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Instructions for the New and Revised Call Report Items for March 31, 2007

Schedule RC-C, Part I – Loans and Leases

Item No.	**Caption and Instructions**
10	**Lease financing receivables (net of unearned income).** Report all outstanding balances relating to direct financing and leveraged leases on property acquired by the bank for leasing purposes. On the FFIEC 041, all banks should report the total amount of these leases in column B, and banks with $300 million or more in total assets should also report in the appropriate subitems of column A a breakdown of these leases between leases to individuals for household, family, and other personal expenditures and all other leases. On the FFIEC 031, all banks should report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated bank between leases to individuals for household, family, and other personal expenditures and all other leases. 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 leases to states and political subdivisions in the U.S. in this item.

NOTE: Items 10.a and 10.b are not applicable to banks filing the FFIEC 041 report forms that have less than $300 million total assets.

10.a	**Leases to individuals for household, family, and other personal expenditures.** Report in column A all outstanding balances relating to direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to individuals for household, family, and other personal expenditures (i.e., consumer leases). For further information on extending credit to individuals for consumer purposes, refer to the instructions for Schedule RC-C, part I, item 6.c, "Other consumer loans."
10.b	**All other leases.** Report in column A all outstanding balances relating to all other direct financing and leveraged leases on property acquired by the fully consolidated bank for leasing to lessees other than for household, family, and other personal expenditure purposes.

Memoranda

Item No.	**Caption and Instructions**
8	**Closed-end loans with negative amortization features secured by 1-4 family residential properties in domestic offices.** Report in the appropriate subitem the carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties and, if certain criteria are met, the maximum remaining amount of negative amortization contractually permitted on these loans and the total amount of negative amortization included in the carrying amount of these loans. Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

Schedule RC-C, Part I (cont.)

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum item 8.a is to be completed by all banks.

8.a **Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1.c.(2)(a) and (b)).** Report the total carrying amount (before any loan loss allowances) of, i.e., the recorded investment in, closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization. The carrying amounts included in this item will also have been reported in Schedule RC-C, part I, items 1.c.(2)(a) and (b).

NOTE: Memorandum items 8.b and 8.c are to be completed by banks that had closed-end loans with negative amortization features secured by 1-4 family residential properties (included in Schedule RC-C, part I, items 1.c.(2)(a) and (b)) as of the previous December 31 report date, with a carrying amount (before any loan loss allowances) that exceeds the lesser of $100 million or 5 percent of total loans and leases, net of unearned income, in domestic offices (as reported in Schedule RC-C, part I, item 12, column B), as of the previous December 31 report date.

8.b **Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization (that were reported in Schedule RC-C, part I, Memorandum item 8.a), report the total maximum remaining amount of negative amortization permitted under the terms of the loan contract (i.e., the maximum loan principal balance permitted under the negative amortization cap less the principal balance of the loan as of the quarter-end report date).

8.c **Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties included in the carrying amount reported in Memorandum item 8.a above.** For all closed-end loans secured by 1-4 family residential properties whose terms allow for negative amortization, report the total amount of negative amortization included in the carrying amount (i.e., the total amount of interest added to the original loan principal balance that has not yet been repaid) reported in Schedule RC-C, part I, Memorandum item 8.a above. Once a loan reaches its maximum principal balance, the amount of negative amortization included in the carrying amount should continue to be reported until the principal balance of the loan has been reduced through cash payments below the original principal balance of the loan.

9 and 10 Memorandum items 9 and 10 must be completed by (1) all banks with $300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their “Construction, land development, and other land loans” and on their loans “Secured by nonfarm nonresidential properties” beginning March 31, 2008.

9 **Construction, land development, and other land loans.** Report in the appropriate subitem all construction, land development, and other land loans (in domestic offices). The sum of Memorandum items 9.a and 9.b must equal Schedule RC-C, part I, item 1.a.

Schedule RC-C, Part I (cont.)

Memoranda

Item No.	**Caption and Instructions**

9.a **1-4 family residential construction loans.** Report the amount of 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, i.e., loans for the purpose of constructing 1-4 family residential properties, which will secure the loan. The term "1-4 family residential properties" is defined in Schedule RC-C, part I, item 1.c. "1-4 family residential construction loans" include:

- Construction loans to developers secured by tracts of land on which 1-4 family residential properties, including townhouses, are being constructed.
- Construction loans secured by individual parcels of land on which single 1-4 family residential properties are being constructed.
- Construction loans secured by single-family dwelling units in detached or semidetached structures, including manufactured housing.
- Construction loans secured by duplex units and townhouses, excluding garden apartment projects where the total number of units that will secure the permanent mortgage is greater than four.
- Combination land and construction loans on 1-4 family residential properties, regardless of the current stage of construction or development.
- Combination construction-permanent loans on 1-4 family residential properties until construction is completed or principal amortization payments begin, whichever comes first.
- Bridge loans to developers on 1-4 family residential properties where the buyer will not assume the same loan, even if construction is completed or principal amortization payments have begun.

9.b **Other construction loans and all land development and other land loans.** Report the amount of all construction loans for purposes other than constructing 1-4 family residential properties, all land development loans, and all other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a. Include loans for the development of building lots and loans secured by vacant land, unless the same loan finances the construction of 1-4 family residential properties on the property.

10 **Loans secured by nonfarm nonresidential properties.** Report in the appropriate subitem all loans secured by nonfarm nonresidential properties (in domestic offices). The sum of Memorandum items 10.a and 10.b must equal Schedule RC-C, part I, item 1.e.

For purposes of reporting loans in Memorandum items 10.a and 10.b, the determination as to whether a nonfarm nonresidential property is considered "owner-occupied" should be made upon acquisition (origination or purchase) of the loan. However, for purposes of determining whether existing nonfarm nonresidential real estate loans should be reported as "owner-occupied" when a bank must begin reporting such loans as of March 31, 2007 (or March 31, 2008), the bank may consider the source of repayment either when the loan was acquired or based on the most recent available information. Once a bank determines whether a loan should be reported as "owner-occupied" or not, this determination need not be reviewed thereafter.

Schedule RC-C, Part I (cont.)

Memoranda

Item No. **Caption and Instructions**

10.a **Loans secured by owner-occupied nonfarm nonresidential properties.** Report the amount of loans secured by owner-occupied nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e.

"Loans secured by owner-occupied nonfarm nonresidential properties" are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property (i.e., any such rental income is less than 50 percent of the source of repayment) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hospitals, golf courses, recreational facilities, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor (in which case, the loan should be reported in Memorandum item 10.b below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which case, the loan should be reported in Memorandum item 10.b below).

10.b **Loans secured by other nonfarm nonresidential properties.** Report the amount of loans (in domestic offices) included in Schedule RC-C, part I, item 1.e, that are not secured by owner-occupied nonfarm nonresidential properties.

"Loans secured by other nonfarm nonresidential properties" are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Include loans secured by hotels, motels, dormitories, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties in this item as loans secured by other nonfarm nonresidential properties.

Schedule RC-E – Deposit Liabilities

Memoranda

Item No.	**Caption and Instructions**
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. This item also includes time deposits issued to deposit brokers in the form of large ($100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $100,000. In addition, if the bank has issued a master certificate of deposit to a deposit broker in an amount that exceeds $100,000 and under which brokered certificates of deposit are issued in $1,000 amounts (so-called "retail brokered deposits"), individual depositors who purchase multiple certificates issued by the bank normally do not exceed the applicable deposit insurance limit (either $100,000 or $250,000). Under current deposit insurance rules the deposit broker is not required to provide information routinely on these purchasers and their account ownership capacity to the bank issuing the deposits. If this information is not readily available to the issuing bank, these brokered certificates of deposit in $1,000 amounts should be reported in this item as time deposits of less than $100,000. Exclude from this item all time deposits with balances of $100,000 or more (report in Schedule RC-E, Memorandum item 2.c, below).
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. Exclude from this item: • all time deposits issued to deposit brokers in the form of large ($100,000 or more) certificates of deposit that have been participated out by the broker in shares of less than $100,000, and • all time deposits with balances of less than $100,000, which should be reported 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.
2.c.(1)	**Individual Retirement Accounts (IRAs) and Keogh Plan accounts included in Memorandum item 2.c, "Total time deposits of $100,000 or more," above.** Report in this item all IRA and Keogh Plan time deposits of $100,000 or more included above in Schedule RC-E, Memorandum item 2.c. These IRA and Keogh Plan time deposits will also have been included in Schedule RC-E, Memorandum item 1.a., "Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts." IRAs include traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and SIMPLE IRAs. Exclude deposits in "Section 457" deferred compensation plans and self-directed defined contribution plans, which are primarily 401(k) plan accounts. Also exclude deposits in Health Savings Accounts, Medical Savings Accounts, and Coverdell Education Savings Accounts (formerly known as Education IRAs).

Schedule RC-L – Derivatives and Off-Balance Sheet Items

Item No.	**Caption and Instructions**
1.c.(1)	**Commitments to fund commercial real estate, construction, and land development 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, part I, item 1.d, or loans secured by nonfarm nonresidential properties in Schedule RC-C, part I, 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, part I, item 1.a, "Construction, land development, and other land loans." 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.(1)(a) and 1.c.(1)(b)	Items 1.c.(1)(a) and 1.c.(1)(b) must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with $300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their “Commitments to fund commercial real estate, construction, and land development loans secured by real estate“ beginning March 31, 2008. The sum of items 1.c.(1)(a) and 1.c.(1)(b) must equal Schedule RC-L, item 1.c.(1).
1.c.(1)(a)	**1-4 family residential construction loan commitments.** Report the unused portions of commitments to extend credit for the specific purpose of constructing 1-4 family residential properties, provided that such commitments, when funded, would be reportable as loans secured by real estate in Schedule RC-C, part I, Memorandum item 9.a, “1-4 family residential construction loans."
1.c.(1)(b)	**Commercial real estate, other construction loan, and land development loan commitments.** Report the unused portions of all other commitments to fund loans secured by real estate, i.e., all commitments to fund loans secured by real estate (as defined for Schedule RC-L, item 1.c.(1)) other than commitments to fund 1-4 family residential construction (as defined for Schedule RC-L, item 1.c.(1)(a)).

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

Item No. **Caption and Instructions**

8 **Lease financing receivables.** Report on the FFIEC 041 in the appropriate column and on the FFIEC 031 in the appropriate subitem and column the amount of all lease financing receivables (net of unearned income) included in Schedule RC-C, part I, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

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

8.a **Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases (net of unearned income) to individuals for household, family, and other personal expenditures included in Schedule RC-C, part I, item 10.a, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

8.b **All other leases.** Report in the appropriate column the amount of all other leases (net of unearned income) included in Schedule RC-C, part I, item 10.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum item 3.d is not applicable to banks filing the FFIEC 031 report form. On the FFIEC 041 report form, Memorandum item 3.d is not applicable to banks that have less than $300 million in total assets.

3.d **Leases to individuals for household, family, and other personal expenditures.** Report in the appropriate column the amount of all leases to individuals for household, family, and other personal expenditures(net of unearned income) included in Schedule RC-C, part I, item 10.b, column A, that are past due 30 days or more or are in nonaccrual status as of the report date. Such leases will have been included in Schedule RC-N, item 8, above.

9 and 10 Memorandum items 9 and 10 must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with $300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their "Construction, land development, and other land loans" and on their loans "Secured by nonfarm nonresidential properties" beginning March 31, 2008.

9 **Construction, land development, and other land loans (in domestic offices).** Report in the appropriate subitem and column the amount of all construction, land development, and other land loans (in domestic offices) included in Schedule RC-C, part I, item 1.a, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. The sum of Memorandum items 9.a and 9.b must equal Schedule RC-N, item 1.a.

Schedule RC-N (cont.)

Memoranda

Item No.	Caption and Instructions
9.a	**1-4 family residential construction loans.** Report in the appropriate column the amount of all 1-4 family residential construction loans (in domestic offices) included in Schedule RC-C, part I, Memorandum item 9.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
9.b	**Other construction loans and all land development and other land loans.** Report in the appropriate column the amount of all other construction loans and all land development and other land loans (in domestic offices) included in Schedule RC-C, part I, Memorandum item 9.b, that are past due 30 days or more or are in nonaccrual status as of the report date.
10	**Loans secured by nonfarm nonresidential properties.** Report in the appropriate subitem and column the amount of all loans secured by nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, item 1.e, column B, that are past due 30 days or more or are in nonaccrual status as of the report date. The sum of Memorandum items 10.a and 10.b must equal Schedule RC-N, item 1.e.
10.a	**Loans secured by owner-occupied nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by owner-occupied nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, Memorandum item 10.a, that are past due 30 days or more or are in nonaccrual status as of the report date.
10.b	**Loans secured by other nonfarm nonresidential properties.** Report in the appropriate column the amount of loans secured by other nonfarm nonresidential properties (in domestic offices) included in Schedule RC-C, part I, Memorandum item 10.b, that are past due 30 days or more or are in nonaccrual status as of the report date.

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

General Instructions

For an interim period covering the March 31, 2007, through December 31, 2007, report dates, each bank must complete either:

(1) Items A and B (and, on the FFIEC 031 report, item C) and Memorandum items 1 through 3, which is the revised format of Schedule RC-O;
OR
(2) Items 1 through 12 and Memorandum items 1 through 3, which is the current format of Schedule RC-O.

The revised format will take effect for all institutions on March 31, 2008, at which time the current format will be eliminated. Although the use of the revised format is not required for report dates in 2007, an institution that chooses to begin reporting under the revised format as of any quarter-end report date during the interim period may elect to report quarter-end total deposits and allowable exclusions only (in items A and B and, on the FFIEC 031 report, item C) or quarter-end balances and daily averages for the quarter (in items A, B, D, and E, and, on the FFIEC 031 report, items C and F). However, once an institution chooses to begin reporting quarter-end total deposits and allowable exclusions under the revised format in any quarter during the interim period, it must continue to report under the revised format of Schedule RC-O each quarter thereafter and may not revert back to the current format of Schedule RC-O. In addition, once an institution begins to report daily averages in any quarter during the interim period, it must continue to report daily averages each quarter thereafter, including in 2008 and subsequent years. The deposit insurance assessment base of an institution that reports daily averages for total deposits and allowable exclusions will be determined using the daily averages rather than the institution's quarter-end balances.

Effective March 31, 2008, an institution that reported $1 billion or more in total assets as of the March 31, 2007, report date (regardless of its asset size in subsequent quarters) must report quarter-end balances and daily averages for the quarter in the revised format of Schedule RC-O. In addition, an institution that meets one of the following criteria must report quarter-end deposit totals and daily averages in Schedule RC-O:

(1) If an institution reports $1 billion or more in total assets in two consecutive Reports of Condition and Income beginning with its June 30, 2007, report, the institution must begin reporting both quarter-end balances and daily averages for the quarter beginning on the later of the March 31, 2008, report date or the report date six months after the second consecutive quarter in which it reports total assets of $1 billion or more. For example, if an institution reports $1 billion or more in total assets in its reports for June 30 and September 30, 2007, it would begin to report daily averages in its report for March 31, 2008. If the institution reports $1 billion or more in total assets in its reports for December 31, 2008, and March 31, 2009, it would begin to report daily averages in its report for September 30, 2009.

(2) If an institution becomes newly insured by the FDIC on or after April 1, 2008, the institution must report daily averages in Schedule RC-O beginning in the first quarterly Reports of Condition and Income that it files. The daily averages reported in the first report the institution files after becoming FDIC-insured would include the dollar amounts for the days since the institution began operations and zero for the days prior to the date the institution began operations, effectively pro-rating the first quarter's assessment base.

Any institution that reports less than $1 billion in total assets in its March 31, 2007, report or became FDIC-insured after March 31, 2007, but on or before March 31, 2008, may continue to report only quarter-end total deposits and allowable exclusions until it meets the two-consecutive-quarter asset size

Schedule RC-O (cont.)

General Instructions (cont.)

test for reporting daily averages. Alternatively, the institution may opt permanently at any time to begin reporting daily averages for purposes of determining its assessment base. After an institution begins to report daily averages for its total deposits and allowable exclusions, either voluntarily or because it is required to do so, the institution is not permitted to switch back to reporting only quarter-end balances.

The amounts to be reported as daily averages are the sum of the gross amounts of total deposits (domestic and foreign) and allowable exclusions for each calendar day during the quarter divided by the number of calendar days in the quarter (except as noted above for a newly insured institution in the first report it files after becoming insured). For days that an office of the reporting institution (or any of its subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An office is considered closed if there are no transactions posted to the general ledger as of that date.

For purposes of reporting using the current format of Schedule RC-O and deposit insurance assessments, "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.

Instructions for Revised Format of Schedule RC-O

Item No. **Caption and Instructions**

A **Total deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report the gross total deposit liabilities as of the calendar quarter-end report date that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. See the Glossary entry for "deposits" for the statutory definition of deposits.

An institution's gross total deposit liabilities is typically found in and supported by the control totals in the institution's deposit systems that provide the detail sufficient to track, control, and handle inquiries from depositors about their specific individual accounts. These deposit systems can be automated or manual. If the control totals have been reduced by accounts that are overdrawn, these overdrawn accounts are extensions of credit that must be treated and reported as "loans" rather than being treated as negative deposit balances.

B **Total allowable exclusions (including foreign deposits).** Report the total amount of allowable exclusions from deposits as of the calendar quarter-end report date if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions. The allowable exclusions include:

(1) *Foreign Deposits:* As defined in Section 3(l)(5) of the Federal Deposit Insurance Act, foreign deposits include

(A) any obligation of a depository institution which is carried on the books and records of an office of such bank or savings association located outside of any State, unless –

Schedule RC-O (cont.)

Item No. **Caption and Instructions**

B (cont.)

(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.

(2) *Reciprocal balances*: Any demand deposit due from or cash item in the process of collection due from any depository institution (not including a foreign bank or foreign office of another U.S. depository institution) up to the total amount of deposit balances due to cash and cash items in the process of collection due such depository institution.

(3) *Drafts drawn on other depository institutions*: Any outstanding drafts (including advices and authorization to charge the depository institution's balance in another bank) drawn in the regular course of business by the reporting depository institution.

(4) *Pass-through reserve balances*: Reserve balances passed through to the Federal Reserve by the reporting institution that are also reflected as deposit liabilities of the reporting institution. This exclusion is not applicable to an institution 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.

(5) *Depository institution investment contracts*: Liabilities arising from depository institution investment contracts that are not treated as insured deposits under section 11(a)(5) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(5)). A Depository Institution Investment Contract is a separately negotiated depository agreement between an employee benefit plan and an insured depository institution that guarantees a specified rate for all deposits made over a prescribed period and expressly permits benefit-responsive withdrawals or transfers.

(6) *Accumulated deposits:* Deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment of the loans at maturity. Deposits that simply serve as collateral for loans are not an allowable exclusion.

C **Total foreign deposits (included in total allowable exclusions).** Report the total amount of foreign deposits (including International Banking Facility deposits) as of the calendar quarter-end report date included in Schedule RC-O, item B above.

D **Total daily average of deposit liabilities before exclusions (gross) as defined in Section 3(l) of the Federal Deposit Insurance Act and FDIC regulations.** Report the total daily average for the quarter of gross total deposit liabilities that meet the statutory definition of deposits in Section 3(l) of the Federal Deposit Insurance Act before deducting exclusions from total deposits that are allowed in the determination of the assessment base upon which deposit insurance assessments (and FICO premiums) are calculated. For further information, see the instructions for Schedule RC-O, item A above.

Schedule RC-O (cont.)

Item No. **Caption and Instructions**

E **Total daily average of allowable exclusions (including foreign deposits).** Report the total daily average for the quarter of the total amount of allowable exclusions from deposits (as defined in Schedule RC-O, item B, above) if the institution maintains such records as will readily permit verification of the correctness of its reporting of exclusions.

F **Total daily average of foreign deposits.** Report the total daily average for the quarter of the total amount of foreign deposits (including International Banking Facility deposits) included in Schedule RC-O, item E above.

Schedule RC-P – Closed-End 1-4 Family Residential Mortgage Banking Activities

Item No. **Caption and Instructions**

5 **Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans.** Report the noninterest income earned during the calendar quarter ending on the report date from mortgage banking activities involving closed-end 1-4 family residential mortgage loans. Include the portion of the consolidated bank's "Net servicing fees," "Net securitization income," and "Net gains (losses) on sales of loans and leases" (items 5.f, 5.g, and 5.i of Schedule RI) earned during the quarter that is attributable to closed-end 1-4 family residential mortgage loans.

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

General Instructions

Schedule RC-Q is to be completed by banks that have adopted FASB Statement No. 157, “Fair Value Measurements” (FAS 157), and either:

(1) Have elected to report certain assets and liabilities at fair value with changes in fair value recognized in earnings in accordance with U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (FAS 159); FASB Statement No. 155, “Accounting for Certain Hybrid Financial Instruments” (FAS 155); and FASB Statement No. 156, “Accounting for Servicing of Financial Assets” (FAS 156)). This election is generally referred to as the fair value option.

OR

(2) Are required to complete Schedule RC-D, Trading Assets and Liabilities.

Banks that have elected to report certain assets and liabilities at fair value through earnings in accordance with FAS 155 and/or FAS 156, but have not adopted FAS 157, need not complete Schedule RC-Q until the first quarter-end report date after the effective date of FAS 157, which is determined based on a bank’s fiscal year.

Banks must adopt FAS 157 for purposes of the Reports of Condition and Income in the first fiscal quarter of their first fiscal year beginning after November 15, 2007. Thus, banks with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year in accordance with the provisions of the standard (e.g., as of January 1, 2007, for banks with a calendar year fiscal year, provided FAS 157 is applied in their originally filed March 31, 2007, reports).

Column Instructions

Column A, Total Fair Value Reported on Schedule RC

For items 1, 2.a, 3, 4, 6, and 7, include in Column A the total fair value of those assets and liabilities reported on Schedule RC, Balance Sheet, that the bank has elected to report at fair value under the fair value option. For items 2 and 5, include in Column A the total amount of trading assets and trading liabilities reported in Schedule RC, item 5 and item 15, respectively.

Columns B and C, Fair Value Measurements

Include in Column B the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 2 measurement inputs as defined in FAS 157. Include in Column C the fair value reported in Column A for those assets or liabilities whose fair value was determined using Level 3 inputs as defined in FAS 157. If the fair value of an asset or liability has elements of both Level 2 and Level 3 measurement inputs, report the entire fair value of the asset or liability in Column B or Column C based on the lowest level measurement input with the most significance to the fair value of the asset or liability in its entirety as described in FAS 157. For more information on Level 2 and 3 measurement inputs, see the Glossary entry for “fair value.”

Schedule RC-Q (cont.)

Item Instructions

Item No. **Caption and Instructions**

1 **Loans and leases.** Report in the appropriate column the total fair value of those loans held for sale and held for investment that the bank has elected to report under the fair value option and the fair values determined using Level 2 and Level 3 measurement inputs. Loans held for sale that the bank has elected to report under the fair value option are included in Schedule RC, item 4.a. Loans held for investment that the bank has elected to report under the fair value option are included in Schedule RC, item 4.b. Leases are generally not eligible for the fair value option. Exclude loans held for sale that are reported at the lower of cost or fair value.

2 **Trading assets.** Report in the appropriate column the total fair value of trading assets as reported in Schedule RC, item 5, and the fair values determined using Level 2 and Level 3 measurement inputs.

2.a **Nontrading securities at fair value with changes in fair value reported in current earnings.** Report in the appropriate column the total fair value of those securities the bank has elected to report under the fair value option that is included in Schedule RC-Q, item 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs. Securities that the bank has elected to report at fair value under the fair value option are reported as trading securities pursuant to FAS 159 even though management did not acquire the securities principally for the purpose of selling them in the near term.

3 **All other financial assets and servicing assets.** Report in the appropriate column the total fair value of all other assets (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 1 and 2 above, and the fair values determined using Level 2 or Level 3 measurement inputs.

Exclude derivative assets held for purposes other than trading and interest-only strips receivable (not in the form of a security) from this item. Because these two categories of financial instruments are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.

4 **Deposits.** Report in the appropriate column the total fair value of those deposits the bank has elected to report under the fair value option that is included in Schedule RC, items 13.a and 13.b, and the fair values determined using Level 2 and Level 3 measurement inputs. Deposits with demand features (e.g., demand and savings deposits in domestic offices) are generally not eligible for the fair value option.

5 **Trading liabilities.** Report in the appropriate column the total fair value of trading liabilities as reported in Schedule RC, item 15, and the fair values determined using Level 2 and Level 3 measurement inputs.

Schedule RC-Q (cont.)

Item No. **Caption and Instructions**

6 **All other financial liabilities and servicing liabilities.** Report in the appropriate column the total fair value of all other liabilities (except loan commitments reported in Schedule RC-Q, item 7 below) the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and is not reported in Schedule RC-Q, items 4 and 5 above, and the fair values determined using Level 2 or Level 3 measurement inputs.

Exclude derivative liabilities held for purposes other than trading from this item. Because derivatives are required to be reported at fair value on the balance sheet under applicable accounting standards, the fair value option cannot be applied to them.

7 **Loan commitments (not accounted for as derivatives).** Report in the appropriate column the total fair value of those unused loan commitments the bank has elected to report under the fair value option that is included in Schedule RC, Balance Sheet, and the fair values determined using Level 2 and Level 3 measurement inputs. Exclude unused loan commitments that meet the definition of a derivative under GAAP. For purposes of this item, report the net fair value of unused loan commitments reported as assets and those reported as liabilities. If the net fair value is a liability, report it as a negative number.

Schedule RC-R – Regulatory Capital

Item No. **Caption and Instructions**

7.b **LESS: Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness.** When determining the fair value of a financial liability reported on Schedule RC – Balance Sheet, that is accounted for under a fair value option, 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 financial 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. Banks should report in this item the amount of this cumulative change, net of applicable taxes.

If the amount of the cumulative change is a net gain, report it as a positive value in this item. If the amount of the cumulative change is a net loss, report it as a negative value in this item.

Schedule RC-S – Servicing, Securitization, and Asset Sale Activities

Memoranda

Item No. **Caption and Instructions**

2 **Outstanding principal balance of assets serviced for others.** Report in the appropriate subitem the outstanding principal balance of loans and other financial assets the bank services for others, regardless of whether the servicing involves whole loans and other financial assets or only portions thereof, as is typically the case with loan participations. Include (1) the principal balance of loans and other financial assets owned by others for which the reporting bank has purchased the servicing (i.e., purchased servicing) and (2) the principal balance of loans and other financial assets that the reporting bank has either originated or purchased and subsequently sold, whether or not securitized, but for which it has retained the servicing duties and responsibilities (i.e., retained servicing). If the bank services a portion of a loan or other financial asset for one or more other parties and owns the remaining portion of the loan or other financial asset, report only the principal balance of the portion of the asset serviced for others.

Schedule RI – Income Statement

General Instructions

Assets and liabilities accounted under the fair value option – Under U.S. generally accepted accounting principles (GAAP) (i.e., FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FAS 159); FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments" (FAS 155); and FASB Statement No. 156, "Accounting for Servicing of Financial Assets" (FAS 156)), the bank may elect to report certain assets and liabilities at fair value with changes in fair value recognized in earnings. This election is generally referred to as the fair value option. If the bank has elected to apply the fair value option to interest-bearing financial assets and liabilities, it should report the contractual amount of interest income earned on these financial assets (except any that are in nonaccrual status) and the contractual amount of interest expense incurred on these financial liabilities for the year-to-date separately from the change in fair value of these assets and liabilities for the year-to-date. The contractual amounts of interest income earned and interest expense incurred on these financial assets and liabilities should be reported in the appropriate interest income or interest expense items on Schedule RI.

Item No. **Caption and Instructions**

5.d.(1) **Fees and commissions from securities brokerage.** Report fees and commissions from securities brokerage activities, from the sale and servicing of mutual funds, from the purchase and sale of securities and money market instruments where the bank is acting as agent for other banks or customers, and from the lending of securities owned by the bank or by bank customers (if these fees and commissions are not included in Schedule RI, item 5.a, "Income from fiduciary activities," or item 5.c, "Trading revenue"). However, exclude fees and commissions from the sale of annuities (fixed, variable, and other) to bank customers by the bank or any securities brokerage subsidiary (report such income in Schedule RI, item 5.d.(3), "Fees and commissions from annuity sales").

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in securities brokerage activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

5.d.(2) **Investment banking, advisory, and underwriting fees and commissions.** Report fees and commissions from underwriting (or participating in the underwriting of) securities, private placements of securities, investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from the placement of commercial paper, both for transactions issued in the bank's name and transactions in which the bank acts as an agent for a third party issuer.

Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in investment banking, advisory, or securities underwriting activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.

5.d.(3) **Fees and commissions from annuity sales.** Report fees and commissions from sales of annuities (fixed, variable, and other) by the bank and any subsidiary of the bank and fees earned from customer referrals for annuities to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from annuities.

Schedule RI (cont.)

Item No.	Caption and Instructions
5.d.(3) (cont.)	However, exclude fees and commissions from sales of annuities by the bank's trust department (or by a consolidated trust company subsidiary) that are executed in a fiduciary capacity (report in Schedule RI, item 5.a, "Income from fiduciary activities"). Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in annuity sales. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.
5.d.(4)	**Underwriting income from insurance and reinsurance activities.** Report the amount of premiums earned by bank subsidiaries engaged in insurance underwriting or reinsurance activities. Include earned premiums from (a) life and health insurance and (b) property and casualty insurance, whether (direct) underwritten business or ceded or assumed (reinsured) business. Insurance premiums should be reported net of any premiums transferred to other insurance underwriters/reinsurers in conjunction with reinsurance contracts. Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance underwriting or reinsurance activities. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence. Exclude income from sales and referrals involving insurance products and annuities (see the instructions for Schedule RI, items 5.d.(5) and 5.d.(3), respectively, for information on reporting such income).
5.d.(5)	**Income from other insurance activities.** Report income from insurance product sales and referrals, including: (1) Service charges, commissions, and fees earned from insurance sales, including credit, life, health, property, casualty, and title insurance products. (2) Fees earned from customer referrals for insurance products to insurance companies and insurance agencies external to the consolidated bank. Also include management fees earned from separate accounts and universal life products. Exclude income from annuity sales and referrals (see the instructions for Schedule RI, item 5.d.(3), above, for information on reporting such income). Also include the bank's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in equity method investees that are principally engaged in insurance product sales and referrals. Equity method investees include unconsolidated subsidiaries; associated companies; and corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the bank exercises significant influence.
5.h	Not applicable.

Schedule RI (cont.)

Memoranda

Item No. **Caption and Instructions**

8 **Trading revenue (from cash instruments and derivative instruments).**

Memorandum items 8.a through 8.e are to be completed by banks that reported average trading assets (in Schedule RC-K, item 7) of $2 million or more for any quarter of the preceding calendar year.

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 five types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and 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 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.e must equal Schedule RI, item 5.c.

8.e **Credit exposures.** Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting bank manages as credit exposures. Credit exposures may arise from cash debt instruments (e.g., debt securities) and credit derivative contracts. In general, credit derivative contracts are arrangements that allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" or “reference entity” to another party (the "guarantor"). Credit derivative contracts include credit default swaps, total return swaps, credit options, and other credit derivatives.

9 **Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account.** Report in the appropriate subitem the net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account, regardless of whether the credit derivative is designated as and qualifies as a hedging instrument under generally accepted accounting principles. Credit exposures held outside the trading account include, for example, nontrading assets (such as available-for-sale securities and loans held for investment) and unused lines of credit.

9.a **Net gains (losses) on credit derivatives held for trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for trading (and reportable as trading assets or trading liabilities, as appropriate, in Schedule RC, item 5 or item 15, respectively) that economically hedge credit exposures held outside the trading account. The net gains (losses) on credit derivatives reported in this item will also have been included as trading revenue in Schedule RI, Memorandum item 8.e, “Credit exposures.”

9.b **Net gains (losses) on credit derivatives held for purposes other than trading.** Report the net gains (losses) recognized in earnings on credit derivatives held for purposes other than trading (and reportable as other assets or other liabilities, as appropriate, in Schedule RC, item 11 or item 20, respectively) that economically hedge credit exposures held outside the trading account. Net gains (losses) on credit derivatives held for purposes other than trading should not be reported as trading revenue in Schedule RI, item 5.c.

Schedule RI (cont.)

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum item 12 is to be completed by banks that are required to complete Schedule RC-C, part I, Memorandum items 8.b and 8.c.

12 **Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties.** Report the amount of noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties (i.e., interest income accrued and uncollected that has been added to principal) included in interest and fee income on loans secured by real estate in domestic offices (Schedule RI, item 1.a.(1)(a) on the FFIEC 031; item 1.a.(1) on the FFIEC 041).

Negative amortization refers to a method in which a loan is structured so that the borrower's minimum monthly (or other periodic) payment is contractually permitted to be less than the full amount of interest owed to the lender, with the unpaid interest added to the loan's principal balance. The contractual terms of the loan provide that if the borrower allows the principal balance to rise to a pre-specified amount or maximum cap, the loan payments are then recast to a fully amortizing schedule. Negative amortization features may be applied to either adjustable rate mortgages or fixed rate mortgages, the latter commonly referred to as graduated payment mortgages (GPMs).

Schedule RI-B, Part I – Charge-offs and Recoveries on Loans and Leases

Item No.	**Caption and Instructions**
8	**Lease financing receivables.** Report in columns A and B, as appropriate, all lease financing receivables (as defined for Schedule RC-C, part I, item 10) charged off and recovered.

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

8.a	**Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, all leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.a, column A) charged off and recovered.
8.b	**All other leases.** Report in columns A and B, as appropriate, all other leases (as defined for Schedule RC-C, part I, item 10.b, column A) charged off and recovered.

Memoranda

Item No. **Caption and Instructions**

NOTE: Memorandum item 2.d is applicable only to banks filing the FFIEC 041 report form that have $300 million or more in total assets.

2.d	**Leases to individuals for household, family, and other personal expenditures.** Report in columns A and B, as appropriate, leases to individuals for household, family, and other personal expenditures (as defined for Schedule RC-C, part I, item 10.b, column A) charged off and recovered. Such leases will have been included in Schedule RI-B, part I, item 8, above.
5 and 6	Memorandum items 5 and 6 must be completed by all banks that are required to complete Schedule RC-C, part I, Memorandum items 9 and 10, i.e., (1) all banks with $300 million or more in total assets as of December 31, 2005, or with foreign offices, and (2) banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only whose total construction, multifamily, and nonfarm nonresidential real estate loans (Schedule RC-C, part I, sum of items 1.a, 1.d, and 1.e) as of December 31, 2005, was greater than 150 percent of total equity capital (Schedule RC, item 28) as of December 31, 2005. Banks with less than $300 million in total assets as of December 31, 2005, and domestic offices only that do not meet this percentage test will begin reporting additional information on their “Construction, land development, and other land loans” and on their loans “Secured by nonfarm nonresidential properties” beginning March 31, 2008.
5	**Construction, land development, and other land loans (in domestic offices)**. Report in the appropriate subitem and column construction, land development, and other land loans (as defined for Schedule RC-C, part I, item 1.a, column B) charged off and recovered. The sum of Memorandum items 5.a and 5.b must equal Schedule RI-B, part I, item 1.a.
5.a	**1-4 family residential construction loans**. Report in columns A and B, as appropriate, 1-4 family residential construction loans (as defined for Schedule RC-C, part I, Memorandum item 9.a) charged off and recovered.
5.b	**Other construction loans and all land development and other land loans**. Report in columns A and B, as appropriate, other construction loans and all land development and other land loans (as defined for Schedule RC-C, part I, Memorandum item 9.b) charged off and recovered.

Schedule RI-B, Part I (cont.)

Memoranda

Item No.	**Caption and Instructions**
6	**Loans secured by nonfarm nonresidential properties (in domestic offices).** Report in the appropriate subitem and column loans secured by nonfarm nonresidential properties (as defined for Schedule RC-C, part I, item 1.e, column B) charged off and recovered. The sum of Memorandum items 6.a and 6.b must equal Schedule RI-B, part I, item 1.e.
6.a	**Loans secured by owner-occupied nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by owner-occupied nonfarm nonresidential properties (as defined for Schedule RC-C, part I, Memorandum item 10.a) charged off and recovered.
6.b	**Loans secured by other nonfarm nonresidential properties.** Report in columns A and B, as appropriate, loans secured by other nonfarm nonresidential properties (as defined for Schedule RC-C, part I, Memorandum item 10.b) charged off and recovered.

Glossary

Fair Value: The accounting standard for fair value measurements that should be applied in accounting pronouncements that require or permit fair value measurements is FASB Statement No. 157, "Fair Value Measurements" (FAS 157). For further information, refer to FASB Statement No. 157.

FAS 157 defines fair value and establishes a framework for measuring fair value. The definition of fair value for an asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants (not a forced liquidation or distressed sale) in the asset's or liability's principal (or most advantageous) market at the measurement date. The transaction is assumed to occur based on an exit price notion versus an entry price.

FAS 157 establishes a three level fair value hierarchy that prioritizes inputs used to measure fair value. The highest priority is given to Level 1 and the lowest priority to Level 3.

Level 1 fair value measurement inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a bank has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 fair value measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Depending on the specific factors related to an asset or a liability, certain adjustments to Level 2 inputs may be necessary to determine the fair value of the asset or liability. If those adjustments are significant to the asset or liability's fair value in its entirety, the adjustments may render the fair value hierarchy classification to a Level 3 fair value measurement rather than a Level 2 fair value measurement.

Level 3 fair value measurement inputs are unobservable inputs for the asset or liability. Although these inputs may not be readily observable in the market, the fair value measurement objective is, nonetheless, to obtain an exit price for the asset or liability from the perspective of a market participant. Therefore, Level 3 fair value measurement inputs should reflect the bank's own assumptions about the assumptions that a market participant would use in pricing an asset or liability and should be based on the best information available in the circumstances.

FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is permitted, provided that the bank has not yet issued financial statements for that fiscal year, including financial statements or Reports of Condition and Income for an interim period within that fiscal year. For purposes of these reports, banks must adopt FAS 157 upon the statement's effective date based on their fiscal year, with earlier application permitted consistent with the statement.