SUPPLEMENTAL INSTRUCTIONS

December 2007 Call Report Forms

The agencies have discontinued the regular quarterly mailing of sample forms for the Consolidated Reports of Condition and Income (Call Report). Sample Call Report forms for this quarter are available on both the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (http://www.fdic.gov/regulations/resources/call/index.html). A paper copy of the Call Report forms, including the cover (signature) page, can be printed from the Web sites. In addition, banks that use Call Report software generally can print paper copies of blank forms from their software.

Submission of Completed Reports

Each bank’s Call Report data must be submitted to the FFIEC’s Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/), using one of the two methods described in the banking agencies' cover letter for the December 31, 2007, report date. For technical assistance with submissions to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

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

Currently, Call Report preparation software products marketed by DBI Financial Systems, Inc.; Fidelity Regulatory Solutions; FinArch US, Inc.; FRS; IDOM, Inc.; Information Technology, Inc.; and Jack Henry & Associates, Inc., meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed at the end of these Supplemental Instructions.

Amending Previously Submitted Report Data

Should your bank find that it needs to revise previously submitted Call Report data for quarters beginning September 30, 2005, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' cover letter for the December 31, 2007, report date. Should your bank need to amend its Call Report data for June 30, 2005, or an earlier date, please contact your Call Report analyst at the FDIC (for national banks and FDIC-supervised banks) or your Federal Reserve District Bank (for state member banks) for instructions on how to submit amendments to prior period data. Corrections to prior period data are no longer accepted by Electronic Data Systems Corporation (EDS), the agencies' pre-CDR electronic collection agent.

FFIEC Instruction Books

The most recent update to your Call Report instruction book was distributed with the June 2007 Call Report materials. The Call Report instructions are available on both the FFIEC’s Web site (http://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's Web site (http://www.fdic.gov/regulations/resources/call/index.html). Copies of the Call Report instructions may also be obtained from the FDIC’s Data Collection and Analysis Section (telephone toll free at 800-688-FDIC) or from your Federal Reserve District Bank.
Split-Dollar Life Insurance Arrangements

The Financial Accounting Standards Board’s (FASB) Emerging Issues Task Force (EITF) has issued guidance on the accounting for the deferred compensation and postretirement benefit aspects of split-dollar life insurance arrangements. This guidance is effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with earlier application permitted. EITF Issue No. 06-4 addresses endorsement split dollar arrangements (http://www.fasb.org/pdf/abs06-4.pdf) while EITF issue No. 06-10 covers collateral assignment split dollar arrangements (http://www.fasb.org/pdf/abs06-10.pdf). In general, in an endorsement split-dollar arrangement, the employer (such as a bank) owns and controls the insurance policy on the employee, whereas in a collateral assignment split-dollar arrangement, the employee owns and controls the insurance policy.

According to the consensus reached by the EITF under each issue, an employer such as a bank should recognize a liability for the postretirement benefit related to a split-dollar life insurance arrangement if, based on the substantive agreement with the employee, the bank has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit. This liability should be measured in accordance with either FASB Statement No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). In addition, for a collateral assignment split-dollar arrangement, the EITF also reached a consensus that an employer such as a bank should recognize and measure an insurance asset based on the nature and substance of the arrangement.

Banks with split-dollar life insurance arrangements must apply the consensuses in EITF Issues No. 06-4 and No. 06-10 for Call Report purposes in accordance with their effective date. Thus, a bank with a calendar year fiscal year must apply the relevant guidance as of January 1, 2008, and should recognize the effects of applying the consensus as a cumulative-effect adjustment to the opening balance of retained earnings on that date. This adjustment should be reported in Schedule RI-A, item 2, “Restatements due to corrections of material accounting errors and changes in accounting principles,” and separately disclosed in Schedule RI-E, item 4.

Measurement of Fair Values in Stressed Market Conditions

The valuation of various assets and liabilities on the balance sheet – including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option (which is discussed in the following section), and foreclosed assets – involves the use of fair values. During recent market stress events, the fair values of some financial instruments and nonfinancial assets have declined.

Institutions are reminded that the objective of a fair value measurement is to determine the price that would be received to sell an asset or transfer a liability in an orderly transaction (e.g., not a forced or distressed sale) at the balance sheet date. Accordingly, fair values should reflect current market conditions and consider recent transaction prices, where available. This fair value objective is generally applicable to all fair value measurements, whether or not a bank has early adopted FASB Statement No. 157, Fair Value Measurements, which is discussed in the following section.

On October 3, 2007, the Center for Audit Quality (CAQ), which is affiliated with the American Institute of Certified Public Accountants, issued a white paper entitled Measurements of Fair Value in Illiquid (or Less Liquid) Markets (http://www.aicpa.org/caq/download/WP_Measurements_of_FV_in_Illiquid_Markets.pdf). The white paper discusses issues associated with fair value measurement under existing generally accepted accounting principles (GAAP) in the context of the conditions that currently exist in many segments of the credit markets. Although the CAQ’s white paper was directed to auditors and public companies, the paper articulates certain existing GAAP requirements related to fair value measurement issues that apply to all institutions, whether or not they are public companies. For Call Report purposes, banks should consider the fair value measurement information contained in the CAQ’s white paper.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, Fair Value Measurements (FAS 157), issued in September 2006, defines fair value,
establishes a framework for measuring the fair value of assets and liabilities based on a three-level hierarchy, and expands disclosures about fair value measurements. The FASB’s three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting bank has the ability to access at the measurement date (e.g., the Call Report date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

According to FAS 157, observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. In contrast, unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. However, on November 14, 2007, the FASB Board decided to propose a one-year deferral of the effective date of Statement 157 for all nonfinancial assets and nonfinancial liabilities, except for those that are recognized or disclosed at fair value at least annually in the financial statements. Banks must adopt FAS 157 for Call Report purposes in accordance with the standard’s effective date, including any delayed effective date for eligible nonfinancial assets and nonfinancial liabilities. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the bank has not yet issued a financial statement or filed a Call Report for any period of that fiscal year. Thus, a bank with a calendar year fiscal year could have chosen to adopt FAS 157 as of January 1, 2007, and report fair values in accordance with FAS 157 in its Call Report as originally filed for March 31, 2007. Otherwise, a calendar year bank must adopt FAS 157 as of January 1, 2008, except for any fair value measurements subject to the proposed deferral mentioned above. For those financial instruments identified in FAS 157 to which the standard must be applied retrospectively upon initial application, the effect of initially applying FAS 157 to these instruments should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. This adjustment should be reported in Schedule RI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and separately disclosed in Schedule RI-E, item 4.

FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), issued in February 2007, allows banks to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a bank may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A bank may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A bank’s decision to elect the fair value option for an eligible item is irrevocable. A bank that elects the fair value option is expected to apply sound risk management and control practices to the assets and liabilities that will be accounted for at fair value under the option.

FAS 159 is effective as of the beginning of a bank’s first fiscal year that begins after November 15, 2007, and should not be applied retrospectively to prior fiscal years, except as permitted in the standard’s early adoption provisions. A bank may adopt FAS 159 on a go forward basis as of the beginning of a fiscal year that begins on or before November 15, 2007, and elect the fair value option for existing eligible items as of that date, subject to the conditions set forth in the standard, which include deciding to adopt FAS 159 within 120 days of the beginning of the fiscal year of adoption and adopting all of the requirements of FAS 157 at the early adoption date of FAS 159 or earlier. Under the early adoption provisions of FAS 159, a bank with a calendar year fiscal year was permitted to adopt this standard as of January 1, 2007, provided it decided to do so by April 30, 2007, and adopted FAS 157 on or before January 1, 2007. Thus, a bank with a calendar year fiscal year that has not already adopted FAS 159 in accordance with its early adoption provisions must now wait until January 1, 2008, to adopt this accounting standard.

If, in connection with its substantive adoption of FAS 159, a bank elects the fair value option for eligible items that exist on the effective date of its adoption of this accounting standard, the bank must report the effect of the first remeasurement of these existing items to fair value as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. The difference between the carrying amount and
the fair value of eligible items for which the fair value option is elected at the effective date should be removed from the balance sheet (Schedule RC) and included in the cumulative-effect adjustment. This adjustment should be reported in Schedule RI-A, item 2, “Restatements due to corrections of material accounting errors and changes in accounting principles,” and separately disclosed in Schedule RI-E, item 4.a.

On April 17, 2007, the Center for Audit Quality (CAQ) issued Alert No. 2007-14, FAS 159 Early Adoption Date Approaching – Factors to Consider (http://www.thecaq.org/newsroom/pdfs/CAQPressRelease_041807a.pdf). The Alert summarized the principles and objectives of the fair value option as set forth in FAS 159 and provides factors to consider in determining whether an entity has substantively adopted FAS 159 on a go forward basis. Although the CAQ’s Alert was directed to auditors and public companies, the factors concerning the evaluation of an entity’s purported early adoption of FAS 159 are equally appropriate for nonpublic institutions. For Call Report purposes, banks are expected to meet the principles and objectives of FAS 159 when applying the fair value option and should consider the information contained in the CAQ’s Alert.

The agencies are considering the regulatory capital implications of the use of a fair value option, including the fair value option in FASB Statements No. 155 and No. 156, which are referenced in later sections of these Supplemental Instructions. Except as discussed below, changes in the fair value of assets and liabilities to which a fair value option is applied that are recognized in earnings should be reflected in Tier 1 capital, pending further guidance from the agencies. For a liability to which a fair value option is applied, banks should consider the effect of a change in their own creditworthiness on the fair value of the liability. The agencies have determined that banks should exclude from Tier 1 capital the cumulative change in the fair value of liabilities accounted for under a fair value option that is included in retained earnings (Schedule RC, item 26.a) and is attributable to changes in the bank’s own creditworthiness. For regulatory capital purposes, this excluded portion of the change in fair value is, in essence, an adjustment to the bank’s reported retained earnings and should be reported in Schedule RC-R, item 7.b, so that it is taken into account in determining the Tier 1 capital subtotal (reported in Schedule RC-R, item 8) that is used to determine the regulatory capital limits on such items as servicing assets, deferred tax assets, and credit-enhancing interest-only strips.

Schedule RC-Q, Financial Assets and Liabilities Measured at Fair Value

Call Report Schedule RC-Q, Financial Assets and Liabilities Measured at Fair Value, is to be completed by banks that have adopted FAS 157 and either (1) have elected the fair value option under FAS 159 or under FASB Statements No. 155 or 156, which are discussed in later sections of these Supplemental Instructions, or (2) are required to complete Schedule RC-D, Trading Assets and Liabilities. This schedule captures fair value data on total trading assets and liabilities and on those other assets, liabilities, and loan commitments to which the fair value option is being applied. Accordingly, banks should not include data in Schedule RC-Q on securities reported as available-for-sale on the Call Report balance sheet (Schedule RC, item 2.b) or on derivatives held for purposes other than trading that are reported as “Other assets” or “Other liabilities” (Schedule RC, item 11, or item 20). In general, when reporting total fair values in column A of Schedule RC-Q, banks should include the total of their Level 1, Level 2, and Level 3 fair value measurements, not just the fair values measured under Levels 2 and 3 that are reported in columns B and C of the schedule. Banks are permitted to offset the fair value amounts reported in column A in accordance with FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts, and FASB Interpretation No. 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements, as described below.

Under FAS 159, securities that a bank has elected to report at fair value under the fair value option are reported as trading securities even though management did not acquire the securities principally for the purpose of selling them in the near term or for other trading purposes. Thus, such securities, whether held on the date of adoption of FAS 159 or acquired thereafter, should be reported in Schedule RC-Q in both item 2, “Trading assets,” and item 2.a, “Nontrading securities at fair value with changes in fair value reported in current earnings.”

Trading assets reported in Schedule RC, item 5, include derivatives with a positive fair value resulting from the “marking to market” of derivative contracts held for trading purposes as of the report date. Similarly, trading liabilities reported in Schedule RC, item 15, include derivatives with a negative fair value held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive and negative fair values and 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 in items 5 or 15 of Schedule RC, as appropriate. Schedule RC-Q, items 2 and 5, column A, must equal total trading assets and total trading liabilities reported in Schedule RC, items 5 and 15, respectively. Therefore, Schedule RC-Q, items 2 and 5, column A, should include derivatives held for trading purposes whose fair values have been reported on a net basis for balance sheet purposes. In contrast, however, banks should report fair value amounts for derivatives held for trading purposes in Schedule RC-Q, items 2 and 5, column B (Level 2 fair value measurements) and column C (Level 3 fair value measurements) on a gross basis. If reporting such derivatives in columns B and C on a gross basis causes a bank not to pass any Call Report validation criteria (quality edits), then the bank should indicate this gross versus net reporting of derivative fair values in its edit explanations for these quality edits. This approach also applies to repurchase and reverse repurchase agreements reported in Schedule RC-Q, items 2, 3, 5, and 6, with the same counterparty that have positive and negative fair values and meet the criteria for a valid right of setoff contained in FASB Interpretation No. 41.

**FASB Interpretation No. 48 on Uncertain Tax Positions**

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. Under FIN 48, the term “tax position” refers to “a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities.” FIN 48 further states that a “tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets.”

According to FIN 48, a bank should initially recognize the effects of a tax position in its financial statements when, based on the technical merits, it is more likely than not (i.e., a likelihood of more than 50 percent) that the position will be sustained upon examination by the taxing authority, including the resolution of any related appeals or litigation. The more-likely-than-not evaluation must consider the facts, circumstances, and information available at the report date. When a tax position meets the more-likely-than-not recognition threshold, it should initially and subsequently be measured as the largest amount of tax benefit greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. FIN 48 also provides guidance on subsequent recognition, derecognition, and measurement of tax positions, including the effect of changes in judgment, and on the recognition of interest and penalties. The June 2007 Call Report instruction book update included a revised Glossary entry for “Income Taxes” that includes guidance on FIN 48.

FIN 48 is effective for fiscal years beginning after December 15, 2006. Banks must adopt FIN 48 for Call Report purposes in accordance with the interpretation’s effective date. FIN 48 permitted earlier adoption as of the beginning of an earlier fiscal year, provided the bank had not yet issued a financial statement or filed a Call Report for any period of that fiscal year. Because FIN 48 was issued in June 2006, i.e., after the filing of the March 31, 2006, Call Report, a bank with a calendar year fiscal year may not adopt FIN 48 early and must begin to apply this interpretation as of January 1, 2007, for Call Report purposes. On December 19, 2007, the FASB Board requested comments on a proposed FASB Staff Position that would defer for one year the effective date of FIN 48 for nonpublic entities, except that nonpublic entities that have already applied the provisions of FIN 48 and have issued financial statements to third parties would not be eligible for the deferral. Because banks have been expected to prepare their quarterly Call Reports, which are a form of financial statements or information issued to third parties, in accordance with FIN 48 during 2007, banks are not eligible for the FASB’s proposed deferral of the effective date of FIN 48.

**One-Time Assessment Credit and Revisions to the Deposit Insurance Assessment Collection Process**

In October 2006, the FDIC issued a final rule to implement the one-time deposit insurance assessment credit as required by the Federal Deposit Insurance Reform Act of 2005. Under the final rule, institutions eligible for the one-time assessment credit are those that were in existence on December 31, 1996, and paid a deposit insurance assessment prior to that date, or are a successor to such an institution. The FDIC began to apply an eligible institution’s assessment credit (less any portion of the credit transferred to another institution) against the institution’s quarterly deposit insurance assessments to the maximum extent allowed by the statute starting with the assessment for the first quarter of 2007. All institutions have been provided a Statement of One-Time Credit through FDICconnect, the FDIC’s e-business portal.
For Call Report purposes, an eligible institution should not recognize an asset (or a corresponding credit to income) in 2006 or 2007 for the amount of the one-time assessment credit that the FDIC has allocated to it. An eligible institution should recognize its assessment credit, to the extent it remains available and is allowed to be used, as a reduction in the insurance assessment expense the institution would otherwise be required to accrue each quarter beginning in 2007. For assessment periods in 2007, the FDIC is required to apply an eligible institution’s available assessment credit to cover up to 100 percent of its deposit insurance assessment, with the actual percentage determined based on the institution’s risk category and other factors. However, this percentage decreases to 90 percent for assessment periods in 2008.

As a result of amendments to the FDIC’s assessment regulations (12 CFR Part 327) in November 2006, the FDIC changed its process for collecting deposit insurance assessments, moving from collecting assessments prospectively to collecting them in arrears. The first deposit insurance collection under the FDIC’s new system took place on June 29, 2007, and represented payment for insurance coverage from January 1 through March 31, 2007. The final collection in 2007 takes place on December 28, 2007, and covers the period from July 1 through September 30, 2007.

Because the FDIC now collects deposit insurance assessments in arrears, each bank should accrue an estimate of its assessment expense each quarter, net of any available assessment credit that will be applied, to the maximum extent allowed by statute (up to 100 percent for assessment periods in 2007 and up to 90 percent for periods in 2008), to that quarter’s assessment. The net assessment payable and net assessment expense, if any, should be reported in Schedule RC-G, item 4, “All other liabilities,” and in Schedule RI, item 7.d, “Other noninterest expense,” respectively. For example, as of December 31, 2007, a bank should estimate its net deposit insurance assessment payable and its net assessment expense based on its December 31, 2007, assessment base and its expected assessment rate, less any allowable assessment credit, even though the bank will not pay the assessment for the fourth quarter of 2007 until March 28, 2008. The bank’s estimated net assessment payable and net assessment expense for the first through third quarters of 2007, if any, were to have been accrued and reported in the first quarter through third quarter 2007 Call Reports, respectively. After receiving an invoice from the FDIC on or about December 14, 2007, that shows its actual third quarter 2007 net assessment, each bank should treat any adjustment it needs to make to its previously recorded third quarter net assessment payable and net assessment expense as a change in accounting estimate in its December 31, 2007, Call Report income statement.

Banks should note that the FDIC has not changed the way Financing Corporation (FICO) payments are charged or collected, i.e., prospectively every quarter. Nevertheless, the FDIC collects deposit insurance assessments and FICO payments simultaneously each quarter. The one-time assessment credit cannot be applied to reduce FICO payments.

**FASB Statement No. 158 on Defined Benefit Postretirement Plans**

FASB Statement No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158), issued in September 2006, requires a bank that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a bank initially applies FAS 158, the postretirement plan amounts recognized on the bank’s balance sheet before applying FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a bank must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans’ net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, banks should refer to FAS 158; FASB Statement No. 87, *Employers’ Accounting for Pensions*; and FASB Statement No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions.*
Banks that sponsor single-employer defined benefit postretirement plans must adopt FAS 158 for Call Report purposes in accordance with the standard’s effective date and transition provisions. Accordingly, banks that have “publicly traded equity securities,” as defined in FAS 158, must initially recognize the funded status of these plans as of the end of the fiscal year ending after December 15, 2006. All other banks must initially recognize the funded status of these plans as of the end of the fiscal year ending after June 15, 2007. Thus, banks that have a calendar year fiscal year must adopt FAS 158 as of December 31, 2006, if they have “publicly traded equity securities,” and as of December 31, 2007, if they do not. Early adoption of FAS 158 is permitted, but must be for all of an institution’s benefit plans. For Call Report purposes, banks should report the adjustments to the ending balance of AOCI from initially applying FAS 158 as of the end of their fiscal year, net of tax, in item 10, “Other comprehensive income,” of Schedule RI-A, Changes in Equity Capital.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, banks should reverse the effects of FAS 158 for regulatory capital purposes, including for purposes of reporting and measuring the leverage ratio and risk-based capital. The intent of the reversal is to neutralize the effect of the application of FAS 158 on regulatory capital. Banks should exclude from regulatory capital any amounts recorded in AOCI resulting from the adoption and application of FAS 158. For Call Report purposes, these excluded amounts should be reported in item 4 of Schedule RC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule RC, item 26.b) for defined benefit postretirement plans under FAS 158 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule RC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule RC-R.

For purposes of calculating risk-based capital and the leverage ratio, banks should also adjust their assets for the amount of the AOCI offset affecting assets. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying FAS 158 should be reported as an adjustment to assets in item 42 of Schedule RC-R, column B, and should also be reported in item 26 of Schedule RC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying FAS 158 should be recorded as a negative amount in item 42, column B, of Schedule RC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting the amount as a positive number in item 26 of Schedule RC-R. As another example, a benefit plan surplus asset recognized as an offset to AOCI and included in item 42, column A, of Schedule RC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting the amount as a positive number in item 26 of Schedule RC-R. The adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

**FASB Statement No. 156 on Servicing**

FASB Statement No. 156, *Accounting for Servicing of Financial Assets* (FAS 156), issued in March 2006, requires all separately recognized servicing assets and liabilities to be initially measured at fair value. Each class of servicing assets and servicing liabilities should be measured subsequently using either the amortization method or the fair value measurement method. Banks must adopt FAS 156 for Call Report purposes as of the beginning of their first fiscal year that begins after September 15, 2006. Thus, a bank with a calendar year fiscal year must adopt FAS 156 as of January 1, 2007, unless it elected earlier adoption and applied FAS 156 in its originally filed March 31, 2006, Call Report. For further information, please refer to the revised Glossary entries for “Servicing Assets and Liabilities” and “Transfers of Financial Assets,” which incorporate the provisions of FAS 156 and were included in the June 2007 Call Report instruction book update.

**FASB Statement No. 155 on Hybrid Financial Instruments**

FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133, *Accounting for Derivative
Instruments and Hedging Activities (FAS 133). In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

For Call Report purposes, FAS 155 must be applied to all financial instruments acquired, issued, or subject to a remeasurement event (as defined in the standard) occurring after the beginning of a bank’s first fiscal year that begins after September 15, 2006. The fair value option may also be applied upon adoption of FAS 155 to a bank’s existing hybrid financial instruments that had been bifurcated prior to adoption. Thus, a bank with a calendar year fiscal year must adopt FAS 155 as of January 1, 2007, unless it elected earlier adoption and applied FAS 155 in its originally filed March 31, 2006, Call Report. For further information on hybrid financial instruments and embedded derivatives, please refer to the revised Glossary entries for “Derivative Contracts” and “Equity-Indexed Certificates of Deposit” that incorporate the provisions of FAS 155 and were included in the June 2007 Call Report instruction book update.

Other Reporting Matters

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

- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), Share-Based Payment -- Supplemental Instructions for December 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Tobacco Transition Payment (Buyout) Program -- Supplemental Instructions for March 31, 2006 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf)
- FASB Interpretation No. 46 (Revised), Consolidation of Variable Interest Entities -- Supplemental Instructions for June 30, 2005 (http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)
- Reporting of funds invested through Bentley Financial Services, Inc. -- Supplemental Instructions for June 30, 2003(http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst0603.pdf)

Call Report Software Vendors

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

- DBI Financial Systems, Inc.
  P.O. Box 14027
  Bradenton, Florida 34208
  Telephone: (800) 774-3279
  www.e-dbi.com

- Fidelity Regulatory Solutions
  27200 Agoura Road, Suite 100
  Calabasas Hills, California 91301
  Telephone: (800) 825-3772
  www.callreporter.com

- FinArch US, Inc.
  Burlington Center, 4th floor
  35 Corporate Drive
  Burlington, Massachusetts 01803
  Telephone: (800) 763-7070
  www.finarch.com

- FRS
  119 Russell Street
  Littleton, Massachusetts 01460
  Telephone: (978) 698-7200
  www.frsglobal.com

- Information Technology, Inc.
  1345 Old Cheney Road
  Lincoln, Nebraska 68512
  Telephone: (402) 423-2682
  www.itiwnet.com

- IDOM, Inc.
  One Gateway Center, 24th Floor
  Newark, New Jersey 07102
  Telephone: (973) 648-0900
  www.idomusa.com

  Regulatory Filing Group
  7600B North Capital of Texas Highway, Suite 320