the following conditions have been met:

(1) A sale has been consummated;
(2) The buyer's initial investment (down payment) and continuing investment (periodic payments) are adequate to demonstrate a commitment to pay for the property;
(3) The receivable is not subject to future subordination; and
(4) The usual risks and rewards of ownership have been transferred.

Guidelines for the minimum down payment that must be made in order for a transaction to qualify for the full accrual method are set forth in the Appendix A to FASB Statement No. 66. These vary

Foreclosed Assets (cont.):

from five percent to 25 percent of the property's sales value. These guideline percentages vary by type of property and are primarily based on the inherent risk assumed for the type and characteristics of the property. To meet the continuing investment criteria, the contractual loan payments must be sufficient to repay the loan over the customary loan term for the type of property involved. Such periods may range up to 30 years for loans on single family residential property.

Installment Method -- Dispositions of foreclosed real estate that do not qualify for the full accrual method may qualify for the installment method. This method recognizes a sale and the corresponding loan. Any profits on the sale are only recognized as the bank receives payments from the purchaser/borrower. Interest income is recognized on an accrual basis, when appropriate.

The installment method is used when the buyer's down payment is not adequate to allow use of the full accrual method but recovery of the cost of the property is reasonably assured if the buyer defaults. Assurance of recovery requires careful judgment on a case-by-case basis. Factors which should be considered include: the size of the down payment, loan-to-value ratios, projected cash flows from the property, recourse provisions, and guarantees.

Since default on the loan usually results in the seller's reacquisition of the real estate, reasonable assurance of cost recovery may often be achieved with a relatively small down payment. This is especially true in situations involving loans with recourse to borrowers who have verifiable net worth, liquid assets, and income levels. Reasonable assurance of cost recovery may also be achieved when the purchaser/borrower pledges additional collateral.

Cost Recovery Method -- Dispositions of foreclosed real estate that do not qualify for either the full accrual or installment methods are sometimes accounted for using the cost recovery method. This method recognizes a sale and the corresponding loan, but all income recognition is deferred. Principal payments are applied as a reduction of the loan balance and interest increases the unrecognized gross profit. No profit or interest income is recognized until either the aggregate payments by the borrower exceed the recorded amount of the loan or a change to another accounting method is appropriate (e.g., installment method). Consequently, the loan is maintained in nonaccrual status while this method is being used.

Reduced-Profit Method -- This method is used in certain situations where the bank receives an adequate down payment, but the loan amortization schedule does not meet the requirements for use of the full accrual method. The method recognizes a sale and the corresponding loan. However, like the installment method, any profit is apportioned over the life of the loan as payments are received. The method of apportionment differs from the installment method in that profit recognition is based on the present value of the lowest level of periodic payments required under the loan agreement.

Since sales with adequate down payments are generally not structured with inadequate loan amortization requirements, this method is seldom used in practice.

Deposit Method -- The deposit method is used in situations where a sale of the foreclosed real estate has not been consummated. It may also be used for dispositions that could be accounted for under the cost recovery method. Under this method a sale is not recorded and the asset continues to be reported as foreclosed real estate. Further, no profit or interest income is recognized. Payments received from the borrower are reported as a liability until sufficient payments or other events have occurred which allow the use of one of the other methods.

Foreclosed Assets (cont.):

The preceding discussion represents a brief summary of the methods included in FASB Statement No. 66 for accounting for sales of real estate. Refer to FASB Statement No. 66 for a more complete description of the accounting principles that apply to sales of real estate, including the determination of the down payment percentage.

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

Foreign Currency Transactions and Translation: Foreign currency transactions are transactions occurring in the ordinary course of business (e.g., purchases, sales, borrowings, lendings, forward exchange contracts) denominated in currencies other than the office's functional currency (as described below).

Foreign currency translation, on the other hand, is the process of translating financial statements from the foreign office's functional currency into the reporting currency. Such translation normally is performed only at reporting dates.

A functional currency is the currency of the primary economic environment in which an office operates. For most banks, the functional currency will be the U.S. dollar. However, if a bank has foreign offices, one or more foreign offices may have a functional currency other than the U.S. dollar.

Accounting for foreign currency transactions -- A change in exchange rates between the functional currency and the currency in which a transaction is denominated will increase or decrease the amount of the functional currency expected to be received or paid. These increases or decreases in the expected functional currency cash flow are to be reported as foreign currency transaction gains and losses and are to be included in the determination of the income of the period in which the transaction takes place, or if the transaction has not yet settled, the period in which the rate change takes place.

Unless applicable to transactions described in the following section, banks should consistently report net gains (losses) from foreign currency transactions other than trading transactions in Schedule RI as "All other noninterest income" in item 5.b.(2) on the FFIEC 034, item 5.f.(2) on the FFIEC 031, 032, and 033, or as "Other noninterest expense" in item 7.c. Net gains (losses) from foreign currency trading transactions should be reported in Schedule RI, item 5.c, "Trading revenue," on the FFIEC 031, 032, and 033, and in Schedule RI, item 5.b.(2), "All other noninterest income," on the FFIEC 034.

Foreign currency transaction gains or losses to be excluded from the determination of net income -- Gains and losses on the following foreign currency transactions shall not be included in "Noninterest income" or "Noninterest expense," but shall be reported in the same manner as translation adjustments (as described below):

(1) Foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment in a foreign office.

(2) Intercompany foreign currency transactions that are of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future), when the parties to the transaction are consolidated, combined, or accounted for by the equity method in the bank's Reports of Condition and Income.

See the Glossary entry for "derivative contracts" for information on accounting for foreign currency futures, forward, and swap transactions.

Foreign Currency Transactions and Translation (cont.):

Accounting for foreign currency translation (applicable only to banks with foreign offices)--The Reports of Condition and Income must be reported in U.S. dollars. Balances of foreign subsidiaries or branches of the reporting bank denominated in a functional currency other than U.S. dollars shall be converted to U.S. dollar equivalents and consolidated into the reporting bank's Reports of Condition and Income. The translation adjustments for each reporting period, determined utilizing the current rate method, may be reported in "Foreign currency translation adjustments" in Schedule RI-A of the Report of Income (on FFIEC 031 only). Amounts accumulated in the "Cumulative foreign currency translation adjustments" component of equity capital in Schedule RC of the Report of Condition will not be included in the bank's results of operations until such time as the foreign office is disposed of, when they will be used as an element to determine the gain or loss on disposition.

For further guidance, refer to FASB Statement No. 52, "Foreign Currency Translation."

Foreign Debt Exchange Transactions: Foreign debt exchange transactions generally fall into three categories: (1) loan swaps, (2) debt/equity swaps, and (3) debt-for- development swaps. These transactions are to be reported in the Reports of Condition and Income in accordance with generally accepted accounting principles as summarized below. The accounting pronouncements mentioned below should be consulted for more detailed reporting guidance in these areas.

Generally accepted accounting principles require that these transactions be reported at their fair value. There is a significant amount of precedent in the accounting for exchange transactions to consider both the fair value of the consideration given up as well as the fair value of the assets received in arriving at the most informed valuation, especially if the value of the consideration given up is not readily determinable or may not be a good indicator of the value received. It is the responsibility of management to make the valuation considering all of the circumstances. Such valuations are subject to examiner review.

Among the factors to consider in determining fair values for foreign debt exchange transactions are:

(1) Similar transactions for cash;

(2) Estimated cash flows from the debt or equity instruments or other assets received;

(3) Market values, if any, of similar instruments; and

(4) Currency restrictions, if any, affecting payments on or sales of the debt or equity instruments, local currency, or other assets received, including where appropriate those affecting the repatriation of capital.

Losses arise from swap transactions when the fair value determined for the transaction is less than the recorded investment in the sovereign debt and other consideration paid, if any. Such losses should generally be charged to the allowance for loan and lease losses (or allocated transfer risk reserve, if appropriate) and must include any discounts from official exchange rates that are imposed by sovereign obligors as transaction fees. All other fees and transaction costs involved in such transactions must be charged to expense as incurred.

Loss recoveries or even gains might be indicated in a swap transaction as a result of the valuation process. However, due to the subjective nature of the valuation process, such loss recoveries or gains ordinarily should not be recorded until the debt or equity instruments, local currency, or other assets received in the exchange transaction are realized in unrestricted cash or cash equivalents.

Foreign Debt Exchange Transactions (cont.):

Loan swaps -- The reporting guidance for this type of transaction is presented in the AICPA's Notice to Practitioners, "Accounting for Foreign Loan Swaps," issued on May 27, 1985.

Foreign loan swaps, or debt/debt swaps, involve the exchange of one foreign loan for another. This type of transaction represents an exchange of monetary assets that must be reported at current fair value. Normally, when monetary assets are exchanged, with or without additional cash payments, and the parties have no remaining obligations to each other, the earnings process is complete.

Debt/equity swaps -- The reporting treatment for this type of transaction is presented in AICPA Practice Bulletin No. 4, "Accounting for Foreign Debt/Equity Swaps."

A foreign debt/equity swap represents an exchange of monetary for nonmonetary assets which must be measured at fair value. This type of swap is typically accomplished when holders of U.S. dollar-denominated sovereign debt agree to convert that debt into approved local equity investments. The holders are generally credited with local currency at the official exchange rate. A discount from the official exchange rate is often imposed as a transaction fee. The local currency is generally not available to the holders for any purposes other than approved equity investments. Restrictions may be placed on dividends on the equity investments and capital usually cannot be repatriated for several years.

In arriving at the fair value of the transaction, both the secondary market price of the debt given up and the fair value of the equity investment or assets received should be considered.

Debt-for-development swaps -- In this type of exchange, sovereign debt held by a bank is generally purchased by a nonprofit organization or contributed to the nonprofit the nonprofit organization. When the sovereign debt is purchased by or donated to a nonprofit organization, the organization may enter into an agreement with the debtor country to cancel the debt in return for the country's commitment to provide local currency or other assets for use in connection with specific projects or programs in that country. Alternatively, a bank may exchange the sovereign debt with the country and receive local currency. In this alternative, the local currency will be donated or sold to the nonprofit organization for use in connection with specific projects or programs in that country.

These transactions, including amounts charged to expense as donations, must be reported at their fair values in accordance with generally accepted accounting principles applicable to foreign debt exchange transactions. This includes appropriate consideration of the market value of the instruments involved in the transaction and the fair value of any assets received, taking into account any restrictions which would limit the use of the assets. In debt-for-development swaps where a bank receives local currency in exchange for the sovereign loan it held and the local currency has no restrictions on its use and is freely convertible, it is generally appropriate for fair value to be determined by valuing the local currency received at its fair market exchange value.

Foreign Governments and Official Institutions: Foreign governments and official institutions are central, state, provincial, and local governments in foreign countries and their ministries, departments, and agencies. These include treasuries, ministries of finance, central banks, development banks, exchange control offices, stabilization funds, diplomatic establishments, fiscal agents, and nationalized banks and other banking institutions that are owned by central governments and that have as an important part of their function activities similar to those of a treasury, central bank, exchange control office, or stabilization fund. For purposes of these reports, other government-owned enterprises are not included.

Foreign Governments and Official Institutions (cont.):
Also included as foreign official institutions are international, regional, and treaty organizations, such as the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Bank for International Settlements, the Inter-American Development Bank, and the United Nations.

Foreign Office: For purposes of these reports, a foreign office of the reporting bank is a branch or subsidiary located in Puerto Rico, in a U.S. territory or possession, or in a foreign country; an Edge or Agreement subsidiary, including both its U.S. and its foreign offices; or an IBF. Branches on U.S. military facilities wherever located are treated as domestic offices, not foreign offices.

Forward Contracts: See "derivative contracts."

Functional Currency: See "foreign currency transactions and translation."

Futures Contracts: See "derivative contracts."

Goodwill: See "purchase acquisition" in the entry for "business combinations."

Hypothecated Deposit: A hypothecated deposit is the aggregation of periodic payments on an installment contract received by a reporting institution in a state in which, under law, such payments are not immediately used to reduce the unpaid balance of the installment note, but are accumulated until the sum of the payments equals the entire amount of principal and interest on the contract, at which time the loan is considered paid in full. For purposes of these reports, hypothecated deposits are to be netted against the related loans.

Deposits which simply serve as collateral for loans are not considered hypothecated deposits for purposes of these reports.

See also "deposits."

IBF: See "International Banking Facility (IBF)."

Income Taxes: All banks, regardless of size, are required to report income taxes (federal, state and local, and foreign) in the Reports of Condition and Income on an accrual basis. Note that, in almost all cases, applicable income taxes as reported on the Report of Income will differ from amounts reported to taxing authorities. The applicable income tax expense or benefit that is reflected in the Report of Income should include both taxes currently paid or payable (or receivable) and deferred income taxes. The following discussion of income taxes is based on FASB Statement No. 109, "Accounting for Income Taxes."

Applicable income taxes in the year-end Report of Income shall be the sum of the following:

(1) Taxes currently paid or payable (or receivable) for the year determined from the bank's federal, state, and local income tax returns for that year. Since the bank's tax returns will not normally be prepared until after the year-end Reports of Condition and Income have been completed, the bank must estimate the amount of the current income tax liability (or receivable) that will ultimately be reported on its tax returns. Estimation of this liability (or receivable) may involve consultation with the bank's tax advisers, a review of the previous year's tax returns, the identification of significant expected differences between items of income and expense reflected on the Report of Income and on the tax returns, and the identification of expected tax credits.)

and

Income Taxes (cont.):

(2) Deferred income tax expense or benefit measured as the change in the net deferred tax assets or liabilities for the period reported. Deferred tax liabilities and assets represent the amount by which taxes payable (or receivable) are expected to increase or decrease in the future as a result of "temporary differences" and net operating loss or tax credit carryforwards that exist at the reporting date.

The deferred portion of the total applicable income taxes for the calendar year should be reported in the December Report of Income in Schedule RI, Memorandum item 12.

The actual tax liability (or receivable) calculated on the bank's tax returns may differ from the estimate reported as currently payable or receivable on the year-end Report of Income. An amendment to the bank's year-end and subsequent Reports of Condition and Income may be appropriate if the difference is significant. Minor differences should be handled as accrual adjustments to applicable income taxes in Reports of Income during the year the differences are detected. The reporting of applicable income taxes in the Report of Income for report dates other than year-end is discussed below under "interim period applicable income taxes."

Temporary differences result when events are recognized in one period on the bank's books but are recognized in another period on the bank's tax return. These differences result in amounts of income or expense being reported in the Report of Income in one period but in another period in the tax returns. There are two types of temporary differences. Deductible temporary differences reduce taxable income in future periods. Taxable temporary differences result in additional taxable income in future periods.

For example, a bank's provision for loan and lease losses is expensed for financial reporting purposes in one period. However, for some banks, this amount may not be deducted for tax purposes until the loans are actually charged off in a subsequent period. This deductible temporary difference "originates" when the provision for loan and lease losses is recorded in the financial statements and "turns around" or "reverses" when the loans are subsequently charged off, creating tax deductions. Other deductible temporary differences include writedowns of other real estate owned, the recognition of loan origination fees, and other postemployment benefits expense.

Depreciation can result in a taxable temporary difference if a bank uses the straight-line method to determine the amount of depreciation expense to be reported in the Report of Income but uses an accelerated method for tax purposes. In the early years, tax depreciation under the accelerated method will typically be larger than book depreciation under the straight-line method. During this period, a taxable temporary difference originates. Tax depreciation will be less than book depreciation in the later years when the temporary difference reverses. Therefore, in any given year, the depreciation reported in the Report of Income will differ from that reported in the bank's tax returns. However, total depreciation taken over the useful life of the asset will be the same under either method. Other taxable temporary differences include the undistributed earnings of unconsolidated subsidiaries and associated companies and amounts funded to pension plans which exceed the recorded expense.

Some events do not have tax consequences and therefore do not give rise to temporary differences. Certain revenues are exempt from taxation and certain expenses are not deductible. These events were previously known as "permanent differences." Examples of such events (for federal income tax purposes) are interest received on certain obligations of states and political subdivisions in the U.S., amortization of purchased goodwill, premiums paid on officers' life insurance policies where the bank is the beneficiary, and 85 percent of cash dividends received on the corporate stock of domestic U.S. corporations.

Income Taxes (cont.):

Deferred tax assets shall be calculated at the report date by applying the "applicable tax rate" (defined below) to the bank's total deductible temporary differences and operating loss carryforwards. A deferred tax asset shall also be recorded for the amount of tax credit carryforwards available to the bank. Based on the estimated realizability of the deferred tax asset, a valuation allowance should be established to reduce the recorded deferred tax asset to the amount that is considered "more likely than not" (i.e., greater than 50 percent chance) to be realized.

Deferred tax liabilities should be calculated by applying the "applicable tax rate" to total taxable temporary differences at the report date.

Operating loss carrybacks and carryforwards and tax credit carryforwards -- When a bank's deductions exceed its income for federal income tax purposes, it has sustained an operating loss. An operating loss that occurs in a year following periods when the bank had taxable income may be carried back to recover income taxes previously paid. The tax effects of any loss carrybacks that are realizable through a refund of taxes previously paid is recognized in the year the loss occurs. In this situation, the applicable income taxes on the Report of Income will reflect a credit rather than an expense. Banks may carry back operating losses for three years. (For tax years beginning before 1994, commercial banks using the specific charge-off method to compute their bad debt deduction for tax purposes were permitted to carry the portion of their net operating losses attributable to bad debts back ten years and forward five years.)

Generally, an operating loss that occurs when loss carrybacks are not available (e.g., occurs in a year following periods of losses) becomes an operating loss carryforward. Banks may carry operating losses forward 15 years.

Tax credit carryforwards are tax credits which cannot be used for tax purposes in the current year, but which can be carried forward to reduce taxes payable in a future period.

Deferred tax assets are recognized for operating loss and tax credit carryforwards just as they are for deductible temporary differences. As a result, a bank can recognize the benefit of a net operating loss for tax purposes or a tax credit carryforward to the extent the bank determines that a valuation allowance is not considered necessary (i.e., if the realization of the benefit is more likely than not).

Applicable tax rate -- The income tax rate to be used in determining deferred tax assets and liabilities is the rate under current tax law that is expected to apply to taxable income in the periods in which the deferred tax assets or liabilities are expected to be realized or paid. If the bank's income level is such that graduated tax rates are a significant factor, then the bank shall use the average graduated tax rate applicable to the amount of estimated taxable income in the period in which the deferred tax asset or liability is expected to be realized or settled. When the tax law changes, banks shall determine the effect of the change, adjust the deferred tax asset or liability and include the effect of the change in Schedule RI, item 9, "Applicable income taxes (on item 8)."

Valuation allowance -- A valuation allowance must be recorded, if needed, to reduce the amount of deferred tax assets to an amount that is more likely than not to be realized. Changes in the valuation allowance generally shall be reported in Schedule RI, item 9, "Applicable income taxes (on item 8)." The following discussion of the valuation allowance relates to the allowance, if any, included in the amount of net deferred tax assets or liabilities to be reported on the balance sheet (Schedule RC) and in Schedule RC-F, item 2, or Schedule RC-G, item 2. This discussion does not address the determination of the amount of deferred tax assets, if any, that is disallowed for regulatory capital purposes and reported in Schedule RC-F, Memorandum item 1.

Income Taxes (cont.):

Banks must consider all available evidence, both positive and negative, in assessing the need for a valuation allowance. The future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period. Four sources of taxable income may be available to realize the deferred tax assets:

(1) Taxable income in carryback years (which can be offset to recover taxes previously paid),

(2) Reversing taxable temporary differences,

(3) Future taxable income (exclusive of reversing temporary differences and carryforwards.

(4) Tax-planning strategies.

In general, positive evidence refers to the existence of one or more of the four sources of taxable income. To the extent evidence about one or more sources of income is sufficient to support a conclusion that a valuation allowance is not necessary (i.e., the bank can conclude that the deferred tax asset is more likely than not to be realized), other sources need not be considered. However, if a valuation allowance is needed, each source of income must be evaluated to determine the appropriate amount of the allowance needed.

Evidence used in determining the valuation allowance should be subject to objective verification. The weight given to evidence when both positive and negative evidence exist should be consistent with the extent to which it can be verified. Sources (1) and (2) listed above are more susceptible to objective verification and, therefore, may provide sufficient evidence regardless of future events.

The consideration of future taxable income (exclusive of reversing temporary differences and carryforwards) as a source for the realization of deferred tax assets will require subjective estimates and judgments about future events which may be less objectively verifiable.

Examples of negative evidence include:

- Cumulative losses in recent years.
- A history of operating loss or tax credit carryforwards expiring unused.
- Losses expected in early future years by a presently profitable bank.
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future profit levels.
- A brief carryback or carryforward that would limit the ability to realize the deferred tax asset.

Examples of positive evidence include:

- A strong earnings history exclusive of the loss that created the future deductible amount (tax loss carryforward or deductible temporary difference) coupled with evidence indicating that the loss is an aberration rather than a continuing condition.
- Existing contracts that will generate significant income.
- An excess of appreciated asset value over the tax basis of an entity's net assets in an amount sufficient to realize the deferred tax asset.

When realization of a bank's deferred tax assets is dependent upon future taxable income, the reliability of a bank's projections is very important. The bank's record in achieving projected results under an actual operating plan will be a strong measure of this reliability. Other factors a bank should consider in evaluating evidence about its future profitability include but are not limited to

Income Taxes (cont.):

current and expected economic conditions, concentrations of credit risk within specific industries and geographical areas, historical levels and trends in past due and nonaccrual assets, historical levels and trends in loan loss reserves, and the bank's interest rate sensitivity.

When strong negative evidence, such as the existence of cumulative losses, exists, it is extremely difficult for a bank to determine that no valuation allowance is needed. Positive evidence of significant quality and quantity would be required to counteract such negative evidence.

For purposes of determining the valuation allowance, a tax-planning strategy is a prudent and feasible action that would result in realization of deferred tax assets and that management ordinarily might not take, but would do so to prevent an operating loss or tax credit carryforward from expiring unused. For example, a bank could accelerate taxable income to utilize carryforwards by selling or securitizing loan portfolios, selling appreciated securities, or restructuring nonperforming assets. Actions that management would take in the normal course of business are not considered tax-planning strategies.

Significant expenses to implement the tax-planning strategy and any significant losses that would result from implementing the strategy shall be considered in determining any benefit to be realized from the tax-planning strategy. Also, banks should consider all possible consequences of any tax-planning strategies. For example, loans pledged as collateral would not be available for sale.

The determination of whether a valuation allowance is needed for deferred tax assets should be made for total deferred tax assets, not for deferred tax assets net of deferred tax liabilities. In addition, the evaluation should be made on a jurisdiction-by-jurisdiction basis. Separate analyses should be performed for amounts related to each taxing authority (e.g., federal, state, and local).

Deferred tax assets (net of the valuation allowance) and deferred tax liabilities related to a particular tax jurisdiction (e.g., federal, state, and local) may be offset against each other for reporting purposes. A resulting debit balance shall be included in "Other assets" and reported in Schedule RC-F, item 2. A resulting credit balance shall be included in "Other liabilities" and reported in Schedule RC-G, item 2. (A bank may report a net deferred tax debit, or asset, for one tax jurisdiction (e.g., federal taxes) and also report a net deferred tax credit, or liability, for another tax jurisdiction (e.g., state taxes).

Interim period applicable income taxes -- When preparing its year-to-date Report of Income as of the end of March, June, and September ("interim periods"), a bank generally should determine its best estimate of its effective annual tax rate for the full year, including both current and deferred portions and considering all tax jurisdictions (e.g., federal, state and local). To arrive at its estimated effective annual tax rate, a bank should divide its estimated total applicable income taxes (current and deferred) for the year by its estimated pretax income for the year (excluding extraordinary items). This rate would then be applied to the year-to-date pretax income to determine the year-to-date applicable income taxes at the interim date.

Intraperiod allocation of income taxes -- When the Report of Income for a period includes "Extraordinary items and other adjustments" that are reportable in Schedule RI, item 11, the total amount of the applicable income taxes for the year to date shall be allocated in Schedule RI between item 9, "Applicable income taxes (on item 8)," and item 11, "Extraordinary items and other adjustments, net of income taxes."

The applicable income taxes on operating income (item 9) shall be the amount that the total applicable income taxes on pretax income, including both current and deferred taxes (calculated as described above), would have been for the period had "Extraordinary items and other adjustments" been zero.

Income Taxes (cont.):

The difference between item 9, "Applicable income taxes (on item 8)," and the total amount of the applicable taxes shall then be reflected in item 11 as applicable income taxes on extraordinary items and other adjustments.

Tax calculations by tax jurisdiction -- Separate calculations of income taxes, both current and deferred amounts, are required for each tax jurisdiction. However, of the tax laws of the state and local jurisdictions do not significantly differ from federal income tax laws, then the calculation of deferred income tax expense can be made in the aggregate. The bank would calculate both current and deferred tax expense considering the combination of federal, state and local income tax rates. The rate used should consider whether amounts paid in one jurisdiction are deductible in another jurisdiction. For example, since state and local taxes are deductible for federal purposes, the aggregate combined rate would generally be (1) the federal tax rate plus (2) the state and local tax rates minus (3) the federal tax effect of the deductibility of the state and local taxes at the federal tax rate.

Income taxes of a bank subsidiary of a holding company -- A bank should generally report income tax amounts in its Reports of Condition and Income as if it were a separate entity. A bank's separate entity taxes include taxes of subsidiaries of the bank that are included with the bank in a consolidated tax return. In other words, when a bank has subsidiaries of its own, the bank and its consolidated subsidiaries are treated as one separate taxpayer for purposes of computing the bank's applicable income taxes. This treatment is also applied in determining net deferred tax asset limitations for regulatory capital purposes.

During profitable periods, a bank subsidiary of a holding company which files a consolidated tax return should record current tax expense for the amount which would be due on a separate entity basis. Certain adjustments resulting from the consolidated status may, however, be made to the separate entity calculation as long as these adjustments are made on a consistent and equitable basis. For example, the consolidated group's single surtax exemption may be allocated among the holding company affiliates if such an allocation is equitable and applied consistently. Such allocations should be reflected in the bank's applicable income taxes, rather than as "Other transactions with parent holding company" in Schedule RI-A, Changes in Equity Capital.

In addition, bank subsidiaries should first compute their taxes on a separate entity basis without considering the alternative minimum tax (AMT). The AMT should be determined on a consolidated basis, and if it exceeds the regular tax on a consolidated basis, the holding company should allocate that excess to its affiliates on an equitable and consistent basis. The allocation method must be based upon the portion of tax preferences, adjustments, and other items causing the AMT to be applicable at the consolidated level that are generated by the parent holding company and each bank and nonbank subsidiary. In no case should amounts be allocated to bank subsidiaries that have not generated any tax preference or positive tax adjustment items. Furthermore, the AMT allocated to banks within the consolidated group should not exceed the consolidated AMT in any year.

In future years when a consolidated AMT credit carryforward is utilized, the credit must be reallocated to the subsidiary banks. The allocation should be done on an equitable and consistent basis based upon the amount of AMT giving rise to the credit that had been previously allocated. In addition, the amount of AMT credit reallocated to affiliates within the consolidated group should not exceed the consolidated AMT credit in any year. All AMT allocations should be reflected in the bank's applicable income taxes, rather than as "Other transactions with parent holding company" in Schedule RI-A, Changes in Equity Capital.

Income Taxes (cont.):

Similarly, bank subsidiaries incurring a loss should record an income tax benefit and receive an equitable refund from their parent, if appropriate. The refund should be based on the amount they would have received on a separate entity basis, adjusted for statutory tax considerations, and shall be made on a timely basis.

An exception to this rule is made when the bank, on a separate entity basis, would not be entitled to a current refund because it has exhausted benefits available through carryback on a separate entity basis, yet the holding company can utilize the bank's tax loss to reduce the consolidated liability for the current year. In this situation, realization of the tax benefit is assured. Accordingly, the bank may recognize a current tax benefit in the year in which the operating loss occurs, provided the holding company reimburses the bank on a timely basis for the amount of benefit recognized. Any such tax benefits recognized in the loss year should be reflected in the bank's applicable income taxes and not as an extraordinary item. If timely reimbursement is not made, the bank cannot recognize the tax benefit in the current year. Rather, the tax loss becomes a net operating loss carryforward for the bank.

A parent holding company shall not adopt an arbitrary tax allocation policy within its consolidated group if it results in a significantly different amount of subsidiary bank applicable income taxes than would have been provided on a separate entity basis. If a holding company forgives payment by the subsidiary of all or a significant portion of the current portion of the applicable income taxes computed in the manner discussed above, such forgiveness should be treated as a capital contribution and reported in Schedule RI-A in "Other transactions with parent holding company" and in Schedule RI-E, item 7.

Further, if the subsidiary bank pays an amount greater than its separate entity current tax liability (calculated as previously discussed), the excess should be reported as a cash dividend to the holding company in Schedule RI-A, item 8. Payment by the bank of its deferred tax liability, in addition to its current tax liability, is considered an excessive payment of taxes. As a result, the deferred portion should likewise be reported as a cash dividend. Failure to pay the subsidiary bank an equitable refund attributable to the bank's net operating loss should also be considered a cash dividend paid by the bank to the parent holding company.

Purchase business combinations -- In purchase business combinations (as described in the Glossary entry for "business combinations"), banks shall recognize as a temporary difference the difference between the tax basis of acquired assets or liabilities and the amount of the purchase price allocated to the acquired assets and liabilities (with the exception of goodwill). As a result, the acquired asset or liability shall be recorded gross and a deferred tax asset or liability shall be recorded for any resulting temporary difference.

In a purchase business combination, a deferred tax asset shall generally be recognized at the date of acquisition for deductible temporary differences and net operating loss and tax credit carryforwards of either company in the transaction, net of an appropriate valuation allowance. The determination of the valuation allowance should consider any provisions in the tax law which may restrict the use of an acquired company's carryforwards.

Subsequent recognition (i.e., by elimination of the valuation allowance) of the benefit of deductible temporary differences and net operating loss or tax credit carryforwards not recognized at the acquisition date will depend on the source of the benefit. If the valuation allowance relates to deductible temporary differences and carryforwards of the acquiring company established before the acquisition, then subsequent recognition is reported as a reduction of income tax expense. If the benefit is related to the acquired company's deductible temporary differences and carryforwards,

Income Taxes (cont.):

then the benefit is subsequently recognized by first reducing any goodwill related to the acquisition, then by reducing all other noncurrent intangible assets related to the acquisition, and finally, by reducing income tax expense.

Alternative Minimum Tax -- Any taxes a bank must pay in accordance with the alternative minimum tax (AMT) shall be included in the bank's current tax expense. Amounts of AMT paid can be carried forward in certain instances to reduce the bank's regular tax liability in future years. The bank may record a deferred tax asset for the amount of the AMT credit carryforward, which shall then be evaluated in the same manner as other deferred tax assets to determine whether a valuation allowance is needed.

Other tax effects -- A bank may have transactions or items that are reportable in Schedule RI-A of the Report of Income such as the "Cumulative effect of changes in accounting principles from prior years," and "Corrections of material accounting errors from prior years," (and "Foreign currency translation adjustments" on FFIEC 031 only). These transactions or other items will enter into the determination of taxable income in some year (not necessarily the current year), but are not included in the pretax income reflected in Schedule RI of the Report of Income. They shall be reported in Schedule RI-A net of related income tax effects. These effects may increase or decrease the bank's total tax liability calculated on its tax returns for the current year or may be deferred to one or more future periods.

For further information, see FASB Statement No. 109, "Accounting for Income Taxes."

The following table has been included to aid respondent banks in calculating their "applicable income taxes" for purposes of the Reports of Condition and Income. The table includes the tax rates in effect for the years presented.

FEDERAL INCOME TAX RATES APPLICABLE TO BANKS

Year	First $25,000	Second $25,000	Third $25,000	Fourth $25,000	Over $100,000	Capital Gains	Alternative Minimum Tax
1988-1992	15%	15%	25%	34%	[4]	Regular tax rates	20%
1993-1997	15%	15%	25%	34%	[5]	Regular tax rates	20%

[4] A 39% tax rate applies to taxable income from $100,001 to $335,000 and a 34% tax rate applies to taxable income over $335,000.

[5] A 39% tax rate applies to taxable income from $100,001 to $335,000; a 34% tax rate applies to taxable income from $335,001 to $10,000,000; a tax rate of 35% applies to taxable income from $10,000,001 to $15,000,000; a tax rate of 38% applies to taxable income from $15,000,001 to $18,333,333; and a 35% tax rate applies to taxable income over $18,333,333.

Intangible Assets: See "business combinations" and the instruction to Report of Condition Schedule RC-M, item 6.

Interest-Bearing Account: See "deposits."

Interest Capitalization: See "capitalization of interest costs."

Interest Rate Swaps: See "derivative contracts."

Internally Developed Computer Software: Costs associated with the development of computer software for a bank's internal use should be accounted for in a manner consistent with generally accepted accounting principles and in accordance with the bank's (or its parent holding company's) accounting policy for other financial reporting purposes. Accordingly, if these costs are expensed as incurred in other financial reports issued by the bank (or its parent holding company), they should be reported in the same manner in the Reports of Condition and Income (i.e., as a period cost component of "Other noninterest expense"). This is considered the preferable accounting method. However, if the bank (or its parent holding company) has previously adopted an accounting policy of capitalizing and amortizing these costs for other financial reporting purposes, the bank may use this accounting method for purposes of the Reports of Condition and Income. A bank that does not currently capitalize these costs should not adopt this method for purposes of these reports.

The costs of internally developed computer software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process should be reported in accordance with FASB Statement No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed."

International Banking Facility (IBF): General definition -- An International Banking Facility (IBF) is a set of asset and liability accounts, segregated on the books and records of the establishing entity, which reflect international transactions. An IBF is established in accordance with the terms of Federal Reserve Regulation D and after appropriate notification to the Federal Reserve. The establishing entity may be a U.S. depository institution, a U.S. office of an Edge or Agreement corporation, or a U.S. branch or agency of a foreign bank pursuant to Federal Reserve Regulations D and Q. An IBF is permitted to hold only certain assets and liabilities. In general, IBF accounts are limited, as specified in the paragraphs below, to non-U.S. residents of foreign countries, residents of Puerto Rico and U.S. territories and possessions, other IBFs, and U.S. and non-U.S. offices of the establishing entity.

Permissible IBF assets include extensions of credit to the following:

(1) non-U.S. residents (including foreign branches of other U.S. banks);
(2) other IBFs; and
(3) U.S. and non-U.S. offices of the establishing entity.

Credit may be extended to non-U.S. nonbank residents only if the funds are used in their operations outside the United States. IBFs may extend credit in the form of a loan, deposit, placement, advance, security, or other similar asset.

International Banking Facility (IBF) (cont.):

Permissible IBF liabilities include (as specified in Federal Reserve Regulations D and Q) liabilities to non-U.S. nonbank residents only if such liabilities have a minimum maturity or notice period of at least two business days. IBF liabilities also may include overnight liabilities to:

(1) non-U.S. offices of other depository institutions and of Edge or Agreement corporations;
(2) non-U.S. offices of foreign banks;
(3) foreign governments and official institutions;
(4) other IBFs; and
(5) the establishing entity.

IBF liabilities may be issued in the form of deposits, borrowings, placements, and other similar instruments. However, IBFs are prohibited from issuing negotiable certificates of deposit, bankers acceptances, or other negotiable or bearer instruments.

Treatment of the reporting bank's IBFs in the Reports of Condition and Income -- IBFs established by the reporting bank (i.e., by the bank or by its Edge or Agreement subsidiaries) are to be consolidated in the Reports of Condition and Income. In the consolidated balance sheet (Schedule RC) and income statement (Schedule RI), transactions between the IBFs of the reporting bank and between these IBFs and other offices of the bank are to be eliminated. (See the discussion of consolidation in the General Instructions section of this book.)

For purposes of these reports, the reporting bank's IBFs are to be treated as foreign offices of the bank. Thus, a bank with an IBF, even if it has no other foreign offices, must submit the Reports of Condition and Income applicable to banks with foreign offices (FFIEC 031). Similarly, the reporting bank's IBFs are to be treated as foreign offices where, in the supporting schedules, a distinction is made between foreign and domestic offices of the reporting bank.

Assets of the reporting bank's IBFs should be reported in the asset categories of the report by type of instrument and customer, as appropriate. For example, IBFs are to report their holdings of securities in Schedule RC, item 2, and in the appropriate items of Schedule RC-B; their holdings of loans in Schedule RC, item 4.a, and in the appropriate items of Schedule RC-C, part I, and federal funds sold and securities purchased under agreements to resell in Schedule RC, item 3.

For purposes of these reports, all liabilities of the reporting bank's IBFs to outside parties are classified under three headings:

(1) federal funds purchased and securities sold under agreements to repurchase, which are to be reported in Schedule RC, item 14;
(2) accrued liabilities, which are to be reported in Schedule RC, item 20; and
(3) all other liabilities, including deposits, placements, and borrowings, which are to be treated as deposit liabilities in foreign offices and reported in Schedule RC, item 13.b, and by customer detail in Schedule RC-E, part II.

In addition to being included in the appropriate items of the balance sheet, total assets and liabilities and selected detail of the reporting bank's IBFs are to be reported separately in Schedule RC-I, Selected Assets and Liabilities of IBFs, by banks with IBFs and other "foreign" offices. For a bank whose only foreign offices are IBFs, asset and liability data for the reporting bank's IBFs are not reported separately in Schedule RC-I, but are derived from Schedule RC-H, Selected Balance Sheet Items for Domestic Offices, and other Report of Condition schedules and reported directly in Schedule RC-E, Part II, Deposits in Foreign Offices.

International Banking Facility (IBF) (cont.):

Treatment of transactions with IBFs of other depository institutions -- Transactions between the reporting bank and IBFs outside the scope of the reporting bank's consolidated Reports of Condition and Income are to be reported as transactions with depository institutions in the U.S., as appropriate. (Note, however, that only foreign offices of the reporting bank and the reporting bank's IBFs are permitted to have transactions with other IBFs.)

Interoffice Accounts: See "suspense accounts."

Investments in Common Stock of Unconsolidated Subsidiaries: See the instruction to Report of Condition Schedule RC-M, item 8.b.

Joint Venture: See "subsidiaries."

Lease Accounting: A lease is an agreement that transfers the right to use land, buildings, or equipment for a specified period of time. This financing device is essentially an extension of credit evidenced by an obligation between a lessee and a lessor.

Standards for lease accounting are set forth in FASB Statement No. 13, "Accounting for Leases," as amended and interpreted.

Accounting with bank as lessee -- Any lease entered into by a lessee bank that meets certain criteria (defined in the following paragraph) shall be accounted for as a property acquisition financed with a debt obligation. The property shall be amortized according to the bank's normal depreciation policy (except, if appropriate, the amortization period shall be the lease term) unless the lease involves land only. The interest expense portion of each lease payment shall be calculated to result in a constant rate of interest on the balance of the debt obligation. In the Report of Condition, the property "asset" is to be reported in Schedule RC, item 6, and the liability for capitalized leases in Schedule RC, item 16, "Other borrowed money." In the Report of Income, the interest expense portion of the capital lease payments is to be reported in Schedule RI, item 2.c, "Interest on demand notes issued to the U.S. Treasury, trading liabilities, and other borrowed money," and the amortization expense on the asset is to be reported in Schedule RI, item 7.b, "Expenses of premises and fixed assets."

If any one of the following criteria is met, a lease must be accounted for as a capital lease:

(1) ownership of the property is transferred to the lessee at the end of the lease term, or

(2) the lease contains a bargain purchase option, or

(3) the lease term represents at least 75 percent of the estimated economic life of the leased property, or

(4) the present value of the minimum lease payments at the beginning of the lease term is 90 percent or more of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by and expected to be realized by the lessor.

If none of the above criteria is met, the lease should be accounted for as an operating lease. Normally, rental payments should be charged to expense over the term of the operating lease as they become payable.

Lease Accounting (cont.):

NOTE: If a lease involves land only, the lease must be capitalized if either of the first two criteria above is met. Where a lease that involves land and building meets either of these two criteria, the land and building must be separately capitalized by the lessee. The accounting for a lease involving land and building that meets neither of the first two criteria should conform to the standards prescribed by FASB Statement No. 13.

Accounting for sales with leasebacks -- Sale-leaseback transactions involve the sale of property by the owner and a lease of the property back to the seller. If a bank sells premises or fixed assets and leases back the property, the lease shall be treated as a capital lease if it meets any one of the four criteria above for capitalization. Otherwise, the lease shall be accounted for as an operating lease.

As a general rule, the bank shall defer any gain resulting from the sale. For capital leases, this deferred gain is amortized in proportion to the depreciation taken on the leased asset. For operating leases, the deferred gain is amortized in proportion to the rental payments the bank will make over the lease term. The unamortized deferred gain is to be reported in Schedule RC-G, item 4, "Other liabilities." (Exceptions to the general rule on deferral which permit full or partial recognition of a gain at the time of the sale may occur if the leaseback covers less than substantially all of the property that was sold or if the total gain exceeds the minimum lease payments.)

If the fair value of the property at the time of the sale is less than the book value of the property, the difference between these two amounts shall be recognized as a loss immediately. In this case, if the sales price is less than the fair value of the property, the additional loss shall be deferred since it is in substance a prepayment of rent. Similarly, if the fair value of the property sold is greater than its book value, any loss on the sale shall also be deferred. Deferred losses shall be amortized in the same manner as deferred gains as described above.

For further information, see FASB Statement No. 28, "Accounting for Sales with Leasebacks."

Accounting with bank as lessor -- Unless a long-term creditor is also involved in the transaction, a lease entered into by a lessor bank that meets one of the four criteria above for a capital lease plus two additional criteria (as defined below) shall be treated as a direct financing lease. The unearned income (minimum lease payments plus estimated residual value plus initial direct costs less the cost of the leased property) shall be amortized to income over the lease term in a manner which produces a constant rate of return on the net investment (minimum lease payments plus estimated residual value plus initial direct costs less unearned income). Other methods of income recognition may be used if the results are not materially different.

The following two additional criteria must be met for a lease to be classified as a direct financing lease:

(1) Collectability of the minimum lease payments is reasonably predictable.

(2) No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

When a lessor bank enters into a lease that has all the characteristics of a direct financing lease but where a long-term creditor provides nonrecourse financing to the lessor, the transaction shall be accounted for as a leveraged lease. The lessor's net investment in a leveraged lease shall be recorded in a manner similar to that for a direct financing lease but net of the principal and interest on the nonrecourse debt. Based on a projected cash flow analysis for the lease term, unearned and

Lease Accounting (cont.):

deferred income shall be amortized to income at a constant rate only in those years of the lease term in which the net investment is positive. In the years in which the net investment is not positive, no income is to be recognized on the leveraged lease.

If a lease is neither a direct financing lease nor a leveraged lease, the lessor bank shall account for it as an operating lease. The leased property shall be reported as "Other assets" and depreciated in accordance with the bank's normal policy. Rental payments are generally credited to income over the term of an operating lease as they become receivable.

Letter of Credit: A letter of credit is a document issued by a bank on behalf of its customer (the account party) authorizing a third party (the beneficiary), or in special cases the account party, to draw drafts on the bank up to a stipulated amount and with specified terms and conditions. The letter of credit is a conditional commitment (except when prepaid by the account party) on the part of the bank to provide payment on drafts drawn in accordance with the terms of the document.

As a matter of sound practice, letters of credit should:

(1) be conspicuously labeled as a letter of credit;
(2) contain a specified expiration date or be for a definite term;
(3) be limited in amount;
(4) call upon the issuing bank to pay only upon the presentation of a draft or other documents as specified in the letter of credit and not require the issuing bank to make determinations of fact or law at issue between the account party and the beneficiary; and
(5) be issued only subject to an agreement between the account party and the issuing bank which establishes the unqualified obligation of the account party to reimburse the issuing bank for all payments made under the letter of credit.

There are four basic types of letters of credit:

(1) commercial letters of credit,
(2) letters of credit sold for cash,
(3) travelers' letters of credit, and
(4) standby letters of credit,

each of which is discussed separately on the following page.

A commercial letter of credit is issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

A letter of credit sold for cash is a letter of credit for which the bank has received funds from the account party at the time of issuance. This type of letter of credit is not to be reported as an outstanding letter of credit but as a demand deposit. These letters are considered to have been sold for cash even though the bank may have advanced funds to the account party for the purchase of such letters of credit on a secured or unsecured basis.

A travelers' letter of credit is issued to facilitate travel. This letter of credit is addressed by the bank to its correspondents authorizing the correspondents to honor drafts drawn by the person named in the letter of credit in accordance with specified terms. These letters are generally sold for cash.

Letter of Credit (cont.):

A standby letter of credit is a letter of credit or similar arrangement that:

(1) represents an obligation on the part of the issuing bank to a designated third party (the beneficiary) contingent upon the failure of the issuing bank's customer (the account party) to perform under the terms of the underlying contract with the beneficiary, or
(2) obligates the bank to guarantee or stand as surety for the benefit of a third party to the extent permitted by law or regulation.

The underlying contract may entail either financial or nonfinancial undertakings of the account party with the beneficiary. The underlying contract may involve such things as the customer's payment of commercial paper, delivery of merchandise, completion of a construction contract, release of maritime liens, or repayment of the account party's obligations to the beneficiary. Under the terms of a standby letter, as a general rule, drafts will be drawn only when the underlying event fails to occur as intended.

Limited-Life Preferred Stock: See "preferred stock."

Loan: For purposes of these reports, a loan is generally an extension of credit resulting from direct negotiations between a lender and a borrower. The reporting bank may originate a loan by directly negotiating with a borrower or it may purchase a loan or a portion of a loan originated by another lender that directly negotiated with a borrower. The reporting bank may also sell a loan or a portion of a loan, regardless of the method by which it acquired the loan.

Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances, and similar written or oral obligations.

Among the extensions of credit reportable as loans in Schedule RC-C are:

(1) acceptances of other banks and commercial paper purchased in the open market, not held for trading;

(2) acceptances executed by or for the account of the reporting bank and subsequently acquired by it through purchase or discount;

(3) customers' liability to the reporting bank on drafts paid under letters of credit for which the bank has not been reimbursed;

(4) "advances" and commodity or bill-of-lading drafts payable upon arrival of goods against which drawn, for which the reporting bank has given deposit credit to customers;

(5) paper pledged by the bank whether for collateral to secure bills payable (e.g., margin collateral to secure bills rediscounted) or for any other purpose;

(6) sales of so-called "term federal funds" (i.e., sales of immediately available funds with a maturity of more than one business day), other than those involving security resale agreements;

(7) factored accounts receivable;

(8) loans arising out of the purchase of assets (other than securities) under resale agreements with a maturity of more than one business day if the agreement requires the bank to resell the identical asset purchased; and

Loan (cont.):

(9) participations (acquired or held) in a single loan or in a pool of loans or receivables (see the discussion of loan participations in the Glossary entry for "transfers of financial assets").

Loan assets held for trading are to be reported in Schedule RC, item 5, "Trading assets."

See also "loan secured by real estate," "overdraft," and "transfers of financial assets."

Loan Fees: The accounting standards for nonrefundable fees and costs associated with lending, committing to lend, and purchasing a loan or group of loans are set forth in FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," a summary of which follows. The statement applies to all types of loans as well as to debt securities (but not to loans or debt securities carried at market value if the changes in market value are included in earnings) and to all types of lenders. For further information, see FASB Statement No. 91.

A bank may acquire a loan by originating the loan (lending) or by acquiring a loan from a party other than the borrower (purchasing). Lending, committing to lend, refinancing or restructuring loans, arranging standby letters of credit, syndicating loans, and leasing activities are all considered "lending activities." Nonrefundable loan fees paid by the borrower to the lender may have many different names, such as origination fees, points, placement fees, commitment fees, application fees, management fees, restructuring fees, and syndication fees, but in this Glossary entry, they are referred to as loan origination fees, commitment fees, or syndication fees.

FASB Statement No. 91 applies to both a lender and a purchaser, and should be applied to individual loan contracts. Aggregation of similar loans for purposes of recognizing net fees or costs and purchase premiums or discounts is permitted under certain circumstances specified in FASB Statement No. 91 or if the result does not differ materially from the amount that would have been recognized on an individual loan-by-loan basis. In general, the statement specifies that:

(1) Loan origination fees should be deferred and recognized over the life of the related loan as an adjustment of yield (interest income). Once a bank adopts FASB Statement No. 91, recognizing a portion of loan fees as revenue to offset all or part of origination costs in the reporting period in which a loan is originated is no longer acceptable.

(2) Certain direct loan origination costs specified in the Statement should be deferred and recognized over the life of the related loan as a reduction of the loan's yield. Loan origination fees and related direct loan origination costs for a given loan should be offset and only the net amount deferred and amortized.

(3) Direct loan origination costs should be offset against related commitment fees and the net amounts deferred except for: (a) commitment fees (net of costs) where the likelihood of exercise of the commitment is remote, which generally should be recognized as service fee income on a straight line basis over the loan commitment period, and (b) retrospectively determined fees, which are recognized as service fee income on the date as of which the amount of the fee is determined. All other commitment fees (net of costs) shall be deferred over the entire commitment period and recognized as an adjustment of yield over the related loan's life or, if the commitment expires unexercised, recognized in income upon expiration of the commitment.

(4) Loan syndication fees should be recognized by the bank managing a loan syndication (the syndicator) when the syndication is complete unless a portion of the syndication loan is retained. If the yield on the portion of the loan retained by the syndicator is less than the

Loan Fees (cont.):

average yield to the other syndication participants after considering the fees passed through by the syndicator, the syndicator should defer a portion of the syndication fee to produce a yield on the portion of the loan retained that is not less than the average yield on the loans held by the other syndication participants.

(5) Loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans shall be recognized as an adjustment of yield generally by the interest method based on the contractual term of the loan. However, if the bank holds a large number of similar loans for which prepayments are probable and the timing and amount of prepayments can be reasonably estimated, the bank may consider estimates of future principal prepayments in the calculation of the constant effective yield necessary to apply the interest method. Once a bank adopts FASB Statement No. 91, the practice of recognizing fees over the estimated average life of a group of loans is no longer acceptable.

(6) A refinanced or restructured loan, other than a troubled debt restructuring, should be accounted for as a new loan if the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan. Any unamortized net fees or costs and any prepayment penalties from the original loan should be recognized in interest income when the new loan is granted. If the refinancing or restructuring does not meet these conditions or if only minor modifications are made to the original loan contract, the unamortized net fees or costs from the original loan and any prepayment penalties should be carried forward as a part of the net investment in the new loan. The investment in the new loan should consist of the remaining net investment in the original loan, any additional amounts loaned, any fees received, and direct loan origination costs associated with the transaction. In a troubled debt restructuring involving a modification of terms, fees received should be applied as a reduction of the recorded investment in the loan, and all related costs, including direct loan origination costs, should be charged to expense as incurred. (See the Glossary entry for "troubled debt restructurings" for further guidance.)

(7) Deferred net fees or costs shall not be amortized during periods in which interest income on a loan is not being recognized because of concerns about realization of loan principal or interest.

Direct loan origination costs of a completed loan are defined to include only (a) incremental direct costs of loan origination incurred in transactions with independent third parties for that particular loan and (b) certain costs directly related to specified activities performed by the lender for that particular loan.[6] Incremental direct costs are costs to originate a loan that (a) result directly from and are essential to the lending transaction and (b) would not have been incurred by the lender had that lending transaction not occurred. The specified activities performed by the lender are evaluating the prospective borrower's financial condition; evaluating and recording guarantees, collateral, and other security arrangements; negotiating loan terms; preparing and processing loan documents; and closing the transaction. The costs directly related to those activities include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that particular loan and other costs related to those activities that would not have been incurred but for that particular loan.

[6] For purposes of these reports, a bank which deems its costs for these lending activities not to be material and which need not maintain records on a loan-by-loan basis for other purposes may expense such costs as incurred.

Loan Fees (cont.):

All other lending-related costs, whether or not incremental, should be charged to expense as incurred, including costs related to activities performed by the lender for advertising, identifying potential borrowers, soliciting potential borrowers, servicing existing loans, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration. Employees' compensation and fringe benefits related to these activities, unsuccessful loan origination efforts, and idle time should be charged to expense as incurred. Administrative costs, rent, depreciation, and all other occupancy and equipment costs are considered indirect costs and should be charged to expense as incurred.

Net unamortized loan fees represent an adjustment of the loan yield, and shall be reported in the same manner as unearned income on loans, i.e., deducted from the related loan balances (to the extent possible) or deducted from total loans in "Any unearned income on loans reflected in items 1-9 (1-8 on FFIEC 034) above" in Schedule RC-C, part I. Net unamortized direct loan origination costs shall be added to the related loan balances in Schedule RC-C, part I. Amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield should be reported under the appropriate subitem of item 1, "Interest income," in Schedule RI. Other fees, such as (a) commitment fees that are recognized during the commitment period or included in income when the commitment expires (i.e. fees retrospectively determined and fees for commitments where exercise is remote) and (b) syndication fees that are not deferred, should be reported as "Other noninterest income" on Schedule RI.

Loan Impairment: The accounting standard for impaired loans is FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan." For further information, refer to FASB Statement No. 114.

Each institution is responsible for maintaining an allowance for loan and lease losses (allowance) adequate to absorb estimated credit losses in its entire loan and lease portfolio. As indicated in the Interagency Policy Statement on the Allowance for Loan and Lease Losses dated December 21, 1993, a bank should rely on several methods when analyzing its loan and lease portfolio and determining the appropriate level for its allowance. FASB Statement No. 114 sets forth measurement methods for estimating the portion of the overall allowance for loan and lease losses attributable to impaired loans. For comprehensive guidance on the maintenance of an adequate allowance, banks should refer to the Interagency Policy Statement and the Glossary entry for "allowance for loan and lease losses." National banks should also refer to the Office of the Comptroller of the Currency's Banking Circular 201 (BC-201) and the section of the Comptroller's Handbook for National Bank Examiners discussing the allowance for loan and lease losses.

In general, certain loans are impaired under FASB Statement No. 114 when, based on current information and events, it is likely that an institution will be unable to collect all amounts due according to the contractual terms of the loan agreement, (i.e., both principal and interest). An institution should apply its normal loan review procedures when determining whether a loan covered by FASB Statement No. 114 is impaired. When a loan is deemed impaired under FASB Statement No. 114, an institution may choose to measure impairment using (1) the present value of expected future cash flows discounted at the loan's effective interest rate (i.e., the contractual interest rate adjusted for any net deferred loan fees or costs, premium, or discount existing at the origination or acquisition of the loan), (2) the loan's observable market price, or (3) the fair value of the collateral, if the loan is collateral dependent. (See the additional regulatory reporting guidance on collateral dependent loans in the following paragraph.) A loan is collateral dependent if repayment of the loan is expected to be provided solely by the underlying collateral and there are no other available and reliable sources of repayment. A creditor should consider estimated costs to sell, on a discounted basis, in the measurement of impairment if those costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. If the measure of an impaired loan is less than the

Loan Impairment (cont.):

recorded investment in the loan, an impairment should be recognized by creating an allowance for estimated credit losses for the impaired loan or by adjusting an existing allowance with a corresponding charge or credit to "Provision for loan and lease losses."

For purposes of the Reports of Condition and Income, impairment of a collateral dependent loan must be measured using the fair value of the collateral. In general, any portion of the recorded investment in a collateral dependent loan (including recorded accrued interest, net deferred loan fees or costs, and unamortized premium or discount) in excess of the fair value of the collateral that can be identified as uncollectible should be promptly charged off against the allowance for loan and lease losses.

An additional allowance for estimated credit losses on an impaired loan over and above what is specified by FASB Statement No. 114 will not be automatically required by the federal banking agencies. However, an additional allowance on certain impaired loans is not precluded and may be necessary based on consideration of institution-specific factors, such as historical loss experience compared with estimates of such losses and concerns about the reliability of cash flow estimates, the quality of an institution's loan review function, or controls over its process for estimating its allowance for impaired loans under FASB Statement No. 114.

FASB Statement No. 114 also addresses the accounting by creditors for all loans that are restructured in a troubled debt restructuring involving a modification of terms, except loans that are measured at fair value or the lower of cost or fair value. For guidance on troubled debt restructurings, see the Glossary entry for "troubled debt restructurings."

As with all other loans, all impaired loans should be reported as past due or nonaccrual loans in Schedule RC-N in accordance with the schedule's instructions. Since full collection of principal and interest is not expected for impaired loans, income accrual should normally be discontinued on such loans at the time that they first become impaired. Any cash payments received on impaired loans should be reported in accordance with the criteria for the cash basis recognition of income in the Glossary entry for "nonaccrual status." For further guidance, see that Glossary entry.

Loan Secured by Real Estate: For purposes of these reports, loans secured by real estate are loans predicated upon a security interest in real property. A loan predicated upon a security interest in real property is a loan secured wholly or substantially by a lien on real property for which the lien is central to the extension of the credit--that is, the borrower would not have been extended credit in the same amount or on terms as favorable without the lien on real property. All loans satisfying the criteria above are to be reported as loans secured by real estate (Schedule RC-C, part I, item 1), regardless of whether secured by first or junior liens, regardless of the department within the bank or bank subsidiary that made the loans, regardless of how the loans are categorized in the bank's records, and regardless of the purpose of the financing. Only in transactions where a lien on real property has been taken as collateral solely through an abundance of caution and where the terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loans not be considered to be secured by real estate and not be classifiable as loans secured by real estate in the Report of Condition.

Loss Contingencies: A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. An estimated loss (or expense) from a loss contingency (for example, pending or threatened litigation) must be accrued by a charge to income if it is probable that an asset has been impaired or a liability incurred as of the report date and the amount of the loss can be reasonably estimated.

Loss Contingencies (cont.):

A contingency that might result in a gain, for example, the filing of an insurance claim, shall not be recognized as income prior to realization.

For further information, see FASB Statement No. 5, "Accounting for Contingencies."

Majority-Owned Subsidiary: See "subsidiaries."

Mandatory Convertible Debt: Mandatory convertible debt is a subordinated note or debenture with a maturity of 12 years or less that obligates the holder to take the common or perpetual preferred stock of the issuer in lieu of cash for repayment of principal by a date at or before the maturity date of the debt instrument (so-called "equity contract notes"). For national and state member banks, mandatory convertible debt includes debt issued prior to April 15, 1985, and May 15, 1985, respectively, that is redeemable only with the proceeds from the sale of common or perpetual preferred stock (so-called "equity commitment notes"). For further information, see the instruction to Schedule RC-M, item 7.

Market Value of Securities: The market value of securities should be determined, to the extent possible, by timely reference to the best available source of current market quotations or other data on relative current values. For example, securities traded on national, regional, or foreign exchanges or in organized over-the-counter markets should be valued at the most recently available quotation in the most active market. Rated securities for which no organized market exists should be valued on the basis of a yield curve estimate. Quotations from brokers or others making markets in securities that are neither widely nor actively traded are acceptable if prudently used. Unrated debt securities for which no reliable market price data are available may be valued at cost adjusted for amortization of premium or accretion of discount unless credit problems of the obligor or upward movements in the level of interest rates warrant a lower estimate of current value. Equity securities that do not have readily determinable fair values such as Federal Reserve stock or equity securities in closely held businesses should be valued at historical cost.

Mergers: See "business combinations."

Money Market Deposit Account (MMDA): See "deposits."

Nonaccrual Status: This entry covers, for purposes of these reports, the criteria for placing assets in nonaccrual status (presented in the general rule below) and related exceptions, the reversal of previously accrued but uncollected interest, the treatment of cash payments received on nonaccrual assets and the criteria for cash basis income recognition, the restoration of a nonaccrual asset to accrual status, and the treatment of multiple extensions of credit to one borrower.

General rule -- Banks shall not accrue interest, amortize deferred net loan fees or costs, or accrete discount on any asset (1) which is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection.

An asset is "well secured" if it is secured (1) by collateral in the form of liens on or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full, or (2) by the guarantee of a financially responsible party. An asset is "in the process of collection" if collection of the asset is proceeding in due course either (1) through legal action, including judgment enforcement procedures, or, (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future.

Nonaccrual Status (cont.):

For purposes of applying the third test for nonaccrual status listed above, the date on which an asset reaches nonaccrual status is determined by its contractual terms. If the principal or interest on an asset becomes due and unpaid for 90 days or more on a date that falls between report dates, the asset should be placed in nonaccrual status as of the date it becomes 90 days past due and it should remain in nonaccrual status until it meets the criteria for restoration to accrual status described below.

Any state statute, regulation, or rule that imposes more stringent standards for nonaccrual of interest takes precedence over this instruction.

Exceptions to the general rule -- In the following situations, an asset need not be placed in nonaccrual status:

(1) The criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6[7] are met with respect to a loan or other debt instrument acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party (such as another institution or the receiver of a failed institution), including those that the seller had maintained in nonaccrual status.

(2) The asset upon which principal or interest is due and unpaid for 90 days or more is a consumer loan or a loan secured by a 1-to-4 family residential property. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the bank's net income is not materially overstated.

Treatment of previously accrued interest -- The reversal of previously accrued but uncollected interest applicable to any asset placed in nonaccrual status should be handled in accordance with generally accepted accounting principles. Acceptable accounting treatment includes a reversal of all previously accrued but uncollected interest applicable to assets placed in a nonaccrual status against appropriate income and balance sheet accounts.

For example, one acceptable method of accounting for such uncollected interest on a loan placed in nonaccrual status is (1) to reverse all of the unpaid interest by crediting the "income earned, not collected on loans" account on the balance sheet, (2) to reverse the uncollected interest that has been accrued during the calendar year-to-date by debiting the appropriate "interest and fee income on loans" account on the income statement, and (3) to reverse any uncollected interest that had been accrued during previous calendar years by debiting the "allowance for loan and lease losses" account on the balance sheet. The use of this method presumes that bank management's additions to the allowance through charges to the "provision for loan and lease losses" on the income statement have been based on an evaluation of the collectability of the loan and lease portfolios and the "income earned, not collected on loans" account.

Treatment of cash payments and criteria for the cash basis recognition of income -- When doubt exists as to the collectability of the remaining book balance of an asset in nonaccrual status, any payments received must be applied to reduce principal to the extent necessary to eliminate such doubt. Placing an asset in nonaccrual status does not, in and of itself, require a charge-off, in whole or in part, of the asset's principal. However, any identified losses must be charged off.

[7] American Institute of Certified Public Accountants Practice Bulletin No. 6, "Amortization of Discounts on Certain Acquired Loans," August 1989.

Nonaccrual Status (cont.):

While an asset is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining book balance of the asset (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible.[8] A bank's determination as to the ultimate collectability of the asset's remaining book balance must be supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's historical repayment performance and other relevant factors.

When recognition of interest income on a cash basis is appropriate, it should be handled in accordance with generally accepted accounting principles. One acceptable accounting practice involves allocating contractual interest payments among interest income, reduction of principal, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the asset's remaining book balance at the contractual rate. A bank may also choose to account for the contractual interest in its entirety either as income, reduction of principal, or recovery of prior charge-offs, depending on the condition of the loan, consistent with its accounting policies for other financial reporting purposes.

Restoration to accrual status -- As a general rule, a nonaccrual asset may be restored to accrual status when (1) none of its principal and interest is due and unpaid, and the bank expects repayment of the remaining contractual principal and interest, or (2) when it otherwise becomes well secured and in the process of collection.

For purposes of meeting the first test, the bank must have received repayment of the past due principal and interest unless, as discussed below, (1) the asset has been formally restructured and qualifies for accrual status, (2) the asset has been acquired at a discount (because there is uncertainty as to the amounts or timing of future cash flows) from an unaffiliated third party and meets the criteria for amortization (i.e., accretion of discount) specified in AICPA Practice Bulletin No. 6, or (3) the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments on a loan that is past due and in nonaccrual status, even though the loan has not been brought fully current, and the following two criteria are met. These criteria are, first, that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment within a reasonable period and, second, that there is a sustained period of repayment performance (generally a minimum of six months) by the borrower in accordance with the contractual terms involving payments of cash or cash equivalents. A loan that meets these two criteria may be restored to accrual status but must continue to be disclosed as past due in Schedule RC-N until it has been brought fully current or until it later must be placed in nonaccrual status.

A loan or other debt instrument that has been formally restructured so as to be reasonably assured of repayment and of performance according to its modified terms need not be maintained in nonaccrual status, provided the restructuring and any charge-off taken on the asset are supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the revised terms. Otherwise, the restructured asset must remain in nonaccrual status. The evaluation must include consideration of the borrower's sustained historical repayment performance for a reasonable period prior to the date on which the loan or other debt instrument is returned to accrual status. A sustained period of repayment performance generally would be a minimum of six months and would involve payments of cash or cash equivalents. (In returning the asset to accrual status, sustained historical repayment performance for a reasonable

[8] An asset subject to the cost recovery method required by AICPA Practice Bulletin No. 6 should follow that method for reporting purposes.

Nonaccrual Status (cont.):

time prior to the restructuring may be taken into account.) Such a restructuring must improve the collectability of the loan or other debt instrument in accordance with a reasonable repayment schedule and does not relieve the bank from the responsibility to promptly charge off all identified losses.

A formal restructuring may involve a multiple note structure in which, for example, a troubled loan is restructured into two notes. The first or "A" note represents the portion of the original loan principal amount which is expected to be fully collected along with contractual interest. The second or "B" note represents the portion of the original loan that has been charged off and, because it is not reflected as an asset and is unlikely to be collected, could be viewed as a contingent receivable. The "A" note may be returned to accrual status provided the conditions in the preceding paragraph are met and: (1) there is economic substance to the restructuring and it qualifies as a troubled debt restructuring under generally accepted accounting principles, (2) the portion of the original loan represented by the "B" note has been charged off before or at the time of the restructuring, and (3) the "A" note is reasonably assured of repayment and of performance in accordance with the modified terms.

Until the restructured asset is restored to accrual status, if ever, cash payments received must be treated in accordance with the criteria stated above in the preceding section of this entry. In addition, after a formal restructuring, if a restructured asset that has been returned to accrual status later meets the criteria for placement in nonaccrual status as a result of past due status based on its modified terms or for any other reasons, the asset must be placed in nonaccrual status.

For further information on formally restructured assets, see the Glossary entry for "troubled debt restructurings."

Treatment of multiple extensions of credit to one borrower -- As a general principle, nonaccrual status for an asset should be determined based on an assessment of the individual asset's collectability and payment ability and performance. Thus, when one loan to a borrower is placed in nonaccrual status, a bank does not automatically have to place all other extensions of credit to that borrower in nonaccrual status. When a bank has multiple loans or other extensions of credit outstanding to a single borrower, and one loan meets the criteria for nonaccrual status, the bank should evaluate its other extensions of credit to that borrower to determine whether one or more of these other assets should also be placed in nonaccrual status.

Noninterest-Bearing Account: See "deposits."

Nontransaction Account: See "deposits."

NOW Account: See "deposits."

Offsetting: Offsetting is the reporting of assets and liabilities on a net basis in the balance sheet. Banks are permitted to offset assets and liabilities recognized in the Report of Condition when a "right of setoff" exists. Under FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," a right of setoff exists when all of the following conditions are met:

(1) Each of two parties owes the other determinable amounts. Thus, only bilateral netting is permitted.

(2) The reporting party has the right to set off the amount owed with the amount owed by the other party.

(3) The reporting party intends to set off. This condition does not have to be met for fair value amounts recognized for conditional or exchange contracts that have been executed with the same counterparty under a master netting arrangement.

(4) The right of setoff is enforceable at law. Legal constraints should be considered to determine whether the right of setoff is enforceable. Accordingly, the right of setoff should be upheld in bankruptcy (or receivership). Offsetting is appropriate only if the available evidence, both positive

and negative, indicates that there is reasonable assurance that the right of setoff would be upheld in bankruptcy (or receivership).

According to Interpretation No. 39, for forward, interest rate swap, currency swap, option, and other conditional and exchange contracts, a master netting arrangement exists if the reporting bank has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default or termination of any one contract.

Offsetting the assets and liabilities recognized for conditional or exchange contracts outstanding with a single counterparty results in the net position between the two counterparties being reported as an asset or a liability in the Report of Condition. The reporting entity's choice to offset or not to offset assets and liabilities recognized for conditional or exchange contracts must be applied consistently.

Offsetting of assets and liabilities is also permitted by other accounting pronouncements identified in Interpretation No. 39. These pronouncements apply to such items as leveraged leases, pension plan and other postretirement benefit plan assets and liabilities, and deferred tax assets and liabilities. In addition, FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements," describes the circumstances in which amounts recognized as payables under repurchase agreements may be offset against amounts recognized as receivables under reverse repurchase agreements and reported as a net amount in the balance sheet. The reporting entity's choice to offset or not to offset payables and receivables under Interpretation No. 41 must be applied consistently.

See also "reciprocal balances."

One-Day Transaction: See "federal funds transactions."

Option: See "derivative contracts."

Organization Costs: Organization costs are the direct costs incurred to incorporate and charter a bank. Such direct costs include, but are not limited to, professional (e.g., legal, accounting, and consulting) fees and printing costs directly related to the chartering or incorporation process, filing fees paid to chartering authorities, and the cost of economic impact studies. Organization costs incurred by newly chartered banks should be capitalized and amortized using the straight-line method over a period not to exceed five years. The unamortized balance of a bank's organization costs should be included in Schedule RC, item 10, "Intangible assets," and as "All other identifiable intangible assets" in Schedule RC-M, item 6.b.(2).

Pre-opening expenses such as salaries and employee benefits, rent, depreciation, supplies, directors' fees, training, travel, postage, and telephone are not considered organization costs and should not be capitalized. In addition, allocated internal costs (e.g., management salaries) shall not be capitalized as organization costs. Pre-opening expenses incurred from the bank's inception through

Organization Costs (cont.):
the date the bank commenced operations should be reported in the appropriate items of Schedule RI, Income Statement, each quarter during the calendar year in which operations commenced.

Other Depository Institutions in the U.S.: See "depository institutions in the U.S."

Other Real Estate Owned: See "foreclosed assets" and the instruction to Schedule RC-M, item 8.a.

Overdraft: An overdraft can be either planned or unplanned. An unplanned overdraft occurs when a depository institution honors a check or draft drawn against a deposit account when insufficient funds are on deposit and there is no advance contractual agreement to honor the check or draft. When a contractual agreement has been made in advance to allow such credit extensions, overdrafts are referred to as planned or prearranged. Any overdraft, whether planned or unplanned, is an extension of credit and is to be treated and reported as a "loan" rather than being treated as a negative deposit balance.

Planned overdrafts in depositors' accounts are to be classified in Schedule RC-C, part I, by type of loan according to the nature of the overdrawn depositor. For example, a planned overdraft by a commercial customer is to be classified as a "commercial and industrial loan."

Unplanned overdrafts in depositors' accounts are to be classified in Schedule RC-C, part I, as "All other loans," unless the depositor is a depository institution or a state or political subdivision in the U.S. Such unplanned overdrafts would be reported in Schedule RC-C, part I, as "Loans to depository institutions" and "Obligations (other than securities and leases) of states and political subdivisions in the U.S.," respectively. In addition, for banks filing the FFIEC 031, 032, or 033, an unplanned overdraft in the deposit account of a foreign government or official institution would not be reported in "All other loans," but would be reported in "Loans to foreign governments and official institutions."

For purposes of treatment of overdrafts in depositors' accounts, a group of related transaction accounts of a single type (i.e., demand deposit accounts or NOW accounts, but not a combination thereof) maintained in the same right and capacity by a customer (a single legal entity) that is established under a bona fide cash management arrangement by this customer function as, and are regarded as, one account rather than as multiple separate accounts. In such a situation, overdrafts in one or more of the transaction accounts within the group are not to be classified as loans unless there is a net overdraft position in the group of related transaction accounts taken as a whole. (NOTE: Affiliates and subsidiaries are considered separate legal entities.) For further information, see "cash management arrangements."

The reporting bank's overdrafts on deposit accounts it holds with other banks (i.e., its "due from" accounts) are to be reported as borrowings in Schedule RC, item 16, except overdrafts arising in connection with checks or drafts drawn by the reporting bank and drawn on, or payable at or through, another depository institution either on a zero-balance account or on an account that is not routinely maintained with sufficient balances to cover checks or drafts drawn in the normal course of business during the period until the amount of the checks or drafts is remitted to the other depository institution (in which case, report the funds received or held in connection with such checks or drafts as deposits in Schedule RC-E until the funds are remitted).

Participations: See "transfers of financial assets."

Participations in Acceptances: See "bankers acceptances."

Participations in Pools of Securities: See "repurchase/resale agreements."

Pass-through Reserve Balances: Under the Monetary Control Act of 1980, and as reflected in Federal Reserve Regulation D, depository institutions that are members of the Federal Reserve System must maintain their required reserves (in excess of vault cash) directly with a Federal Reserve Bank. However, nonmember depository institutions may maintain their required reserves (in excess of vault cash) in one of two ways: either (1) directly with a Federal Reserve Bank or (2) indirectly in an account with another institution (referred to here as a "correspondent"), which, in turn, is required to pass the reserves through to a Federal Reserve Bank. This second type of account is called a "pass-through account," and a depository institution passing its reserves to the Federal Reserve through a correspondent is referred to here as a "respondent." This pass-through reserve relationship is legally and for supervisory purposes considered to constitute an asset/debt relationship between the respondent and the correspondent, and an asset/debt relationship between the correspondent and the Federal Reserve. The required reporting of the "pass-through reserve balances" reflects this structure of asset/debt relationships.

In the balance sheet of the respondent bank, the pass-through reserve balances are to be treated as a claim on the correspondent (not as a claim on the Federal Reserve) and, as such, are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," or item 1.b, "Interest-bearing balances," as appropriate. (The footings for the respondent are not affected by this required classification of the claim.) For respondent banks with more than $100 million in assets, the pass-through reserve balances would also be reflected in Schedule RC-A, item 2, "Balances due from depository institutions in the U.S."

In the balance sheet of the correspondent bank, the pass-through reserve balances are to be treated as balances due to respondents and, to the extent that the balances have actually been passed through to the Federal Reserve, as balances due from the Federal Reserve. The balances due to respondents are to be reflected in the balance sheet of the Report of Condition, Schedule RC, item 13.a, "Deposits in domestic offices," and on in Schedule RC-E, Deposit Liabilities, (part I), items 4 or 5, as appropriate.[9] The balances due from the Federal Reserve are to be reflected on the balance sheet in Schedule RC, item 1.a, "Noninterest-bearing balances and currency and coin," and, for correspondent banks with more than $100 million in assets, in Schedule RC-A, item 4. (Under this required treatment, the footings for the correspondent are higher, by the amount of reserves actually passed through to the Federal Reserve, than they would be under treatment as an agent relationship.)

Perpetual Preferred Stock: See "preferred stock."

Placements and Takings: Placements and takings are deposits between a foreign office of the reporting bank and a foreign office of another bank and are to be treated as due from or due to depository institutions. Such transactions are always to be reported gross and are not to be netted as reciprocal balances.

Pooling of Interests: See "business combinations."

Preauthorized Transfer Account: See "deposits."

[9] When an Edge or Agreement Corporation acts as a correspondent, its balances due to respondents are to be reflected in Schedule RC, item 13.b, "Deposits in foreign offices," and, on FFIEC 031 only, in Schedule RC-E, part II, item 1, 2, or 3, as appropriate.

Preferred Stock: Preferred stock is a form of ownership interest in a bank or other company which entitles its holders to some preference or priority over the owners of common stock, usually with respect to dividends or asset distributions in a liquidation.

Limited-life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock or common stock at a stated date.

Perpetual preferred stock is preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date.

Premiums and Discounts: A premium arises when a bank purchases a security, loan, or other asset at a price in excess of its par or face value, typically because the current level of interest rates for such assets is less than its contract or stated rate of interest. The difference between the purchase price and par or face value represents the premium which all banks are required to amortize.

A discount arises when a bank purchases a security, loan, or other asset at a price below its par or face value, typically because the current level of interest rates for such assets is greater than its contract or stated rate of interest. A discount is also present on instruments which do not have a stated rate of interest such as U.S. Treasury bills and commercial paper. The difference between par or face value and the purchase price represents the discount which all banks are required to accrete.

Premiums and discounts are accounted for as adjustments to the yield on an asset over the life of the asset. A premium must be amortized and a discount must be accreted from date of purchase to maturity, not to call or put date.[10] The preferable method for amortizing premiums and accreting discounts involves the use of the interest method for accruing income on the asset. The objective of the interest method is to produce a constant yield or rate of return on the carrying value of the asset (par or face value plus unamortized premium or less unaccreted discount) at the beginning of each amortization period over the asset's remaining life. The difference between the periodic interest income that is accrued on the asset and interest at the stated rate is the periodic amortization or accretion. However, a straight-line method of amortization or accretion is acceptable if the results are not materially different from the interest method.

A premium or discount may also arise when the reporting bank, acting either as a lender or a borrower, is involved in an exchange of a note for assets other than cash and the interest rate is either below the market rate or not stated, or the face amount of the note is materially different from the fair value of the noncash assets exchanged. The noncash assets and the related note shall be recorded at either the fair value of the noncash assets or the market value of the note, whichever is more clearly determinable. The market value of the note would be its present value as determined by discounting all future payments on the note using an appropriate interest rate, i.e., a rate comparable to that on new loans of similar risk. The difference between the face amount and the recorded value of the note is a premium or discount. This discount or premium shall be accounted for as an adjustment of the interest income or expense over the life of the note using the interest method described above.

For further information, see APB Opinion No. 21, "Interest on Receivables and Payables."

[10] For an asset acquired at a premium prior to the effective date of a bank's adoption of FASB Statement No. 91, the premium should be amortized to the asset's maturity date unless it is more conservative in its effect on current income to amortize the premium in two stages: (1) first to the call or "put" date and price and (2) then to the maturity date and par or face value.

Purchase Acquisition: See "business combinations."

Put Option: See "derivative contracts."

Real Estate ADC Arrangements: See "acquisition, development, or construction (ADC) arrangements."

Real Estate, Loan Secured By: See "loan secured by real estate."

Reciprocal Balances: Reciprocal balances arise when two depository institutions maintain deposit accounts with each other; that is, when a reporting bank has both a due to and a due from balance with another depository institution.

For purposes of the balance sheet of the Report of Condition, reciprocal balances between the reporting bank and other depository institutions may be reported on a net basis when a right of setoff exists. See the Glossary entry for "offsetting" for the conditions that must be met for a right of setoff to exist.

Renegotiated Troubled Debt: See "troubled debt restructurings."

Reorganizations: See "business combinations."

Repurchase/Resale Agreements: A repurchase agreement is a transaction involving the sale of assets by one party to another, subject to an agreement by the seller to repurchase the assets at a specified date or in specified circumstances. A resale agreement (also known as a reverse repurchase agreement) is a transaction involving the purchase of assets by one party from another, subject to an agreement by the purchaser to resell the assets at a specified date or in specified circumstances.

General rule -- Consistent with the AICPA's Audit and Accounting Guide for Banks and Savings Institutions, repurchase and resale agreements involving assets are either reported as borrowings and loans or sales and repurchase commitments based on whether the selling institution maintains control over the future economic benefits associated with the underlying asset. If the repurchase agreement requires the selling institution to repurchase the identical asset sold, then, generally, the institution has retained control over the future economic benefits and should report the transaction as a borrowing.

(1) Repurchase agreements involving securities:

(a) Securities sold under agreements to repurchase are treated as borrowings and reported in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase," if the repurchase agreement requires the bank to repurchase the identical security sold, or a security that meets the definition of "substantially the same" in the case of a dollar repurchase agreement. (See the discussion below of dollar repurchase agreements, which are also called dollar rolls.)

(b) Securities sold under agreements to repurchase are reported as a sale of the securities and a commitment to purchase securities if the repurchase agreement does not require the bank to repurchase the identical security sold, or a security that meets the definition of "substantially the same" in the case of a dollar repurchase agreement.

Repurchase/Resale Agreements (cont.):

(2) Repurchase agreements involving assets other than securities:

(a) Assets, other than securities, sold under agreements to repurchase are treated as borrowings and reported as follows if the repurchase agreement requires the bank to repurchase the identical asset sold:

(i) If the repurchase agreement matures in one business day (or is under a continuing contract) and is in immediately available funds, it should be reported in Schedule RC, item 14, "Federal funds purchased and securities sold under agreements to repurchase."

(ii) If the repurchase agreement matures in more than one business day or is not in immediately available funds, it should be reported in Schedule RC, item 16, "Other borrowed money."

(b) Assets, other than securities, sold under agreements to repurchase are treated as sales of assets and commitments to purchase assets if the repurchase agreement does not require the bank to repurchase the identical asset sold.

Similarly, resale agreements involving securities are to be reported in Schedule RC, item 3, as "Federal funds sold and securities purchased under agreements to resell," if the agreement requires the bank to resell the identical security purchased, or a security that meets the definition of substantially the same in the case of a dollar roll, as outlined above. Resale agreements involving securities are to be reported as a purchase of securities and a commitment to sell securities if the resale agreement does not require the bank to resell the identical security purchased, or a security that meets the definition of substantially the same in the case of a dollar roll. Resale agreements involving assets other than securities are to be reported (1) in Schedule RC, item 3, "Federal funds sold and securities purchased under agreements to resell," if the agreement matures in one business day (or is under a continuing contract) and is in immediately available funds; or (2) in Schedule RC, item 4.a, "Loans and leases, net of unearned income," if the agreement requires the bank to resell the identical asset purchased. Resale agreements involving assets other than securities are to be reported as a purchase of assets and a commitment to sell assets if the resale agreement does not require the bank to resell the identical asset sold. Resale agreements classified as loans are also to be reported in Schedule RC-C, part I, in the appropriate loan category.

Participations in pools of securities are to be reported in the same manner as security repurchase/resale transactions.

Dollar repurchase agreements (also called dollar rolls) -- As stated in the AICPA's Audit and Accounting Guide for Banks and Savings Institutions, dollar repurchase agreements are agreements to sell and repurchase similar but not identical securities. The dollar roll market consists primarily of agreements that involve mortgage-backed securities (MBS). Dollar rolls differ from regular repurchase agreements in that the securities sold and repurchased, which are usually of the same issuer, are represented by different certificates, are collateralized by different but similar mortgage pools (for example, single-family residential mortgages), and generally have different principal amounts. The most common types of dollar rolls are fixed-coupon and yield-maintenance agreements:

(1) Fixed-coupon dollar repurchase agreements -- A fixed-coupon dollar repurchase agreement is a transaction involving the sale of securities by one party to another, subject to an agreement that, at a specified date or in specified circumstances, the purchaser will deliver securities for repurchase by the seller that are "substantially the same" (as defined in the Audit and

Repurchase/Resale Agreements (cont.):

Accounting Guide) (e.g., same obligor, form, contractual interest rate, and weighted-average maturity) as the securities sold. These transactions are to be reported as borrowings or financings of securities as discussed above. However, a fixed-coupon agreement that contains a right-of-substitution clause or that provides an option to the buyer-lender to deliver back a certificate priced to result in a significantly different yield should be accounted for as purchases or sales of securities.

(2) Yield maintenance dollar repurchase agreement -- A yield maintenance dollar repurchase agreement is a transaction involving the sale of securities by one party to another, subject to an agreement that, at a specified date or in specified circumstances, the purchaser will deliver securities for repurchase by the seller that may bear a different contract interest rate than the securities sold, but that will provide the selling institution with a yield similar to the yield on the securities sold. These transactions are to be reported as purchases or sales of securities.

Reserve Balances, Pass-through: See "pass-through reserve balances."

Sales of Assets for Risk-Based Capital Purposes: This entry provides guidance for determining whether sales of loans, securities, receivables, and other assets are subject to the agencies' risk-based capital requirements and are reportable in Schedule RC-L, Off-Balance Sheet Items, and Schedule RC-R, Regulatory Capital. For information on the reporting of transfers of financial assets for purposes of the balance sheet, income statement, and related schedules, see the Glossary entry for "transfers of financial assets."

Under the agencies' risk-based capital standards, assets sold with recourse, if not already included on the balance sheet, are risk-weighted by using a two-step process. First, the full outstanding amount of assets sold with recourse must be converted to an on-balance sheet credit equivalent amounts using a 100 percent credit conversion factor, except for low level recourse transactions and small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. (The reporting treatment of these specific types of asset sales with recourse is discussed in the General Instructions for Schedule RC-R.) Second, the credit equivalent amount is assigned to the appropriate risk weight category according to the obligor or, if relevant, the guarantor or the nature of the collateral.

For purposes of reporting in Schedule RC-R, some transactions involving the "sale" of assets are not subject to the risk-based capital requirements and others are subject to these requirements and must be treated as "asset sales with recourse." Under the following general rule, the risk-based capital treatment required for any particular transfer of assets depends upon whether the "seller" retains risk of loss in connection with the transfer of the assets.

General rule -- A transferring institution should treat a transfer of loans, securities, receivables, or other assets that qualifies for sale treatment under generally accepted accounting principles as a sale of the transferred assets that is not subject to risk-based capital only if the transferring institution:

(1) retains no risk of loss from the assets transferred resulting from any cause and

(2) has no obligation to any party for the payment of principal or interest on the assets transferred resulting from:

(a) default on principal or interest by the obligor of the underlying instrument or from any other deficiencies in the obligor's performance,

Sales of Assets for Risk-Based Capital Purposes (cont.):

(b) changes in the market value of the assets after they have been transferred,

(c) any contractual relationship between the seller and purchaser incident to the transfer that, by its terms, could continue even after final payment, default, or other termination of the assets transferred, or

(d) any other cause.

If risk of loss or obligation for payment of principal or interest is retained by, or may fall back upon, the seller in an asset transfer that qualifies for sale treatment under generally accepted accounting principles, the transaction must be considered an "asset sale with recourse" for purposes of reporting risk-based capital information in Schedule RC-R. The transaction must also be reported as an asset transfer with recourse in Schedule RC-L, item 9.

Assets transferred in transactions that do not qualify as sales under generally accepted accounting principles should continue to be reported as assets on the Call Report balance sheet and are subject to the agencies' regulatory capital requirements.

Exception to the general rule -- Contractual provisions in sales of assets that

(1) provide for the return of the assets to the seller in instances of incomplete documentation or fraud, or

(2) allow the purchaser a specific limited period of time to determine that the assets transferred are in fact as represented by the seller and to return deficient paper to the seller

will not by themselves and in the absence of any other recourse provision or retention of risk cause the transfer to be treated as an "asset sale with recourse" for purposes of Schedule RC-R.

Interpretations and illustrations of the general rule:

(1) For any given transfer, the determination of whether risk is retained by the transferring institution is to be based upon the substance of the transfer agreement or other relevant documents or informal commitments and understandings, or subsequent actions of the parties to the transactions, not upon the form or particular terminology used. The presence of a bona fide "sale with recourse" provision would establish the transaction as an asset sale with recourse for purposes of risk-based capital and Schedule RC-R. However, the absence of a recourse provision, the absence of the term "recourse," even the presence of a statement to the effect that there is no recourse or, in the case of a participation, the use of the terms "pass-through" or "pure pass-through" will not by themselves establish a transaction as a sale that is not subject to risk-based capital. If other conditions and provisions of the transfer are such as to leave the transferor with risk of loss as described in the general rule, the transfer is an asset sale with recourse for purposes of risk-based capital and Schedule RC-R.

(2) If assets are sold subject to specific contractual terms that limit the seller's risk to a percentage of the value of the assets sold or to a specific dollar amount, the entire outstanding amount of the assets sold represents an asset sale with recourse for risk-based capital purposes. For example, if assets are sold subject to a ten percent recourse provision (i.e., the seller's risk is limited to ten percent of the value of the assets sold), the total outstanding amount of the assets sold is subject to risk-based capital, not just the ten percent limit, unless the low level recourse rule (discussed in the General Instructions to Schedule RC-R) applies.

Sales of Assets for Risk-Based Capital Purposes (cont.):

However, if the risk retained by the seller is limited to some fixed percentage of any losses that might be incurred and there are no other provisions resulting in retention of risk, either directly or indirectly, by the seller, the maximum amount of possible loss for which the selling bank is at risk (the stated percentage times the amount of assets to which the percentage applies) is subject to risk-based capital and reportable in Schedule RC-R and the remaining amount of the assets transferred would be treated as a sale that is not subject to the risk-based capital requirements. For example, a seller would treat a sale of $1,000,000 in assets, with a recourse provision that the seller and buyer proportionately share in losses incurred on a ten percent and 90 percent basis, and with no other retention of risk by the seller, as a $100,000 asset sale with recourse and a $900,000 sale not subject to risk-based capital.

(3) Among the transfers where risk of loss has been retained by the seller and that should be considered by the seller as asset sales with recourse for purposes of Schedule RC-R are arrangements such as the following (this list is illustrative of the principles involved in the application of the general rule and is not all-inclusive) --

(a) the sale of an asset with a realistic bona fide put option allowing the purchaser, at its option, to return the asset to the seller;

(b) the sale of an asset guaranteed by a standby letter of credit issued by the seller;

(c) the sale of an asset guaranteed by a standby letter of credit issued by any other party in which risk, either directly or indirectly, rests with the seller;

(d) the sale of an asset guaranteed by an insurance contract in which the seller, either directly or indirectly, indemnifies or otherwise protects the insurer in any manner against loss;

(e) the sale of a short-term loan under a long-term credit commitment (a so-called "strip participation"); and

(f) sales and securitizations of assets which use contractual cash flows (e.g., interest-only strips receivable and so-called "spread accounts"), retained subordinated interests, or retained securities (e.g., collateral invested amounts and cash collateral accounts) as credit enhancements. If the low-level recourse rule applies to these credit enhancements, the maximum contractual dollar amount of the bank's recourse exposure is generally limited to the amount carried as an asset on the balance sheet in accordance with generally accepted accounting principles.

(4) A transfer where the seller retains risk as a result of a difference in terms between the instrument of transfer and the asset transferred, regardless of the other characteristics of the sale or participation, should be treated by the seller as an asset sale with recourse for purposes of Schedule RC-R. For example, any transfer in which there is a difference in maturity between the underlying asset and the instrument of transfer should be treated as an asset sale with recourse.

However, the sale of a loan or other asset subject to an agreement under which the seller will pass through to the purchaser a rate of interest that differs from the stated rate of interest on the transferred asset would not, for this reason alone, require the transaction to be treated as an asset sale with recourse for risk-based capital purposes provided (1) the seller's obligation to pass interest through to the purchaser is contingent upon the continued interest payment performance of the underlying obligor of the transferred asset (i.e., the seller has no obligation to pass interest through if the obligor defaults in whole or in part on interest or principal) and (2) none of the other characteristics of the sale or participation results in risk to the seller.

Sales of Assets for Risk-Based Capital Purposes (cont.):

(5) The general rule applies to all transfers of assets (other than those specifically covered in the exception), including sales of a single asset or of a pool of assets and sales of participations in a single asset or in a pool of assets (whether of similar or dissimilar instruments). In participations that are not "syndications" (as described in the Glossary item for that term), the seller of the participations should handle the transfer of shares to participants in accordance with the general rule on sales of assets for risk-based capital purposes, even though the assets being participated were acquired or accumulated for the express purpose of issuing participations and even though the participation was prearranged with the purchasers of the participations. However, the rule does not apply to the initial operation and distribution of participations in the form of syndications, since in a syndication there is no transfer of assets involved of the type to which the general rule on sales of assets for risk-based capital purposes is addressed. Any subsequent transfers of shares, or parts of shares, in a syndicated loan would be subject to the general rule.

(6) The general rule (and interpretations and exception) is also applicable to asset transfers that are made to special or limited purpose entities that are not technically affiliated with the seller. Regardless of the legal structure of the transaction, if risk of loss is retained by the seller, either contractually or otherwise, either directly or indirectly, the seller should treat the transaction as an asset sale with recourse for purposes of risk-based capital and Schedule RC-R even if the sale to the special purpose entity is stated as being without recourse.

Savings Deposits: See "deposits."

Securities, Participations in Pools of: See "repurchase/resale agreements."

Servicing Assets and Liabilities: The accounting and reporting standards for servicing assets and liabilities are set forth in FASB Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and FASB Statement No. 65, "Accounting for Certain Mortgage Banking Activities" as amended by Statement No. 125. A summary of the relevant sections of these accounting standard follows. For further information, see FASB Statements No. 125 and No. 65 and the Glossary entry for "transfers of financial assets."

Servicing of mortgage loans, credit card receivables, or other financial assets includes, but is not limited to, collecting principal, interest, and escrow payments from borrowers; paying taxes and insurance from escrowed funds; monitoring delinquencies; executing foreclosure if necessary; temporarily investing funds pending distribution; remitting fees to guarantors, trustees, and others providing services; and accounting for and remitting principal and interest payments to the holders of beneficial interests in the financial assets. Servicers typically receive certain benefits from the servicing contract and incur the costs of servicing the assets.

Servicing is inherent in all financial assets; it becomes a distinct asset or liability only when contractually separated from the underlying financial assets by sale or securitization of the assets with servicing retained or by a separate purchase or assumption of the servicing. When a bank undertakes an obligation to service financial assets, it must recognize a servicing asset or liability for that servicing contract unless it securitizes the assets, retains all of the resulting securities, and classifies the securities as held-to-maturity debt securities. Servicing assets result from contracts to service financial assets for which the benefits of servicing (revenues from contractually specified servicing fees, late charges, and other ancillary sources) are expected to more than adequately compensate the servicer for performing the servicing. Servicing liabilities result from contracts to service financial assets for which the benefits of servicing are not expected to adequately compensate the servicer for performing the servicing. Contractually specified servicing fees are all amounts that, per contract, are due to the servicer in exchange for servicing the financial asset and

Servicing Assets and Liabilities (cont.):

would no longer be received by a servicer if the beneficial owners of the serviced assets or their trustees or agents were to exercise their actual or potential authority under the contract to shift the servicing to another servicer. Adequate compensation is the amount of benefits of servicing that would fairly compensate a substitute servicer should one be required including the profit that would be demanded by a substitute servicer in the marketplace.

When a bank sells or securitizes financial assets and retains the servicing asset, the bank shall allocate the cost of the financial assets to the servicing assets and the financial assets (without the servicing) based on their relative fair values. If it is not practicable to estimate the fair values of the servicing assets and the financial assets (without the servicing), the entire cost shall be allocated to the financial assets (without the servicing) and no cost shall be allocated to the servicing assets. If a bank incurs a servicing liability in a sale or securitization, the servicing liability should initially be measured at fair value. If a bank securitizes assets, retains all of the resulting securities, and classifies the securities as held-to-maturity debt securities, no separate servicing asset or liability shall be recorded. If a bank purchases servicing assets or assumes servicing liabilities in a transaction other than a sale or securitization of the financial assets being serviced, the asset or liability shall be recorded at fair value. For purchased servicing assets, the fair value is presumptively the price paid to acquire the servicing.

All servicing assets and liabilities carried on the books of reporting banks shall be amortized in proportion to, and over the period of, estimated net servicing income (servicing revenue in excess of servicing costs) or net servicing loss (servicing costs in excess of servicing revenue). The book value of servicing assets and liabilities should be reviewed at least quarterly. If the book value of a stratum of a servicing asset exceeds its fair value, the servicing asset is considered to be impaired and the book value shall be reduced to fair value through a valuation allowance for that stratum. The servicing assets shall be stratified into groups based on one or more of the predominant risk characteristics of the underlying financial assets for purposes of determining fair value. If the fair value of a servicing liability increases above the book value, the increased obligation shall be recognized as a loss in current earnings. The fair value of servicing assets (liabilities) is the amount at which the assets (liabilities) could be bought (incurred) or sold (settled) in a bona fide transaction between willing parties.

For each servicing contract in existence before January 1, 1997, previously recognized servicing rights and "excess servicing" receivables that do not exceed contractually specified servicing fees shall be combined, net of any previously recognized servicing obligations under that contract, as a servicing asset or liability as of January 1, 1997. The servicing asset or liability should subsequently be accounted for as described above. Previously recognized servicing receivables that exceed contractually specified servicing fees shall be reclassified as interest-only strips receivable.

For purposes of these reports, servicing assets resulting from contracts to service loans secured by real estate (as defined for Schedule RC-C, Part I, item 1, in the Glossary entry for "Loans secured by real estate") should be reported in Schedule RC-M, item 6.a, "Mortgage servicing assets." Servicing assets resulting from contracts to service all other financial assets should be reported in Schedule RC-M, item 6.b.(2), "All other identifiable intangible assets."

Settlement Date Accounting: See "trade date and settlement date accounting."

Shell Branches: Shell branches are limited service branches that do not conduct transactions with residents, other than with other shell branches, in the country in which they are located. Transactions at shell branches are usually initiated and effected by their head office or by other related branches outside the country in which the shell branches are located, with records and supporting documents maintained at the initiating offices. Examples of such locations are the Bahamas and the Cayman Islands.

Short Position: When a bank sells an asset that it does not own, it has established a short position. If on the report date a bank is in a short position, it shall report its liability to purchase the asset in Schedule RC, item 15.b, "Trading liabilities." In this situation, the right to receive payment shall be reported in Schedule RC-F, item 4, "Other" assets. Short positions shall be reported gross. Short trading positions shall be revalued consistent with the method used by the reporting bank for the valuation of its trading assets.

Significant Subsidiary: See "subsidiaries."

Standby Contract: See "derivative contracts."

Standby Letter of Credit: See "letter of credit."

STRIPS: See "coupon stripping, Treasury receipts, and STRIPS."

Subordinated Notes and Debentures: A subordinated note or debenture is a form of debt issued by a bank or a consolidated subsidiary. When issued by a bank, a subordinated note or debenture is not insured by a federal agency, is subordinated to the claims of depositors, and has an original weighted average maturity of five years or more. Such debt shall be issued by a bank with the approval of, or under the rules and regulations of, the appropriate federal bank supervisory agency and is to be reported in Schedule RC, item 19, "Subordinated notes and debentures."

When issued by a subsidiary, a note or debenture may or may not be explicitly subordinated to the deposits of the parent bank and is to be reported in Schedule RC, item 16, "Other borrowed money," or item 19, "Subordinated notes and debentures," as appropriate.

Those subordinated notes and debentures that are to be reported in Schedule RC, item 19, include mandatory convertible debt.

Subsidiaries: The treatment of subsidiaries in the Reports of Condition and Income depends upon the degree of ownership held by the reporting bank.

A majority-owned subsidiary of the reporting bank is a subsidiary in which the parent bank directly or indirectly owns more than 50 percent of the outstanding voting stock.

A significant subsidiary of the reporting bank is a majority-owned subsidiary that meets any one or more of the following tests:

(1) The bank's direct and indirect investment in and advances to the subsidiary equals five percent or more of the total equity capital of the parent bank.

NOTE: For the purposes of this test, the amount of direct and indirect investments and advances is either (a) the amount carried on the books of the parent bank or (b) the parent's proportionate share in the total equity capital of the subsidiary, whichever is greater.

(2) The parent bank's proportional share (based on equity ownership) of the subsidiary's gross operating income or revenue amounts to five percent or more of the gross operating income or revenue of the consolidated parent bank.

(3) The subsidiary's income or loss before income taxes amounts to five percent or more of the parent bank's income or loss before income taxes.

(4) The subsidiary is, in turn, the parent of one or more subsidiaries which, when consolidated with the subsidiary, constitute a significant subsidiary as defined in one or more of the above tests.

Subsidiaries (cont.):

An associated company is a corporation in which the bank, directly or indirectly, owns 20 to 50 percent of the outstanding voting stock and over which the bank exercises significant influence. This 20 to 50 percent ownership is presumed to carry "significant" influence unless the bank can demonstrate the contrary to the satisfaction of the appropriate federal supervisory authority.

A corporate joint venture is a corporation owned and operated by a group of banks or other businesses ("joint venturers"), no one of which has a majority interest, as a separate and specific business or project for the mutual benefit of the joint venturers. Each joint venturer may participate, directly or indirectly, in the management of the joint venture. An entity that is a majority-owned subsidiary of one of the joint venturers is not a corporate joint venture.

The equity ownership in majority-owned subsidiaries that are not consolidated on the Reports of Condition and Income (e.g., subsidiaries held on a temporary basis) and in associated companies is accounted for using the equity method of accounting and is reported in Report of Condition Schedule RC-M, item 8.b, and in Schedule RC, item 8, "Investments in unconsolidated subsidiaries and associated companies."

Ownership in a corporate joint venture is to be treated in the same manner as an associated company (defined above) only to the extent that the equity share represents significant influence over management. Otherwise, equity holdings in a joint venture are treated as holdings of corporate stock and income is recognized only when distributed in the form of dividends.

Suspense Accounts: Suspense accounts are temporary holding accounts in which items are carried until they can be identified and their disposition to the proper account can be made. Such accounts may also be known as interoffice or clearing accounts. The balances of suspense accounts as of the report date should not automatically be reported as "Other assets" or "Other liabilities." Rather, the items included in these accounts should be reviewed and material amounts should be reported in the appropriate accounts of the Reports of Condition and Income.

Syndications: A syndication is a participation, usually involving shares in a single loan, in which several participants agree to enter into an extension of credit under a bona fide binding agreement that provides that, regardless of any event, each participant shall fund and be at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount. In a syndication, the participants agree to the terms of the participation prior to the execution of the final agreement and the contract is executed by the obligor and by all the participants, although there is usually a lead institution organizing or managing the credit. Large commercial and industrial loans, large loans to finance companies, and large foreign loans may be handled through such syndicated participations.

Each participant in the syndicate, including the lead bank, records its own share of the participated loan and the total amount of the loan is not entered on the books of one bank to be shared through transfers of loans. Thus, the initial operation and distribution of this type of participation does not require a determination as to whether a transfer that should be accounted for as a sale has occurred. However, any subsequent transfers of shares, or parts of shares, in the syndicated loan would be subject to the provisions of FASB Statement No. 125 governing whether these transfers should be accounted for as a sale or a secured borrowing. (See the Glossary entry for "transfers of financial assets.")

Telephone Transfer Account: See "deposits."

Term Federal Funds: See "federal funds transactions."

Time Deposits: See "deposits."

Trade Date and Settlement Date Accounting: For purposes of the Reports of Condition and Income, the preferred method for reporting transactions in held-to-maturity securities, available-for-sale securities, and trading assets (including money market instruments) other than off-balance sheet derivative contracts (see the Glossary entry for "derivative contracts") is on the basis of trade date accounting. However, if the reported amounts under settlement date accounting would not be materially different from those under trade date accounting, settlement date accounting is acceptable. Whichever method a bank elects should be used consistently, unless the bank has elected settlement date accounting and subsequently decides to change to the preferred trade date method.

Under trade date accounting, assets purchased shall be recorded in the appropriate asset category on the trade date and the bank's obligation to pay for those assets shall be reported in Schedule RC-G, item 4, "Other liabilities." Conversely, when an asset is sold, it shall be removed on the trade date from the asset category in which it was recorded, and the proceeds receivable resulting from the sale shall be reported in Schedule RC-F, item 4, "Other assets." Any gain or loss resulting from such transaction shall also be recognized on the trade date. On the settlement date, disbursement of the payment or receipt of the proceeds will eliminate the respective "Other liability" or "Other asset" entry resulting from the transaction.

Under settlement date accounting, assets purchased are not recorded until settlement date. On the trade date, no entries are made. Upon receipt of the assets on the settlement date, the asset is reported in the proper asset category and payment is disbursed. The selling bank, on the trade date, would make no entries. On settlement date, the selling bank would reduce the appropriate asset category and reflect the receipt of the payment. Any gain or loss resulting from such transaction would be recognized on the settlement date.

Trading Account: Banks that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other off-balance sheet commodity and equity contracts, other financial instruments, and other assets for resale, (b) acquire or take positions in such items principally for the purpose of selling in the near term or otherwise with the intent to resell in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report such assets or positions as trading assets or liabilities.

All trading assets should be segregated from a bank's other assets and reported in Schedule RC, item 5, "Trading assets." In addition, for banks with $1 billion or more in total assets or with $2 billion or more in notional amount of off-balance sheet derivative contracts, the types of assets and liabilities in the trading account should be detailed in Schedule RC-D, "Trading Assets and Liabilities." A bank's failure to establish a separate account for assets that are used for trading purposes does not prevent such assets from being designated as trading for purposes of these reports. For further information, see the FFIEC Supervisory Policy Statement on Securities Activities and FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

All trading account assets should be reported at their fair value with unrealized gains and losses recognized in current income. When a security or other asset is acquired, a bank should determine whether it intends to hold the asset for trading or for investment (e.g., for securities, available-for-sale or held-to-maturity). A bank should not record a newly acquired asset in a suspense account and later determine whether it was acquired for trading or investment purposes. Regardless of how a bank categorizes a newly acquired asset, management should document its decision.

All trading liabilities should be segregated from other transactions and reported in Schedule RC, item 15.b, "Trading liabilities." The trading liability account includes the fair value of off-balance

Trading Account (cont.):
sheet derivative contracts held for trading that are in loss positions and short sales of securities and other assets. Trading account liabilities should be reported at fair value with unrealized gains and losses recognized in current income in a manner similar to trading account assets.

Given the nature of the trading account, transfers into or from the trading category should be rare. Transfers between a trading account and any other account of the bank must be recorded at fair value at the time of the transfer. For a security transferred from the trading category, the unrealized holding gain or loss at the date of the transfer will already have been recognized in earnings and should not be reversed. For a security transferred into the trading category, the unrealized holding gain or loss at the date of the transfer should be recognized in earnings.

For purposes of these reports, short sales of securities or other assets are treated as trading transactions because such sales are entered into with the intent to profit from short-term price movements. Nonetheless, the obligation incurred in a short sale should not be netted against trading assets, but should be recorded as a liability in Schedule RC, item 15.b, "Trading liabilities," and in Schedule RC-D, item 13, "Liability for short positions." (See the Glossary entry for "short position.")

Transaction Account: See "deposits."

Transfers of Financial Assets: The accounting and reporting standards for transfers of financial assets are set forth in FASB Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." These standards are based on consistent application of a financial components approach that focuses on control. Under the financial components approach, after the reporting bank transfers financial assets, it recognizes the financial and servicing assets it controls and the liabilities it has incurred, removes financial assets from the balance sheet when control has been surrendered, and removes liabilities from the balance sheet when extinguished. A summary of these accounting and reporting standards follows. For further information, see FASB Statement No. 125 and the Glossary entries for "Extinguishments of Liabilities" and "Servicing Assets and Liabilities."

Statement No. 125 generally applies to transfers of financial assets occurring after December 31, 1996. However, Statement No. 125 applies to repurchase agreement, dollar-roll, securities lending, and similar transactions occurring after December 31, 1997. In addition, the provisions of Statement No. 125 governing the accounting for collateral are effective for transactions occurring after December 31, 1997. Banks should apply Statement No. 125 prospectively after its effective dates, with earlier or retroactive application not permitted, except for the provisions of this accounting standard applicable to servicing contracts in existence before January 1, 1997 (see the Glossary entry for "Servicing Assets and Liabilities"), and financial assets subject to prepayment held on or acquired after January 1, 1997 (discussed below in this Glossary entry).

A financial asset is cash, evidence of an ownership interest in another entity, or a contract that conveys to the bank a contractual right either to receive cash or another financial instrument from another entity or to exchange other financial instruments on potentially favorable terms with another entity. Most of the assets on a bank's balance sheet are financial assets, including balances due from depository institutions, securities, federal funds sold, securities purchased under agreements to resell, loans and lease financing receivables, and interest-only strips receivable.[11] However, servicing

[11] Statement No. 125 defines an interest-only strip receivable as the contractual right to receive some or all of the interest due on a bond, mortgage loan, collateralized mortgage obligation, or other interest-bearing financial asset.

Transfers of Financial Assets (cont.):

assets are not financial assets. Financial assets also include financial futures contracts, forward contracts, interest rate swaps, interest rate caps, interest rate floors, and certain option contracts.

Determining Whether a Transfer Should be Accounted for as a Sale or a Secured Borrowing -- A bank should account for a transfer of its financial assets (or a transfer of all or a portion of one of its financial assets) in which it surrenders control over those financial assets as a sale to the extent that it receives consideration other than beneficial interests in the transferred assets in exchange. According to FASB Statement No. 125, a transferring bank has surrendered control over transferred assets, and therefore has sold the assets, if and only if all three of the following conditions are met:

(1) The transferred assets have been isolated from the transferring bank, i.e., put presumptively beyond the reach of the transferring bank and its creditors, even in bankruptcy or other receivership.

(2) Either (a) each transferee (i.e., the entity that receives all or a portion of one or more financial assets from the transferring bank) obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets or (b) the transferee is a qualifying special-purpose entity and the holders of beneficial interests in that entity have the right, free of conditions that constrain the holders from taking advantage of that right, to pledge or exchange those interests.

(3) The transferring bank does not maintain effective control over the transferred assets through (a) an agreement that both entitles and obligates it to repurchase or redeem the transferred assets before their maturity or (b) an agreement that entitles the transferring bank to repurchase or redeem transferred assets that are not readily obtainable.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not satisfy the criteria for sale treatment, the transfer should be accounted for as a secured borrowing with pledge of collateral.

Accounting for a Transfer That Qualifies as a Sale -- Upon the completion of a transfer of financial assets that satisfies all three of the conditions to be accounted for as a sale, the purchaser(s) must recognize on the balance sheet all assets obtained and any liabilities incurred and initially measure them at fair value. The aggregate fair value is presumed to be the price paid by the purchaser(s). As for the selling bank, it must:

(1) Remove all assets sold from the balance sheet while continuing to carry on its balance sheet any retained interest in the transferred assets, including, if applicable, servicing assets, retained undivided interests, and beneficial interests in assets transferred to a qualifying special-purpose entity in a securitization. The selling bank must allocate the amount at which the transferred assets were carried on the balance sheet at the date of the transfer between the assets sold and the retained interests, if any, based on their relative fair values at that date.

(2) Recognize on the balance sheet all cash, derivative financial instruments, and other assets obtained and all servicing liabilities and other liabilities incurred in consideration as proceeds of the sale. Derivatives include put or call options held or written (e.g., guarantee or recourse obligations), forward commitments (e.g., commitments to deliver additional receivables in some securitizations), and swaps (e.g., provisions that convert interest rates from fixed to variable).

Transfers of Financial Assets (cont.):

(3) Initially measure the assets obtained and liabilities incurred in a sale at fair value. However, if it is not practicable to estimate the fair value of an asset obtained, the selling bank must record the asset at zero. If it is not practicable to estimate the fair value of a liability incurred, the selling bank must not recognize any gain on the sale. The liability should be recorded on the balance sheet at the greater of:

(a) The amount, if any, by which the fair values of the assets obtained in the sale less the fair values of the liabilities incurred in the sale exceeds the sum of the carrying values of the assets transferred, or

(b) The amount of loss that is probable of occurring in accordance with FASB Statement No. 5, "Accounting for Contingencies," as interpreted by FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss." Under that interpretation, when the reasonable estimate of the loss is a range and some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount should be considered probable. When no amount within the range is a better estimate than any other amount, the minimum amount in the range should be considered probable.

(4) Recognize in income any gain or loss on the sale.

Banks should refer to FASB Statement No. 125 for implementation guidance for accounting for transfers of partial interests, transfers of certain lease receivables, securities lending transactions, repurchase agreements including "dollar rolls," "wash sales," loan syndications, loan participations (discussed below), risk participations in bankers acceptances, factoring arrangements, and transfers of receivables with recourse. However, this accounting standard does not provide guidance on the accounting for most assets and liabilities recorded on the balance sheet following a transfer accounted for as a sale. As a result, after their initial measurement or carrying amount allocation, these assets and liabilities should be accounted for in accordance with the existing generally accepted accounting principles applicable to them.

Loan Participations -- Statement No. 125 applies to loan participations occurring after December 31, 1996, including transfers by the originating lender to a participating institution that take place after that date under loan participation agreements that originated before January 1, 1997. If the loan participation agreement gives a participating institution the right to pledge or exchange the participations and the other conditions for the surrender of control have been met, the originating lender should account for transfers to the participating institution as sales of financial assets.

An originating lender's right of first refusal on a bona fide offer to the participating institution from a third party, a requirement for a participating institution to obtain the originating lender's permission that shall not be unreasonably withheld, or a prohibition on the participating institution's sale of the participation to the originating lender's competitor is a limitation on the participating institution's rights, but is presumed not to constrain a participant from exercising its right to pledge or exchange the participation. However, if the participation agreement constrains the participating institution from pledging or exchanging its participation, the originating lender has not relinquished control over the loan and should account for the transfers as secured borrowings.

Financial Assets Subject to Prepayment -- Financial assets such as interest-only strips receivable and certain loans, debt securities, other receivables, and retained interests in securitizations can be contractually prepaid or otherwise settled in such a way that the holder of the financial asset would not recover substantially all of its recorded investment. After their initial recording on the balance sheet, financial assets of this type must be subsequently measured at fair value like available-for-sale securities or trading securities. This reporting treatment applies to financial assets

Transfers of Financial Assets (cont.):
with this prepayment risk characteristic that are held on or acquired after January 1, 1997. As a result, interest-only strips receivable in the form of a security and other debt securities with this prepayment risk characteristic that are held on that date and categorized as held-to-maturity securities on the balance sheet must be recategorized as available-for-sale or trading, but this recategorization would not call into question a bank's intent to hold other debt securities to maturity.

Traveler's Letter of Credit: See "letter of credit."

Treasury Receipts: See "coupon stripping, Treasury receipts, and STRIPS."

Treasury Stock: Treasury stock is stock that the bank has issued and subsequently acquired, but that has not been retired or resold. As a general rule, treasury stock, whether carried at cost or at par value, is a deduction from a bank's total equity capital. For purposes of the Reports of Condition and Income, Schedule RC, item 26.a, "Undivided profits and capital reserves," should be reported net of the carrying value of treasury stock.

"Gains" and "losses" on the sale, retirement, or other disposal of treasury stock are not to be reported in Schedule RI, Income Statement, but should be reflected in Schedule RI-A, item 5, "Sale, conversion, acquisition, or retirement of capital stock, net." Such gains and losses, as well as the excess of the cost over the par value of treasury stock carried at par, are generally to be treated as adjustments to Schedule RC, item 25, "Surplus."

NOTE: National banks are generally prohibited by 12 USC 83 from purchasing shares of their own stock.

For further information, see Accounting Research Bulletin No. 43, as amended by APB Opinion No. 6.

Troubled Debt Restructurings: The accounting standards for troubled debt restructurings are set forth in FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended by FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan." A summary of this amended accounting standard follows. For further information, see FASB Statements No. 15 and No. 114.

A troubled debt restructuring is a restructuring in which a bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. The restructuring of a loan or other debt instrument (hereafter referred to collectively as a "loan") may include (1) the transfer from the borrower to the bank of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan (see the Glossary entry for "foreclosed assets" for further information), (2) a modification of the loan terms, or (3) a combination of the above. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not to be reported as a restructured loan.

The recorded amount of a loan is the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest.

In cases where the new terms of the restructured troubled debt provide for a reduction of either interest or principal (referred to as a modification of terms), the institution should measure any loss on the restructuring in accordance with the guidance concerning impaired loans set forth in the

Troubled Debt Restructurings (cont.):

Glossary entry for "loan impairment," except that a troubled debt restructuring involving a modification of terms before the effective date of FASB Statement No. 114 may continue to be accounted for and disclosed in accordance with FASB Statement No. 15 as long as the restructured loan is not impaired based on the terms of the restructuring agreement. See the Glossary entry for "nonaccrual status" for a discussion of the conditions under which a nonaccrual asset which has undergone a troubled debt restructuring (including those that involve a multiple note structure) may be returned to accrual status.

A troubled debt restructuring in which a bank receives physical possession of the borrower's assets, regardless of whether formal foreclosure or repossession proceedings take place, should be accounted for in accordance with paragraph 34 of FASB Statement No. 15, as amended. Thus, in such situations, the loan should be treated as if assets have been received in satisfaction of the loan and reported as described in the Glossary entry for "foreclosed assets."

Despite the granting of some type of concession by a bank to a borrower, a troubled debt restructuring may still result in the recorded amount of the loan bearing a market yield, i.e., an effective interest rate that at the time of the restructuring is greater than or equal to the rate that the bank is willing to accept for a new extension of credit with comparable risk. This may arise as a result of reductions in the recorded amount of the loan prior to the restructuring (e.g., by charge-offs). All loans that have undergone troubled debt restructurings and that are in compliance with their modified terms must be reported as restructured loans in Schedule RC-C, part I, Memorandum item 1 (on the FFIEC 034) or 2 (on the FFIEC 031, 032, and 033). However, a restructured loan that is in compliance with its modified terms and yields a market rate need not continue to be reported as a troubled debt restructuring in this memorandum item in calendar years after the year in which the restructuring took place.

A restructuring may include both a modification of terms and the acceptance of property in partial satisfaction of the loan. The accounting for such a restructuring is a two step process. First, the recorded amount of the loan is reduced by the fair value less cost to sell of the property received. Second, the institution should measure any impairment on the remaining recorded balance of the restructured loan in accordance with the guidance concerning impaired loans set forth in FASB Statement No. 114.

A restructuring may involve the substitution or addition of a new debtor for the original borrower. The treatment of these situations depends upon their substance. Restructurings in which the substitute or additional debtor controls, is controlled by, or is under common control with the original borrower, or performs the custodial function of collecting certain of the original borrower's funds, should be accounted for as modifications of terms. Restructurings in which the substitute or additional debtor does not have a control or custodial relationship with the original borrower should be accounted for as a receipt of a "new" loan in full or partial satisfaction of the original borrower's loan. The "new" loan should be recorded at its fair value.

A credit analysis should be performed for a restructured loan in conjunction with its restructuring to determine its collectibility and estimated credit loss. When available information confirms that a specific restructured loan, or a portion thereof, is uncollectible, the uncollectible amount should be charged off against the allowance for loan and lease losses at the time of the restructuring. As is the case for all loans, the credit quality of restructured loans should be regularly reviewed. The bank should periodically evaluate the collectibility of the restructured loan so as to determine whether any additional amounts should be charged to the allowance for loan and lease losses or, if the restructuring involved an asset other than a loan, to another appropriate account.

U.S. Banks: See "banks, U.S. and foreign."

U.S. Territories and Possessions: United States territories and possessions include American Samoa, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, and the U.S. trust territories.

Valuation Allowance: In general, a valuation allowance is an account established against a specific asset category or to recognize a specific liability, with the intent of absorbing some element of estimated loss. Such allowances are created by charges to expense in the Report of Income and are netted from the asset accounts to which they relate for presentation in the Report of Condition. Provisions establishing or augmenting such allowances are to be reported as "Other noninterest expense" except for the provision for loan and lease losses and the provision for allocated transfer risk for which separate, specifically designated income statement items have been established on Schedule RI.

When-Issued Securities Transactions: Transactions involving securities described as "when-issued" or "when-as-and-if-issued" are, for the purposes of these reports, to be treated as conditional transactions in a security authorized for issuance but not yet actually issued. Purchases and sales of when-issued securities for which settlement date has not occurred as of the report date are not to be reflected in the balance sheet, Schedule RC, until settlement date. The par value of securities purchased or sold on a when-issued basis and for which settlement date has not occurred as of the report date are reportable on a gross basis in Schedule RC-L, Off-Balance Sheet Items, except that banks may net purchases and sales of the identical security with the same party. Banks should report commitments to purchase and sell when-issued securities as forward contracts in Schedule RC-L, item 14.b, unless the reporting bank does not include these commitments as part of its disclosures about off-balance sheet derivatives for other financial reporting purposes. In that case, commitments to sell when-issued securities should be reported as "Other off-balance sheet assets" in Schedule RC-L, item 13, and commitments to purchase when-issued securities should be reported as "Other off-balance sheet liabilities" in Schedule RC-L, item 12, subject to the existing reporting thresholds for these two items.

Trading in when-issued securities normally begins when the U.S. Treasury or some other issuer of securities announces a forthcoming issue. (In some cases, trading may begin in anticipation of such an announcement and should also be reported as described herein.) Such transactions are contingent upon the actual issuance of the security. Since the exact price and terms of the security are unknown before the auction date, trading prior to that date is on a "yield" basis. On the auction date the exact terms and price of the security become known and when-issued trading continues until settlement date, when the securities are delivered and the issuer paid. On settlement date, the securities purchased by the bank shall be reported in the appropriate securities category in Schedule RC-B, Securities, and in the balance sheet, Schedule RC, item 2, or as trading assets in the balance sheet, Schedule RC, item 5.

Yield Maintenance Dollar Repurchase Agreement: See "repurchase/resale agreements."