DRAFT

Include the tax benefit of an operating loss carryforward or carryback for which the source of the income or loss in the current year is reported in Schedule HI, item 8, "Income (loss) before applicable income taxes and discontinued operations."

gains (losses) on available-for-sale securities," respectively).

(5) Revaluation adjustments to the carrying value of all assets and liabilities reported in Schedule HC at fair value under a fair value option. Holding companies should report these net decreases (increases) in fair value on trading assets and liabilities in Schedule HI, item 5(c); on servicing assets and liabilities in Schedule HI, item 5(f); and on other financial assets and liabilities in Schedule HI, item 5(l). Contractual amounts of interest income earned and interest expense incurred on these financial assets and liabilities should be excluded from the net decreases (increases) in fair value and reported in the appropriate interest income or interest expense items on Schedule HI.

Line Item 7(e) Total noninterest expense.

Report the sum of items 7(a) through 7(d).

Line Item 8 Income (loss) before applicable income taxes and discontinued operations.

Report the consolidated holding company's pretax operating income. This amount will generally be determined by taking item 3, "Net interest income," minus item 4, "Provision for loan and lease losses," plus item 5(m), "Total noninterest income," plus or minus item 6(a), "Realized gains (losses) on held-to-maturity securities," plus or minus item 6(b), "Realized gains (losses) on available-for-sale securities," minus item 7(e), "Total noninterest expense." If the result is negative, report with a minus (-) sign.

Line Item 9 Applicable income taxes (on item 8).

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "Income (loss) before applicable income taxes and discontinued operations." Include both the current and deferred portions of these income taxes. If the amount is a tax benefit rather than tax expense, report with a minus (-) sign.

Include as applicable income taxes all taxes based on a net amount of taxable revenues less deductible expenses. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts (report such taxes in item 7(d), "Other noninterest expense").

Include income tax effects of changes in tax laws or rates. Also include the effect of changes in the valuation allowance related to deferred tax assets resulting from a change in estimate of the realizability of deferred tax assets, excluding the effect of any valuation allowance changes related to unrealized holding gains (losses) on available-for-sale securities that are charged or credited directly to the separate component of equity capital for "Accumulated other comprehensive income" (Schedule HC, item 26(b)).

~~Include tax benefits from operating loss carrybacks realized during the reporting period. If the consolidated holding company has realized tax benefits from operating loss carryforwards during the reporting period, do not net the dollar amount of these benefits against the income taxes which would be applicable to item 8, "Income (loss) before applicable income taxes and discontinued operations." Report the dollar amount of income taxes applicable to item 8 in this item and report the realized tax benefits of operating loss carryforwards gross in item 11, "Discontinued operations, net of applicable income taxes."~~

Also include the dollar amount of any material adjustments or settlements reached with a taxing authority (whether negotiated or adjudicated) relating to disputed income taxes of prior years.

Exclude the estimated federal, state and local, and foreign income taxes applicable to:

(1) Item 11, "Discontinued operations, net of applicable taxes."

(2) Schedule HI-A, item 2, "Cumulative effect of changes in accounting principles and corrections of material accounting errors."

(3) Schedule HI-A, item 12, "Other comprehensive income."

Line Item 10 Income (loss) before discontinued operations.

Report the difference between item 8, "Income (loss) before applicable income taxes and discontinued operations" and item 9, "Applicable income taxes (on item 8)." If the amount is negative, report with a minus (-) sign.

Line Item 11 Discontinued operations, net of applicable income taxes.

Report the results of discontinued operations, if any, net of applicable income taxes, as determined in accordance

$10 million

amounts for memoranda items 7(n) through 7(p), then these items should be left blank.

Line Item M8 Discontinued operations and applicable income tax effect.

List and briefly describe in items M8(a) through M8(c) below each of the discontinued operations included in item 11, "Discontinued operations net of applicable income taxes." However, each item should be reported separately, gross of income taxes and the income tax effect separately reported, as indicated.

If discontinued operations is a loss or otherwise reduces the holding company's income, report with a minus (-) sign. If an applicable income tax effect is a tax benefit (rather than a tax expense), report with a minus (-) sign.

Line Item M9 Trading revenue (from cash instruments and derivative instruments).

Memorandum items 9(a) through 9(e) are to be completed by holding companies that reported average trading assets (in Schedule HC-K, item 4(a)) of ~~$2 million~~ or more for any quarter of the preceding calendar year. Memorandum items 9(f) and 9(g) are to be completed by holding companies with $100 billion or more in total assets that are required to complete Memorandum items 9(a) through 9(e).

Report, in Memorandum items 9(a) through 9(e) below, a breakdown of trading revenue that has been included in the body of the income statement in Schedule HI, item 5(c). For each of the four types of underlying risk exposure, report the combined revenue (net gains and losses) from trading cash instruments and derivative instruments. For purposes of Memorandum item 9, the reporting holding company 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 holding company makes this determination for other financial reporting purposes. The sum of Memorandum items 9(a) through 9(e) must equal Schedule HI, item 5(c).

Line Item M9(a) Interest rate exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company manages as interest rate exposures. Interest rate exposures may arise from cash debt instruments (e.g., U.S. Treasury securities) and interest rate contracts. Interest rate contracts are those contracts related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include single currency interest rate swaps, basis swaps, forward rate agreements, and interest rate options, including caps, floors, collars, and corridors.

Exclude trading revenue on contracts involving the exchange of foreign currencies (e.g., cross-currency swaps and currency options) that the reporting holding company manages as foreign exchange exposures. Report such trading revenue in Memorandum item 9(b).

Line Item M9(b) Foreign exchange exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company manages as foreign exchange exposures. Foreign exchange exposures may arise from cash instruments (e.g., debt securities) denominated in non-U.S. currencies and foreign exchange rate contracts. Foreign exchange rate contracts are those contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange in the forward market (i.e., on an organized exchange or in an over-the-counter market). A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Foreign exchange rate contracts include cross-currency interest rate swaps where there is an exchange of principal, forward and spot foreign exchange contracts, and currency futures and currency options.

Line Item M9(c) Equity security and index exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company manages as equity security and index exposures. Equity security or index exposures may arise from equity securities and equity security or index (i.e., equity derivative) contracts. Equity derivative contracts are contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices, such as the Standard and Poor's 500.

Line Item M9(d) Commodity and other exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting

Schedule HI

NOTE: Memorandum items 9(a) and 9(b) are to be completed by institutions with $10 billion or more in total assets.

holding company manages as commodity or other exposures. Commodity or other exposures may arise from commodities and commodity and other derivative contracts not reported as interest rate, foreign exchange, equity, or credit derivative contracts. Commodity and other contracts are contracts that have a return, or a portion of their return, linked to the price or to an index of precious metals, petroleum, lumber, agricultural products, etc. Commodity and other contracts also include any other contracts that are not reportable as interest rate, foreign exchange, equity, or credit derivative contracts.

Line Item M9(e) Credit exposures.

Report in this item net gains (losses) from trading cash instruments and derivative contracts that the reporting holding company 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.

Line Item M9(f) Impact on trading revenue of changes in the creditworthiness of the holding company's derivatives counterparties on the holding company's derivative assets (included in Memorandum items 9(a) through 9(e) above).

Report in this item the amount included in the trading revenue reported in Schedule HI, Memorandum items 9(a) through 9(e), above that resulted from changes during the calendar year-to-date in the holding company's credit valuation adjustments (CVA). A CVA is the adjustment to the fair value of derivatives that accounts for possible nonperformance of the holding company's derivatives counterparties. It is an estimate of the fair value of counterparty credit risk.

Line Item M9(g) Impact on trading revenue of changes in the creditworthiness of the holding company on the holding company's derivative liabilities (included in Memorandum items 9(a) through 9(e) above).

Report in this item the amount included in the trading revenue reported in Schedule HI, Memorandum items 9(a) through 9(e), above that resulted from changes during the calendar year-to-date in the holding company's debit valuation adjustment (DVA). A DVA is the adjustment to the fair value of derivatives that accounts for possible nonperformance of the holding company. It is an estimate of the fair value of the holding company's own credit risk to its counterparties.

Line Item M10 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.

Line Item M10(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 HC, 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 HI, Memorandum item 9(e), "Credit exposures."

Line Item M10(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 HC, 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 HI, item 5(c).

Schedule HI-B

Line Item 1(b) Secured by farmland in domestic offices.

Report in columns A and B, as appropriate, loans secured by farmland in domestic offices (as defined for Schedule HC-C, item 1(b), "Secured by farmland").

Line Item 1(c) Secured by 1–4 family residential properties in domestic offices.

Report in columns A and B, as appropriate, in the subitems below, loans secured by 1–4 family residential properties in domestic offices (as defined for Schedule HC-C, item 1(c), "Secured by 1–4 family residential properties").

Line Item 1(c)(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report in columns A and B, as appropriate, all revolving, open-end loans in domestic offices secured by 1–4 family residential properties and extended under lines of credit. Corresponds to Schedule HC-C, item 1(c)(1).

Line Item 1(c)(2) Closed-end loans secured by 1–4 family residential properties in domestic offices.

Report in the appropriate subitem and column closed-end loans in domestic offices secured by 1–4 family residential properties charged off and recovered.

Line Item 1(c)(2)(a) Secured by first liens.

Report in columns A and B, as appropriate, closed-end loans secured by first liens on 1–4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(a), column B) charged off and recovered.

Line Item 1(c)(2)(b) Secured by junior liens.

Report in columns A and B, as appropriate, closed-end loans secured by junior liens on 1–4 family residential properties (as defined for Schedule HC-C, item 1(c)(2)(b), column B) charged off and recovered. Include loans secured by junior liens in this item even if the holding company also holds a loan secured by a first lien on the same 1–4 family residential property and there are no intervening junior liens.

Line Item 1(d) Secured by multifamily (5 or more) residential properties in domestic offices.

Report in columns A and B, as appropriate, loans secured by multifamily (5 or more) residential properties in domestic offices (as defined for Schedule HC-C, item 1(d), "Secured by multifamily (5 or more) residential properties").

Line Item 1(e) 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 HC-C, item 1(e), column B) charged off and recovered.

Line Item 1(e)(1) 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 HC-C, item 1(e)(1), column B) charged off and recovered.

Line Item 1(e)(2) 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 HC-C, item 1(e)(2), column B) charged off and recovered.

Line Item 1(f) In foreign offices.

Report in columns A and B, as appropriate, loans secured by real estate in foreign offices.

Line Item 2 Loans to depository institutions and acceptances of other banks.

Report in columns A and B, in the appropriate subitem, loans to depository institutions and acceptances of other banks (as defined for Schedule HC-C, item 2).

~~**Line Item 2(a) To U.S. banks and other U.S. depository institutions.**~~

~~Corresponds to Schedule HC-C, item 2(a).~~

~~**Line Item 2(b) To foreign banks.**~~

~~Corresponds to Schedule HC-C, item 2(b).~~

DRAFT

LINE ITEM INSTRUCTIONS FOR

Disaggregated Data on the Allowance for Loan and Lease Losses

Schedule HI-C

held for investment

General Instructions

Schedule HI-C is to be completed by institutions with $1 billion or more in total assets.

This schedule has six columns for the disclosure by portfolio category of the balance in the allowance for loan and lease losses at the end of each quarter disaggregated on the basis of the reporting institution's impairment method and the related recorded investment in loans (and, as applicable, leases) held for investment (excluding loans held for investment that the institution has elected to report at fair value under a fair value option) disaggregated in the same manner: two columns for information on loans individually evaluated for impairment, two columns for information on loans and leases collectively evaluated for impairment, and two columns for purchased credit-impaired loans. For further information on loan impairment methods, see the Glossary entries for "loan impairment" and "purchased impaired loans and debt securities."

Loans and leases held for investment are loans and leases that the institution has the intent and ability to hold for the foreseeable future or until maturity or payoff.

The loan and lease portfolio categories for which allowance and related recorded investment amounts are to be reported in Schedule HI-C represent general categories rather than the standardized loan categories defined in Schedule HC-C, Loans and Lease Financing Receivables. Based on the manner in which it segments its portfolio for purposes of applying its allowance methodology, each institution should report each component of the overall allowance reported in Schedule HC, item 4.c, and the recorded investment in the related loans and leases in the Schedule HI-C general loan category that best corresponds to the characteristics of the related loans and leases.[1] The sum of the recorded investment amounts reported in Schedule HI-C (plus the fair value of loans held for investment for which the fair value option has been elected) must equal the balance sheet amount of held-for-investment loans and leases reported in Schedule HC, item 4.b, "Loans and leases, ~~net of unearned income~~." Thus, the recorded investment amounts reported in columns A, C, and E of Schedule HI-C must be net of unearned income.

Column Instructions

Columns A and B: For each of the specified general categories of loans held for investment, report in column A the recorded investment in individually evaluated loans that have been determined to be impaired as defined in ASC Subtopic 310-10, Receivables - Overall (formerly FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan,* as amended), including all loans restructured in troubled debt restructurings, and report in column B the balance of the allowance for loan and lease losses attributable to these individually impaired loans measured in accordance with ASC Subtopic 310-10.

Columns C and D: For each of the specified general categories of loans and leases held for investment, report in column C the recorded investment in loans and leases that have been collectively evaluated for impairment in accordance with ASC Subtopic 450-20, Contingencies - Loss Contingencies (formerly FASB Statement No. 5,

1. For example, based on its allowance methodology, one institution's allowance components for credit cards might relate to both consumer and business credit card receivables, but another institution's allowance components for credit cards might relate only to consumer credit card receivables.

As another example, based on its allowance methodology, one institution might include its loans secured by farmland in its allowance components for commercial real estate loans, but another institution might include its loans secured by farmland in its allowance components for commercial loans.

Schedule HI-C

held for investment

The amount reported in Schedule HI-C, item 6, column F, must equal Schedule HI-B, part II, Memorandum item 4, "Amount of allowance for post-acquisition credit losses on purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30."

The sum of the amounts reported in Schedule HI-C, item 6, columns A, C, and E, plus the amount reported in Schedule HC-Q, item 4, column A, "Total fair value reported on Schedule HC" for loans and leases held for investment, must equal Schedule HC, item 4.b, "Loans and leases, ~~net of unearned income~~."

Schedule HC

held for investment

Trading assets also include derivatives with a positive fair value resulting from the "marking to market" of interest rate, foreign exchange rate, commodity, equity, and credit derivative contracts held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive fair values and negative fair values and meet the criteria for a valid right of setoff contained in ASC Subtopic 210-20, Balance Sheet – Offsetting (formerly FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*) (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis using this item and Schedule HC, item 15, "Trading liabilities," as appropriate. (See the Glossary entry for "offsetting.")

For those holding companies that must complete Schedule HC-D, this item must equal Schedule HC-D, item 12, "Total trading assets," and Schedule HC-Q, item 2, column A.

Line Item 6 Premises and fixed assets.

Report the book value, less accumulated depreciation or amortization, of all premises, equipment, furniture, and fixtures purchased directly or acquired by means of a capital lease. The method of depreciation or amortization should conform to generally accepted accounting principles.

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

Include the following as premises and fixed assets

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

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

(3) Remodeling costs to existing premises.

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

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

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

(7) Automobiles, airplanes, and other vehicles owned by the holding company or its consolidated subsidiaries and used in the conduct of its business.

(8) The amount of capital lease property (with the holding company or its consolidated subsidiaries as lessee)—premises, furniture, fixtures, and equipment. See the discussion of accounting with holding company as lessee in the Glossary entry for "lease accounting."

(9) (a) Stocks and bonds issued by nonmajority-owned corporations and
(b) Investments in limited partnerships or limited liability companies (other than investments so minor that the institution has virtually no influence over the partnership or company)

whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the holding company or its consolidated subsidiaries.

Property formerly but no longer used for banking or nonbanking activities may be reported in this item as "Premises and fixed assets" or in item 7, "Other real estate owned."

Exclude from premises and fixed assets

(1) Original paintings, antiques, and similar valuable objects (report in item 11, "Other assets");

(2) Favorable leasehold rights (report in item 10(b), "Other intangible assets"); and

(3) Loans and advances, whether secured or unsecured, to individuals, partnerships, and nonmajority-owned corporations for the purpose of purchasing or holding land, buildings, or fixtures occupied or used (or to be occupied or used) by the holding company, its consolidated subsidiaries, or their branches (report in item 4(b) "Loans and leases, ~~net of unearned income~~").

Line Item 7 Other real estate owned.

Report the total amount of other real estate owned from Schedule HC-M, item 13. For further information on other real estate owned, see the instructions to Sched-

DRAFT

LINE ITEM INSTRUCTIONS FOR

Loan and Lease Financing Receivables

Schedule HC-C

General Instructions

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

All reporting holding companies must complete this schedule regardless of whether or not it has foreign or domestic offices. This schedule has two columns for information on loans and lease financing receivables. Column A provides loan and lease detail for the fully consolidated holding company and column B provides detail on loans and leases held by the domestic offices of the reporting holding company. (See the Glossary entry for "domestic office" for the definition of this term.)

Report all loans and leases that the holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, i.e., loans and leases held for investment, in Schedule HC-C. Also report in Schedule HC-C all loans and leases held for sale as part of the consolidated holding company's mortgage banking activities or activities of a similar nature involving other types of loans. Include the fair value of all loans held for investment and all loans held for sale that the holding company has elected to report at fair value under a fair value option. Loans reported at fair value in Schedule HC-C should include only the fair value of the funded portion of the loan. If the unfunded portion of the loan, if any, is reported at fair value, this fair value should be reported as an "Other asset" or an "Other liability," as appropriate, in Schedule HC, item 11 or item 20, respectively.

If the holding company has elected to apply the fair value option to any loans held for investment or held for sale, it also must report the fair value and unpaid principal balance of these loans in the appropriate subitems of Schedule HC-Q, Memorandum items 3 and 4, respectively.

Exclude from Schedule HC-C all loans and leases classified as trading (report in Schedule HC, item 5, "Trading assets," and, in the appropriate items of Schedule HC-D, Trading Assets and Liabilities, and Schedule HC-Q, Fi-nancial ... if applicab...

When a ... r-chase) w... e sold at some indefinite date in the future, the loan should be reported as held for sale or held for investment, based on facts and circumstances, in accordance with generally accepted accounting principles and related supervisory guidance. In addition, a loan acquired and held for securitization purposes should be reported as a loan held for sale, provided the securitization transaction will be accounted for as a sale under ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*). Notwithstanding the above, holding companies may classify loans as trading if the holding company applies fair value accounting, with changes in fair value reported in current earnings, and manages these assets and liabilities as trading positions, subject to the controls and applicable regulatory guidance related to trading activities. For example, a holding company would generally not classify a loan that meets these criteria as a trading asset unless the holding company holds the loan for one of the following purposes: (a) for market making activities, including such activities as accumulating loans for sale or securitization; (b) to benefit from actual or expected price movements; or (c) to lock in arbitrage profits.

Loans held for sale (not classified as trading in accordance with the preceding instruction) shall be reported in Schedule HC-C at the lower of cost or fair value as of the report date, except for those that the holding company has elected to account for at fair value under a fair value option. For loans held for sale that are reported at the lower of cost or fair value, the amount by which cost exceeds fair value, if any, shall be accounted for as a valuation allowance. For further information, see ASC Subtopic 948-310,

Schedule HC-C

held for investment

participating interest (i.e., a nonqualifying loan participation) or (2) a qualifying participating interest in a transfer that does not does not meet all of the conditions for sale accounting, it should normally report the loan participation or participating interest in Schedule HC, item 4(b), "Loans and leases, ~~net of unearned income.~~" The holding company also should report the loan participation or participating interest in Schedule HC-C, in the loan category appropriate to the underlying loan, e.g., as a "commercial and industrial loan" in item 4 or as a "loan secured by real estate" in item 1. See the Glossary entry for "transfers of financial assets" for further information.

Exclude, for purposes of this schedule, the following:

(1) Federal funds sold (in domestic offices), i.e., all loans of immediately available funds (in domestic offices) that mature in one business day or roll over under a continuing contract, excluding funds lent in the form of securities purchased under agreements to resell. Report federal funds sold (in domestic offices) in Schedule HC, item 3(a). However, report overnight lending for commercial and industrial purposes as loans in this schedule. Also report lending transactions in foreign offices involving immediately available funds with an original maturity of one business day or under a continuing contract that are not securities resale agreements as loans in this schedule.

(2) Lending transactions in the form of securities purchased under agreements to resell (report in Schedule HC, item 3(b), "Securities purchased under agreements to resell").

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

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

(5) All holdings of commercial paper (report in Schedule HC, item 5, if held for trading; report in Schedule HC-B, item 4(b), "Other mortgage-backed securities," item 5, "Asset-backed securities," or item 6, "Other debt securities," as appropriate, if held for purposes other than trading).

Line Item 1 Loans secured by real estate.

Report all loans that meet the definition of a "loan secured by real estate." See the Glossary entry for "loan secured by real estate" for the definition of this term.

For holding companies with domestic offices only: Report loans secured by real estate as a single total in column A for the consolidated holding company. Report in column B within the appropriate subitem below loans for construction, land development, and other land loans when they are secured by real estate, loans secured by farmland, by 1–4 family residential properties, by multifamily properties, and by nonfarm nonresidential properties. The total of the subitems in column B should equal the consolidated total reported in column A.

For holding companies with domestic and foreign offices: Report loans secured by real estate as a single total in column A for the consolidated holding company and by type of real estate collateral in the appropriate subitem below in column B.

Include all loans (other than those to states and political subdivisions in the U.S.), regardless of purpose and regardless of whether originated by the holding company or purchased from others, that are secured by real estate at origination as evidenced by mortgages, deeds of trust, land contracts, or other instruments, whether first or junior liens (e.g., equity loans, second mortgages) on real estate.

Include as loans secured by real estate:

(1) Loans secured by residential properties that are guaranteed by the Farmers Home Administration (FmHA) and extended, collected, and serviced by a party other than the FmHA.

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

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

(4) Loans secured by real estate that are guaranteed by the Small Business Administration (SBA). Include

and loans secured by vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties

payments after the closing of the loan, the reverse mortgage should be reported as an open-end loan in Schedule HC-C, item 1(c)(1).

Line Item 1(c)(1) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit.

Report the amount outstanding under revolving, open-end lines of credit secured by 1 to 4 family residential properties. These lines of credit, commonly known as home equity lines, are typically secured by a junior lien and are usually accessible by check or credit card.

Line Item 1(c)(2) Closed-end loans secured by 1–4 family residential properties.

Report in the appropriate subitem the amount of all closed-end loans secured by 1 to 4 family residential properties.

Line Item 1(c)(2)(a) Secured by first liens.

Report the amount of all closed-end loans secured by first liens on 1 to 4 family residential properties.

Line Item 1(c)(2)(b) Secured by junior liens.

Report the amount of all closed-end loans secured by junior (i.e., other than first) liens on 1 to 4 family residential properties.

Line Item 1(d) Secured by multifamily (5 or more) residential properties.

Report in this item all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens. Specifically, include loans on the following:

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

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

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

Exclude loans for multifamily residential property construction and land development purposes (report in item 1(a)). Also exclude loans secured by nonfarm nonresidential properties (report in item 1(e)).

Line Item 1(e) Secured by nonfarm nonresidential properties.

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

Exclude loans for nonfarm nonresidential property construction and land development purposes (report in Schedule HC-C, item 1(a)).

For purposes of reporting loans in Schedule HC-C, items 1(e)(1) and 1(e)(2), below, the determination as to whether a nonfarm nonresidential property is considered "owner-occupied" should be made upon acquisition (origination or purchase) of the loan. Once a holding company determines whether a loan should be reported as "owner-occupied" or not, this determination need not be reviewed thereafter.

Line Item 1(e)(1) Loans secured by owner-occupied nonfarm nonresidential properties.

Report in column B the amount of loans secured by owner-occupied nonfarm nonresidential properties.

"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 Schedule HC-C, item 1(e)(2), below). Also include loans secured by churches unless the property is owned by an investor who leases the property to the congregation (in which

DRAFT

(5) loans to foreign governments, their official institutions, and international and regional institutions, other than those that meet the definition of a "loan secured by real estate".
(6) Bankers acceptances accepted held in the holding company's portfolio when the account party is a foreign government or official institution, including such acceptances for the purpose of financing dollar exchange (except acceptances held for trading, which are to be reported in Schedule HC, item 5).

industrial organization (which are to be reported in Schedule HC-C, item 4).

(3) Loans to individuals for investment purposes (as distinct from commercial, industrial, or professional purposes), other than those that meet the definition of a "loan secured by real estate."

(4) Obligations (other than securities and leases) of states and political subdivisions in the U.S.

Exclude from all other loans extensions of credit initially made in the form of planned or "advance agreement" overdrafts other than those made to borrowers of the types whose obligations are specifically reportable in this item (report such planned overdrafts in other items of Schedule HC-C, as appropriate). For example, report advances to banks in foreign countries in the form of "advance agreement" overdrafts as loans to depository institutions in Schedule HC-C, item 2, and overdrafts under consumer check-credit plans as "Other revolving credit plans" to individuals in Schedule HC-C, item 6(b). Report both planned and unplanned overdrafts on "due to" deposit accounts of depository institutions in Schedule HC-C, item 2.

Line Item 9(a) Loans to nondepository financial institutions.

Report in columns A and B, as appropriate, all loans to nondepository financial institutions as described above.

Line Item 9(b) Other loans.

Line Item 9(b)(1)) Loans for purchasing or carrying securities.

Report in columns A and B, as appropriate, all loans for purchasing or carrying securities as described above.

Line Item 9(b)(2) All other loans.

Report in columns A and B, as appropriate, all other loans as described above.

Line Item 10 Lease financing receivables (net of unearned income).

Report all outstanding balances relating to direct financing and leveraged leases on property acquired by the holding company for leasing purposes. Report the total amount of these leases in domestic offices in column B and a breakdown of these leases for the fully consolidated holding company 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 holding company 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.

Line Item 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 holding company 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 HC-C, item 6(c), "Other consumer loans."

Line Item 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 holding company for leasing to lessees other than for household, family, and other personal expenditure purposes.

Line Item 11 LESS: Any unearned income on loans reflected in items 1–9 above.

To the extent possible, the preferred treatment is to report the specific loan categories net of both unearned income and net unamortized loan fees. A reporting holding company should enter in columns A and B of this item, as appropriate, unearned income and net unamortized loan fees only to the extend that these amounts are included in (i.e., not deducted from) the various loan items (items 1 through 9) of this schedule. If a holding company reports each loan item of this schedule net of both unearned income and net unamortized loan fees, enter a zero in this item.

Do not include net unamortized direct loan origination costs in this item; such costs must be added to the related loan balances reported in Schedule HC-C, items 1 through 9. In addition, do not include unearned income on lease financing receivables in this item. Leases should

Schedule HC-C

held for investment and held for sale

be reported net of unearned income in Schedule HC-C, item 10.

Line Item 12 Total loans and leases, ~~net of unearned income.~~

Report in columns A and B, as appropriate, the sum of items 1 through 10 less the amount reported in item 11. The total of column A must equal Schedule HC, sum of items 4(a) and 4(b).

Memoranda

Line Item M1 Loans restructured in troubled debt restructurings that are in compliance with their modified terms.

Report in the appropriate subitem loans that have been restructured in troubled debt restructurings and are in compliance with their modified terms. As set forth in ASC Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*," as amended by FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*), a troubled debt restructuring is a restructuring of a loan in which a holding company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. For purposes of this Memorandum item, the concession consists of a modification of terms, such as a reduction of the loan's stated interest rate, principal, or accrued interest or an extension of the loan's maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, regardless of whether the loan is secured or unsecured and regardless of whether the loan is guaranteed by the government or by others.

Once an obligation has been restructured in a troubled debt restructuring, it continues to be considered a troubled debt restructuring until paid in full or otherwise settled, sold, or charged off. However, if a restructured obligation is in compliance with its modified terms and the restructuring agreement specifies an interest rate that at the time of the restructuring is greater than or equal to the rate that the holding company was willing to accept for a new extension of credit with comparable risk, the loan need not continue to be reported as a troubled debt restructuring in this Memorandum item in calendar years after the year in which the restructuring took place. A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk is not considered a troubled debt restructuring. Also, a loan to a third party purchaser of "other real estate owned" by the reporting holding company for the purpose of facilitating the disposal of such real estate is not considered a troubled debt restructuring. For further information, see the Glossary entry for "troubled debt restructurings."

Include in the appropriate subitem all loans restructured in troubled debt restructurings as defined above that are in compliance with their modified terms, that is, restructured loans (1) on which *all* contractual payments of principal or interest scheduled that are due under the modified repayment terms have been paid or (2) on which contractual payments of both principal *and* interest scheduled under the modified repayment terms are less than 30 days past due.

Exclude from this item (1) those loans restructured in troubled debt restructurings on which under their modified repayment terms either principal *or* interest is 30 days or more past due and (2) those loans restructured in troubled debt restructurings that are in nonaccrual status under their modified repayment terms. Report such loans restructured in troubled debt restructurings in the category and column appropriate to the loan in Schedule HC-N, items 1 through 8, column A, B, or C, and in Schedule HC-N, Memoranda items 1(a) through 1(f), column A, B, or C.

Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule HC-C.

Line Item M1(a) Construction, land development, and other land loans (in domestic offices):

Line Item M1(a)(1) 1-4 family construction loans.

Report all loans secured by real estate for the purpose of constructing 1-4 family residential properties (as defined for Schedule HC-C, item 1(a)(1), column B) that have been restructured in troubled debt restructurings and are in compliance with their modified terms. Exclude from this item 1-4 family construction loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule HC-N, item 1(a)(1) and Memorandum item 1(a)(1)).

DRAFT

Schedule HC-C

Line item M1(g) Total loans restructured in troubled debt restructuring that are in compliance with their modified terms (sum of Memorandum items 1.a.(1) through (1.f)

from this item commercial and industrial loans to U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule HC-N, item 4(a) and Memorandum item 1(e)(1)).

Line Item M1(e)(2) To non-U.S. addressees (domicile).

Report all commercial and industrial loans to non-U.S. addressees (as defined for Schedule HC-C, item 4(b)) that have been restructured in troubled debt restructurings and are in compliance with their modified terms. Exclude from this item commercial and industrial loans to non-U.S. addressees restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status.

Line Item M1(f) All other loans.

Report all other loans that cannot properly be reported in Memorandum items 1(a) through 1(e) above that have been restructured in troubled debt restructurings and are in compliance with their modified terms. Exclude from this item all other loans restructured in troubled debt restructurings that, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status (report in Schedule HC-N).

Include in this item loans in the following categories that have been restructured in troubled debt restructurings and are in compliance with their modified terms:

(1) Loans secured by farmland (in domestic offices) (as defined for Schedule HC-C, item 1.b, column B);

(2) Loans to depository institutions and acceptances of other banks (as defined for Schedule HC-C, item 2);

(3) Loans to finance agricultural production and other loans to farmers (as defined for Schedule HC-C, item 3);

(4) Loans to individuals for household, family, and other personal expenditures (as defined for Schedule HC-C item 6);

(5) Loans to foreign governments and official institutions (as defined for Schedule HC-C, item 7);

(6) Obligations (other than securities and leases) of states and political subdivisions in the U.S. (included in Schedule HC-C, item 9(b)(2));

institutions and other loans (as defined for Schedule HC-C, item 9); and

(8) Loans secured by real estate in foreign offices (as defined for Schedule HC-C, item 1, column A).

Report in Schedule HC-C, Memorandum items 1(f)(1) through 1(f)(3), each category of loans within "All other loans" that have been restructured in troubled debt restructurings and are in compliance with their modified terms, and the dollar amount of loans in such category, that exceeds 10 percent of total loans restructured in troubled debt restructurings that are in compliance with their modified terms (i.e., 10 percent of the sum of Schedule HC-C, Memorandum items 1(a) through 1(f)). Preprinted captions have been provided in Memorandum items 1(f)(1) through 1(f)(3) for reporting the amount of such restructured loans for the following loan categories if the amount for a loan category exceeds the 10 percent reporting threshold: Loans secured by farmland (in domestic offices); Loans to finance agricultural production and other loans to farmers; (Consumer) Credit cards; Automobile loans: and Other consumer loans.

Line Item M2 Loans to finance commercial real estate, construction, and land development activities (not secured by real estate) included in Schedule HC-C, items 4 and 9 above.

Report in this item loans to finance commercial and residential real estate activities, e.g., acquiring, developing and renovating commercial and residential real estate, that are reported in Schedule HC-C, item 4, "Commercial and industrial loans," and item 9, "Other loans," column A.

Such loans generally may include:

(1) loans made for the express purpose of financing real estate ventures as evidenced by loan documentation or other circumstances connected with the loan; or

(2) loans made to organizations or individuals 80 percent of whose revenue or assets are derived from or consist of real estate ventures or holdings.

Exclude from this item all loans secured by real estate that are reported in Schedule HC-C, item 1, above. Also exclude loans to commercial and industrial firms where the sole purpose for the loan is to construct a factory or office building to house the company's operations or employees.

Schedule HC-F

held for investment

(19) The positive fair value of unused loan commitments (not accounted for as derivatives) that the holding company has elected to report at fair value under a fair value option.

(20) Retained interests in accrued interest receivable related to securitized credit cards. For further information, see the Glossary entry for "accrued interest receivable related to credit card securitizations."

(21) Indemnification assets arising from loss-sharing agreements with the FDIC covering specified assets acquired from failed insured depository institutions or otherwise purchased from the FDIC. (Exclude the assets covered by FDIC loss-sharing agreements from this component of "Other" assets. Report each covered asset in the balance sheet category appropriated to the asset on Schedule HC, e.g., report covered held-for-investment loans in Schedule HC, item 4(b), "Loans and leases, ~~net of unearned income.")~~

(22) Receivables arising from foreclosures on fully and partially government-guaranteed mortgage loans if the guarantee is not separable from the loan before foreclosure and, at the time of foreclosure, (a) the institution's intent is to convey the property to the guarantor and make a claim on the guarantee and the holding company has the ability to recover under that claim, and (b) any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. For further information, see the Glossary entry for "Foreclosed assets."

Exclude from all other assets:

(1) Redeemed U.S. savings bonds and food stamps (report in Schedule HC, item 1(a), "Noninterest-bearing balances and currency and coin").

(2) Real estate owned or leasehold improvements to property intended for future use as premises of the holding company (report in Schedule HC, item 6, "Premises and fixed assets").

(3) Accounts identified as "building accounts," "construction accounts," or "remodeling accounts" (report in Schedule HC, item 6, "Premises and fixed assets").

(4) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real estate acquired by deed in lieu of foreclosure), even if the holding company has not yet received title to the property, and real estate collateral underlying a loan when the holding company has obtained physical possession of the collateral (report as "All other real estate owned" in Schedule HC-M, item 13(b)).

(5) Due bills representing purchases of securities or other assets by the reporting bank that have not yet been delivered (report as loans in Schedule HC-C).

(6) Factored accounts receivable (report as loans in Schedule HC-C).

Line Item 7 Total.

Report the sum of items 1 through 6. This amount must equal Schedule HC, item 11, "Other assets."

DRAFT

Schedule HC-H

held for investment

carry a different specified rate above that threshold (e.g., a line of credit where the interest rate is 14% when the unpaid balance of amounts advanced is $100,000 or less, and 12% when the unpaid balance is more than $100,000).

A *floating or adjustable interest rate* is a rate that varies, or can vary, in relation to an index, to some other interest rate, such as the rate on certain U.S. government securities or the bank's "prime rate," or to some other variable criterion the exact value of which cannot be known in advance. Therefore, the exact rate the instrument carries at any subsequent time cannot be known at the time of origination. If the interest rate can float or be adjusted daily, the rate is considered immediately adjustable, even if the rate is not, in fact, changed.

For purposes of this schedule, when the rate on an instrument with a floating or adjustable rate can no longer float because it has reached a floor or ceiling level, the instrument is to be treated as "fixed rate" rather than as "floating rate" until the rate is again free to float.

Remaining maturity is the amount of time remaining from the report date until the final contractual maturity of the instrument *without regard to the instruments repayment schedule, if any.*

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

Line Item 1 Earning assets that are repriceable within one year or mature within one year.

Report all assets that the consolidated holding company considers earning assets that have a remaining maturity of less than one year or where the repricing frequency is less than one year.

Earning assets generally include interest-bearing balances due from depository institutions, securities, federal funds sold and securities purchased under agreements to resell, and loans and leases. Assets in these categories that are in nonaccrual status should be *excluded* from earning assets.

Exclude trading account assets and equity securities.

Report in this item the following:

(1) Earning assets that have a fixed or predetermined interest rate and that have a *remaining maturity* of less than one year.

Note, however, holding companies with multipayment fixed rate earning assets *may continue to report* the dollar amount of scheduled contractual payments that are to be repaid in less than one year in this item even though the remaining maturity of the assets is one year or more provided all multipayment transactions are reported in this manner. (See general instructions for this schedule.)

(2) Earning assets that have a floating or variable rate contract that permits the interest rate on the asset to change more often than once a year, i.e., has a repricing frequency of less than one year (even though the remaining maturity on the assets may be one year or more).

Note, however, holding companies whose records provide repricing data on the length of time between the report date and the date the rate can next change (i.e., by earliest repricing opportunity) *may continue to report* in this item the dollar amount of floating rate earning assets with an earliest repricing opportunity of less than one year, even though the repricing frequency is one year or more, provided all floating rate transactions are reported on this schedule in this manner. If a holding company chooses to report its floating rate earning assets by the earliest repricing opportunity, it should report in this item the dollar amount of the contractual payments on its multipayment floating rate earning assets that are scheduled to be repaid within one year even if the earliest repricing opportunity and the repricing frequency is one year or more. (See general instructions for this schedule.)

Included in this item, if the repricing frequency or remaining maturity are less than one year, are the following:

(1) Leases, ~~net of unearned income,~~ as fixed rate instruments.

Note, however, holding companies may continue to report the change in the book value of the lease payments that are to be repaid in less than one year, net of unearned income provided they are reporting on this schedule using the alternate procedure

Schedule HC-K

held for investment

Line Item 1(c) All other securities.

Report the quarterly average of the amortized cost of the holding company's held-to-maturity and available-for-sale securities issued by states and political subdivisions in the U.S., asset-backed securities and structured financial products, and other debt securities (as defined for Schedule HC-B, items 3, 5, and 6, columns A and C) plus the quarterly average of the historical cost of investments in mutual funds and other equity securities with readily determinable fair values (as defined for Schedule HC-B, item 7, column C).

Line Item 2 Federal funds sold and securities purchased under agreements to resell.

Report the quarterly average for federal funds sold and securities purchased under agreements to resell (as defined in Schedule HC, item 3).

Line Item 3(a) Total loans and leases in domestic offices.

Report the quarterly average for all loans and leases, ~~net of unearned income,~~ in domestic offices of the reporting holding company (as defined for Schedule HC-C, items 1 through 11, column B).

Line Item 3(a)(1) Loans secured by 1-4 family residential properties.

Report the quarterly average for loans secured by 1-4 family residential properties (in domestic offices) (as defined for Schedule HC-C, item 1.c, column B).

Exclude "1-4 family residential construction loans" (in domestic offices) (as defined for Schedule HC-C, item 1.a.(1), column B).

Line Item 3(a)(2) All other loans secured by real estate.

Report the quarterly average for all construction, land development, and other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties (in domestic offices) (as defined for Schedule HC-C, items 1.a.(1), 1.a.(2), 1.b, 1.d, 1.e.(1), and 1.e.(2), column B).

Exclude loans "Secured by 1-4 family residential properties" (in domestic offices) (as defined for Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), column B).

Line Item 3(a)(3) Loans to finance agricultural production and other loans to farmers.

Report the quarterly average for loans to finance agricultural production and other loans to farmers in domestic offices (as defined for Schedule HC-C, item 3, column B).

Line Item 3(a)(4) Commercial and industrial loans.

Report the quarterly average for commercial and industrial loans (in domestic offices) (as defined for Schedule HC-C, item 4, column B).

Line Item 3(a)(5) Loans to individuals for household, family, and other personal expenditures.

Line Item 3(a)(5)(a) Credit cards.

Report the quarterly average for credit cards (in domestic offices) (as defined for Schedule HC-C, item 6(a)).

Line Item 3(a)(5)(b) Other.

Report the quarterly average for all other loans (in domestic offices) to individuals for household, family, and other personal expenditures other than credit cards (as defined for Schedule HC-C, items 6(b), 6(c), and 6(d)).

Line Item 3(b) Total loans and leases in foreign offices, Edge and Agreement subsidiaries, and IBFs.

Report the quarterly average for total loans and leases ~~net of unearned income~~ (as defined for Schedule HC-C, items 1 through 10, less item 11), held in the reporting holding company's foreign offices, Edge and Agreement subsidiaries, and IBFs.

Line Item 4(a) Trading assets.

Report the quarterly average for the fully consolidated holding company for trading assets (as defined for Schedule HC, item 5). Trading assets include derivatives with positive fair values.

DRAFT

(2) Loans to finance agricultural production and other loans to farmers included in Schedule HC-C, item 3 column A
(3) Commercial and industrial loans included in HC-C, items 4(a) and 4(b), column A
(4) Loans to individuals for household, family, and other personal expenditures included in Schedule HC-C, item 6(a) through 6(d) column A,

item 1(d), column B, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

Line Item 6(a)(1)(e) Secured by nonfarm nonresidential properties:

Line Item 6(a)(1)(e)(1) Loans secured by owner-occupied nonfarm nonresidential properties.

Report the amount of loans secured by owner-occupied nonfarm nonresidential properties included in Schedule HC-C, item 1(e)(1), column B, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.

Line Item 6(a)(1)(e)(2) Loans secured by other nonfarm nonresidential properties.

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

~~**Line Item 6(a)(2) Loans to finance agricultural production and other loans to farmers.**~~

~~Report the amount of loans to finance agricultural production and other loans to farmers included in Schedule HC-C, item 3, column A, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**Line Item 6(a)(3) Commercial and industrial loans.**~~

~~Report the amount of commercial and industrial loans included in Schedule HC-C, items 4(a) and 4(b), column A, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**Line Item 6(a)(4) Loans to individuals for household, family, and other personal expenditures:**~~

~~**Line Item 6(a)(4)(a) Credit cards.**~~

~~Report the amount of extensions of credit arising from credit cards included in Schedule HC-C, item 6.a, column A, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**Line Item 6(a)(4)(b) Automobile loans.**~~

~~Report the amount of automobile loans included in Schedule HC-C, item 6(c), column A, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

~~**Line Item 6(a)(4)(c) Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).**~~

~~Report the amount of extensions of credit arising from other revolving credit plans and other consumer loans included in Schedule HC-C, items 6(b) and 6(d), column A, acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC.~~

Line Item 6(a)(5) All other loans and all leases.

Report the amount of loans that cannot properly be reported in Schedule HC-C, Memorandum items 6(a)(1) ~~through 6(a)(4),~~ above acquired from failed insured depository institutions or otherwise purchased from the FDIC that are covered by loss-sharing agreements with the FDIC. Include in this item covered loans in the following categories:

(1) Loans to depository institutions and acceptances of other banks included in Schedule HC-C, items 2(a)(1) through 2(c)(2), column A;

(2) Loans to foreign governments and official institutions included in Schedule HC-C, item 7, column A;

(3) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule HC-C, item 8, column A;

(4) Loans to nondepository financial institutions and other loans included in Schedule HC-C, item 9, column A; and

(5) Loans secured by real estate in foreign offices included in Schedule HC-C, item 1, column A.

Also include all lease financing receivables included in Schedule HC-C, items 10(a) and 10(b), column A,

DRAFT

LINE ITEM INSTRUCTIONS FOR

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

held for investment

General Instructions

Report on a fully consolidated basis all loans, leases, debt securities, and other assets that are past due or are in nonaccrual status, regardless of whether such credits are secured or unsecured and regardless of whether such credits are guaranteed or insured by the U.S. Government or by others. For assets that are past due or in nonaccrual status, report the balance sheet amount of the asset in Schedule HC-N, i.e., the amount at which the asset is reported in the applicable asset category on Schedule HC, Balance Sheet (e.g., in item 4(b), "Loans and leases, ~~net of unearned income"),~~ not simply the asset's delinquent payments. Loan amounts should be reported net of unearned income to the extent that they are reported net of unearned income in Schedule HC-C. All lease, debt security, and other asset amounts must be reported net of unearned income.

For purposes of these reports, "GNMA loans" are residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Agriculture Rural Development (RD) program (formerly the Farmers Home Administration (FmHA)), or the Department of Veterans Affairs (VA) or guaranteed by the Secretary of Housing and Urban Development and administered by the Office of Public and Indian Housing (PIH) that back Government National Mortgage Association (GNMA) securities. When a holding company services GNMA loans after it has securitized the loans in a transfer accounted for as a sale, ASC Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as amended) requires the holding company to bring individual delinquent GNMA loans that it previously accounted for as sold back onto its books as loan assets when, under the GNMA Mortgage-Backed Securities Guide, the loan meets GNMA's specified delinquency criteria and is eligible for repurchase. This rebooking of GNMA loans is required regardless of whether the holding company, as seller-servicer, intends to exercise the repurchase (buy-back) option. A seller-servicer must report all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase as past due in Schedule HC-N in accordance with their contractual repayment terms. In addition, if a holding company services GNMA loans, but was not the transferor of the loans that were securitized, and purchases individual delinquent loans out of the GNMA securitization, the holding company must report the purchased loans as past due in Schedule HC-N in accordance with their contractual repayment terms even though the holding company was not required to record the delinquent GNMA loans as assets prior to purchasing the loans. Such delinquent GNMA loans should be reported in items 1(c), 11, and 11(b) of Schedule HC-N.

Definitions

Past Due—The past due status of a loan or other asset should be determined in accordance with its contractual repayment terms. For purposes of this schedule, grace periods allowed by the holding company after a loan or other asset technically has become past due but before the imposition of late charges are not to be taken into account in determining past due status. Furthermore, loans, leases, debt securities, and other assets are to be reported as past due when either interest *or* principal is unpaid in the following circumstances:

(1) Closed-end installment loans, amortizing loans secured by real estate, and any other loans and lease financing receivables with payments scheduled monthly are to be reported as past due when the borrower is in arrears two or more monthly payments. (At a holding company's option, loans and leases with payments scheduled monthly may be reported as past due when one scheduled payment is

DRAFT

Schedule HC-N

Line item 9 Total loans and leases
(Sum of items 1 through 8(b).

Line Item 2(a) U.S. banks and other U.S. depository institutions.

Report in the appropriate column all past due and nonaccrual loans to and acceptances of U.S. banks and other depository institutions included on Schedule HC-C, item 2(a).

Line Item 2(b) Foreign banks.

Report in the appropriate column all past due and nonaccrual loans to and acceptances of foreign banks included in Schedule HC-C, item 2(b).

Line Item 3 Loans to finance agricultural production and other loans to farmers.

Report in the appropriate column all past due and nonaccrual loans to finance agricultural production and other loans to farms included in Schedule HC-C, item 3.

Line Item 4 Commercial and industrial loans.

Report in the appropriate column all past due and nonaccrual commercial and industrial loans included in Schedule HC-C, item 4.

Line Item 5 Loans to individuals for household, family, and other personal expenditures.

Report in the appropriate subitem and column the amount of all loans to individuals for household, family, and other personal expenditures (i.e., consumer loans) included in Schedule HC-C, item 6, that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 5(a) Credit cards.

Report in the appropriate column the amount of all extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards included in Schedule HC-C, item 6(a), that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 5(b) Automobile loans.

Report in the appropriate column the amount of all consumer loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use included in Schedule HC-C, item 6(c), that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 5(c) Other consumer loans (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).

Report in the appropriate column the amount of all other loans to individuals for household, family, and other personal expenditures included in Schedule HC-C, items 6(b) and 6(d), that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 6 Loans to foreign governments and official institutions.

Report in the appropriate column all past due and nonaccrual loans to foreign governments and official institutions included in Schedule HC-C, item 7.

Line Item 7 All other loans.

Report in the appropriate column all other past due and nonaccrual loans to nondepository financial institutions and other loans included in Schedule HC-C, item 9.

Line Item 8 Lease financing receivables (net of unearned income).

Report in the appropriate subitem and column the amount of all lease financing receivables (net of unearned income) included in Schedule HC-C, item 10, that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 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 HC-C, item 10(a), column A, that are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item 8(b) All other leases.

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

Schedule HC-N

Line item 10

~~Line Item 9~~ Debt securities and other assets ~~(exclude other~~ real estate owned and other repossessed assets).

Report in the appropriate column all assets other than loans and leases reportable in Schedule HC that are past due 30 days or more or are in nonaccrual status as of the report date. Include such assets as debt securities and interest-bearing balances due from depository institutions. Also include operating lease payments receivable that have been recorded as assets in Schedule HC, item 11, when the operating lease is past due 30 days or more or in nonaccrual status. Exclude other real estate owned reportable in Schedule HC, item 7, and other repossessed assets reportable in Schedule HC, item 11, such as automobiles, boats, equipment, appliances, and similar personal property.

~~Line Item 10~~ ~~Total~~.

~~Report the sum of items 1 through 9.~~

Line Item 11 Loans and leases reported in items 1 through 8 above that are wholly or partially guaranteed by the U.S. Government, excluding loans and leases covered by loss-sharing agreements with the FDIC.

Report in the appropriate column the amount of all loans and leases reported in Schedule HC-N, items 1 through 8, above for which repayment of principal is wholly or partially guaranteed or insured by the U.S. Government, including its agencies and its government-sponsored agencies, but excluding loans and leases covered by loss-sharing agreements with the FDIC, which are reported in Schedule HC-N, item 12, below. Examples include loans guaranteed by the Small Business Administration and the Federal Housing Administration. Amounts need not be reported in this item and in items 11(a) and 11(b) below if they are considered immaterial.

Exclude from this item loans and leases guaranteed or insured by state or local governments, state or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations. Also exclude loans and leases collateralized by securities issued by the U.S. Government, including its agencies and its government-sponsored agencies.

Line Item 11(a) Guaranteed portion of loans and leases included in item 11 above, excluding rebooked "GNMA loans."

Report in the appropriate column the maximum amount recoverable from the U.S. Government, including its agencies and its government-sponsored agencies, under the guarantee or insurance provisions applicable to the loans and leases included in Schedule HC-N, item 11, above.

Seller-servicers of GNMA loans should exclude all delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase from this item (report such rebooked GNMA loans in item 11(b) below). Servicers of GNMA loans should exclude individual delinquent loans (for which they were not the transferor) that they have purchased out of GNMA securitizations from this item (report such purchased GNMA loans in item 11(b) below).

Line Item 11(b) Rebooked "GNMA loans" that have been repurchased or are eligible for repurchase included in item 11 above.

Report in the appropriate column the amount included in HC-N, item 11, of:

(1) Delinquent rebooked GNMA loans that have been repurchased or are eligible for repurchase by seller-servicers of GNMA loans; and

(2) Delinquent loans that have been purchased out of GNMA securitizations by servicers of GNMA loans that were not the transferors of the loans.

Line Item 12 Loans and leases reported in items 1 through 8 above that are covered by loss-sharing agreements with the FDIC.

Report in the appropriate subitem and column the aggregate amount of all loans and leases covered by loss-sharing agreements with the FDIC and reported in Schedule HC-M, items 6(a)(1)(a)(1) through 6(a)(5), that have been included in Schedule HC-N, items 1 through 8, because they are past due 30 days or more or are in nonaccrual status as of the report date. Amounts need not be reported in Schedule HC-N, items 12(a)(1)(a) through 12(f), below if they are considered immaterial.

DRAFT

(2) Loans to finance agricultural production and other loans to farmers included in Schedule HC-C, item 3 column A
(3) Commercial and industrial loans included in HC-C, items 4(a) and 4(b), column A
(4) Loans to individuals for household, family, and other personal expenditures included in Schedule HC-C, item 6(a) through 6(d) column A,

because they are past due 30 days or more or are in nonaccrual status as of the report date.

~~**Line Item 12(b) Loans to finance agricultural production and other loans to farmers.**~~

~~Report in the appropriate column the amount of all covered loans to finance agricultural production and other loans to farmers reported in Schedule HC-M, item 6(a)(2), that are included in Schedule HC-N, item 3, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**Line Item 12(c) Commercial and industrial loans.**~~ 5

~~Report in the appropriate column the amount of all covered commercial and industrial loans reported in Schedule HC-M, item 6(a)(3), that are included in Schedule HC-N, item 4, above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~ 6 7

~~**Line Item 12(d) Loans to individuals for household, family, and other personal expenditures:**~~ 8

~~**Line Item 12(d)(1) Credit cards.**~~

~~Report in the appropriate column the amount of all covered extensions of credit arising from credit cards reported in Schedule HC-M, item 6(a)(4)(a), that are included in Schedule HC-N, item 6(a), above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**Line Item 12(d)(2) Automobile loans.**~~

~~Report in the appropriate column the amount of all covered automobile loans reported in Schedule HC-M, item 6(a)(4)(b), that are included in Schedule HC-N, item 6(c), above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

~~**Line Item 12(d)(3) Other consumer loans.**~~

~~Report in the appropriate column the amount of all covered extensions of credit arising from other revolving credit plans and all other covered consumer loans reported in Schedule HC-M, item 6(a)(4)(c), that are included in Schedule HC-N, items 6(b) and 6(d), above because they are past due 30 days or more or are in nonaccrual status as of the report date.~~

12(b) through 12(d)- Not applicable

Line Item 12(e) All other loans and all leases.

Report in the appropriate column the amount of covered loans and leases reported in Schedule HC-M, item 6(a)(5), "All other loans and all leases," that are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item covered loans in the following categories that are past due 30 days or more or are in nonaccrual status as of the report date:

(1) Loans to depository institutions and acceptances of other banks included in Schedule HC-N, item 2;

~~(2)~~ Loans to foreign governments and official institutions included in Schedule HC-N, item 6;

~~(3)~~ Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule HC-N, item 7;

~~(4)~~ Loans to nondepository financial institutions and other loans included in Schedule HC-N, item 7; and

~~(5)~~ Loans secured by real estate in foreign offices included in Schedule HC-N, item 1(f).

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

Line Item 12(f) Portion of covered loans and leases included in items 12.a through 12.e above that is protected by FDIC loss-sharing agreements.

Report the maximum amount recoverable from the FDIC under loss-sharing agreements covering the past due and nonaccrual loans and leases reported in Schedule HC-N, items 12(a)(1)(a) through 12(e), above beyond the amount that has already been reflected in the measurement of the reporting holding company's indemnification asset, which represents the right to receive payments from the FDIC under the loss-sharing agreement.

In general, the maximum amount recoverable from the FDIC on covered past due and nonaccrual loans and leases is the recorded amount of these loans and leases, as reported in Schedule HC-N, items 12(a)(1)(a) through 12(e), multiplied by the currently applicable loss coverage rate (e.g., 80 percent or 95 percent). This product will normally be the maximum amount recoverable because reimbursements from the FDIC for covered losses related to the amount by which the "book value" of a covered

Schedule HC-N

Line item M1(g) **Total loans restructured in troubled debt restrucurings included in Schedule HC-N, items 1 through** 8 above. Exclude amounts reported in Memorandum item 1.f.(1) through 1.f(3) when calculating the total in Memorandum item 1.g.

repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Report a breakdown of these restructured loans between those to U.S. and non-U.S. addressees for the fully consolidated holding company in Memorandum items 1(e)(1) and (2).

Line Item M1(e)(1) To U.S. addressees (domicile).

Report in the appropriate column all commercial and industrial loans to U.S. addressees included in item 4 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item M1(e)(2) To non-U.S. addressees (domicile).

Report in the appropriate column all commercial and industrial loans to non-U.S. addressees included in item 4 of this schedule that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date.

Line Item M1(f) All other loans.

Report in the appropriate column all other loans that cannot properly be reported in Memorandum items 1(a) through 1(e) above that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date. Include in the appropriate column of this item all loans in the following categories that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date:

(1) Loans secured by farmland (in domestic offices) included in Schedule HC-N, item 1.b;

(2) Loans to depository institutions and acceptances of other banks included in Schedule HC-N, item 2;

(3) Loans to finance agricultural production and other loans to farmers included in Schedule HC-N, item 3;

(4) Consumer credit cards included in Schedule HC-N, item 5(a);

(5) ...dule HC-N, item 5(b);

(6) Other consumer loans included in Schedule HC-N, items 5(c);

(7) Loans to foreign governments and official institutions included in Schedule HC-N, item 6;

(8) Obligations (other than securities and leases) of states and political subdivisions in the U.S. included in Schedule HC-N, item 7;

(9) Loans to nondepository financial institutions and other loans included in Schedule HC-N, item 7; and

(10) Loans secured by real estate in foreign offices included in Schedule HC-N, item 1(f).

Report in Schedule HC-N, Memorandum items 1(f)(1) through 1(f)(3), each category of loans within "All other loans" that have been restructured in troubled debt restructurings and, under their modified repayment terms, are past due 30 days or more or are in nonaccrual status as of the report date, and the dollar amount of loans in such category, that exceeds 10 percent of total loans restructured in troubled debt restructurings that are past due 30 days or more or are in nonaccrual status as of the report date (i.e., 10 percent of the sum of Schedule HC-N, Memorandum items 1(a) through 1(e) plus Memorandum item 1(f), columns A through C). Preprinted captions have been provided in Memorandum items 1(f)(1) through 1(f)(3) for reporting the amount of such restructured loans for the following loan categories if the amount for a loan category exceeds this 10 percent reporting threshold: Loans secured by farmland (in domestic offices); ; Loans to finance agricultural production and other loans to farmers; (Consumer) credit cards and (Consumer) automobile loans; and Other consumer loans.

Line Item M2 Loans to finance commercial real estate, construction, and land development activities included (not secured by real estate) in Schedule HC-N, items 4 and 7, above.

Report the amount of loans to finance commercial real estate, construction, and land development activities **not secured by real estate** that are past due 30 days or more or are in nonaccrual status as of the report date. Such loans will have been included in items 4 and 7 of Schedule HC-N above. Exclude from this item all loans held for investment

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

- All other HFS loans and leases held for sale that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - o In column C-0% risk weight; column G-20% risk weight; column H-50% risk weight; column I-100% risk weight; column J-150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.
  - o The carrying value of other loans and leases held for sale reported in Schedule HC, item 4(a), that are not reported in Schedule HC-R, Part II, items 4(a) through 4(c) above.

5 **Loans and leases, ~~net of unearned income~~.** Report in column A of the appropriate subitem the carrying value of loans and leases, ~~net of unearned income~~, repor (HFI) e HC, item 4(b), excluding those loans and leases, ~~net of unearned income~~, that qualify as securitization exposures as defined in §.2 of the regulatory capital rules.

The carrying value of those loans and leases, ~~net of unearned income~~, that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9(d), column A.

The sum of Schedule HC-R, Part II, items 5(a) through 5(d), column A, plus the carrying value of loans and leases, ~~net of unearned income~~, that qualify as securitization exposures and are reported in Schedule HC-R, Part II, item 9(d), column A, must equal Schedule HC, item 4(b).

5(a) **Residential mortgage exposures.** Report in column A the carrying value of loans, ~~net of unearned income~~, reported in Schedule HC, item 4(b), that meet the definition of a residential mortgage exposure or a statutory multifamily mortgage[26] in §.2 of the regulatory capital rules. Include in column A the carrying value of:

- Loans, ~~net of unearned income~~, secured by first or subsequent liens on 1-4 family residential properties (excluding those that qualify as securitization exposures) that are reported in Schedule HC-C, items 1.c.(1), 1.c.(2)(a), and 1.c.(2)(b), and
- Loans, ~~net of unearned income~~, secured by first or subsequent liens on multifamily residential properties with an original and outstanding amount of $1 million or less (excluding those that qualify as securitization exposures) that are reported in Schedule HC-C, item 1.d, as these loans would meet the regulatory capital rules' definition of residential mortgage.

Exclude from this item:

- loans, ~~net of unearned income~~, secured by multifamily residential properties included in Schedule HC-C, item 1.d, that do not meet the definition of a residential mortgage exposure or a statutory multifamily mortgage, and
- 1-4 family residential construction loans, ~~net of unearned income~~, reported in Schedule HC-C, item 1.a.(1), that are not securitization exposures, which should be reported in Schedule HC-R, Part II, item 5.c or 5.d, as appropriate.
- *In column C-0% risk weight*, include the portion of any exposure, net of unearned income, that meets the definition of residential mortgage exposure or statutory multifamily mortgage reported in Schedule HC-C, item 4(b), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include loans and leases, ~~net of unearned income~~, collateralized by deposits at the reporting institution.

26. See the instructions for Schedule HC-R, Part II, item 4.a. above for the definition of statutory multifamily mortgage.

DRAFT

HFI- change all

- *In column G-20% risk weight*, include the carrying value of the guaranteed portion of FHA and VA mortgage loans, ~~net of unearned income,~~ included in Schedule HC-C, item 1(c)(2)(a). Also include the portion of any loan, net of unearned income, which meets the definition of residential mortgage exposure or statutory multifam-ily mortgage reported in Schedule HC, item 4(b), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans, ~~net of unearned income~~, covered by an FDIC loss-sharing agree-ment.

- *In column H-50% risk weight*, include the carrying value of loans, ~~net of unearned income,~~ secured by 1-4 family residential properties and by included in Schedule HC-C, item 1(c)(1) (only include qualify-ing first mortgage loans), qualifying loans from Schedule HC-C, items 1(c)(2)(a) and 1(d), or those that meet the definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For 1-4 family residential mortgages, the loans must be prudently underwritten, be fully secured by first liens on 1-4 family or multifamily residential properties, not 90 days or more past due or in nonaccrual status, and have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury's Home Affordable Mort-gage Program (HAMP)). Also include loans, ~~net of unearned income~~, that meet the definition of statutory multifamily mort-gage in §.2 of the regulatory capital rules. Also include the portion of any loan, ~~net of unearned income,~~ which meets the defini-tion of residential mortgage exposure or reported in Schedule HC, item 4(b), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

  Notes:

  - Refer to the definition of *residential mortgage exposure* in §.2 of the regulatory capital rules and refer to the requirements for risk weighting residential mortgage loans in §.32 of the regulatory capital rules.
  - A residential mortgage loan may receive a 50 percent risk weight if it meets the qualifying criteria in § .32(g) of the regulatory capital rules:
    - o A property is owner-occupied or rented;
    - o The loan is prudently underwritten including the loan amount as a percentage of the appraised value of the real estate collateral;
    - o The loan is not 90 days or more past due or on nonaccrual;
    - o The loan is not restructured or modified (except for loans restructured solely pursuant to the U.S. Treasury's HAMP).
    - o If the holding company holds the first-lien and junior -lien(s) on a residential mortgage exposure, and no other party holds an intervening lien, the holding company must combine the exposures and treat them as a single first-lien residential mortgage exposure.
  - A first lien home equity line (HELOC) may qualify for 50 percent risk weight if it meets the qualifying criteria, in § .32(g) listed above.
  - A residential mortgage loan of $1 million or less on a property of more than 4 units may qualify for 50 percent risk weight if it meets the qualifying criteria in § .32(g) listed above.

- *In column I-100% risk weight*, include the carrying value of loans, ~~net of unearned income,~~ related to residential mortgage exposures reported in Schedule HC, item 4(b), that are not included in columns C, G, H, or R. Include loans, ~~net of unearned income,~~ that are junior lien residential mortgage exposures if the bank does not hold the first lien on the property, except the portion of any junior lien residential

HFI- change all below

mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight. Also include loans, ~~net of unearned income,~~ that are residential mortgage exposures that have been restructured or modified, except:

- o Those loans restructured or modified solely pursuant to the U.S. Treasury's HAMP, and
- o The portion of any restructured or modified residential mortgage exposure that is secured by collateral or has a guarantee that qualifies for the zero percent, 20 percent, or 50 percent risk weight.

- *In columns R and S-Application of Other Risk-Weighting Approaches*, include the portion of any loan, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that meets the definition of residential mortgage exposure or statutory multifamily mortgage, and is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.
  - o Include in column R the carrying value of the portion of a loan exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.
  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan exposure that is secured by such collateral. Any remaining portion of the loan exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

5(b) **High volatility commercial real estate exposures**. Report in Column A the portion of the carrying value of loans, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that are high volatility commercial real estate exposures (HVCRE),[27] including HVCRE exposures that are 90 days or more past due or in nonaccrual status:

- *In column C-0% risk weight*, include the portion of any HVCRE exposure included in loans and leases, ~~net of unearned income,~~ that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of HVCRE loans, net of unearned income, collateralized by deposits at the reporting institution.
- *In column G-20% risk weight*, include the portion of any HVCRE exposure included in loans and leases, ~~net of unearned income,~~ that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of any HVCRE exposure covered by an FDIC loss-sharing agreement.
- *In column H-50% risk weight*, include the portion of any HVCRE exposure included in loans and leases, ~~net of unearned income,~~ that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.
- *In column I-100% risk weight*, include the portion of any HVCRE exposure included

27. See instructions for Schedule HC-R, Part II, item 4(b), above for the definition of HVCRE exposure.

Schedule HC-R

HFI- change all

in loans and leases, ~~net of unearned income,~~ that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J-150% risk weight*, include the carrying value of high volatility commercial real estate exposures, as defined in §.2 of the regulatory capital rules, included in Schedule HC, item 4(b), excluding those portions of the carrying value that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S-Application of Other Risk-Weighting Approaches*, include the portion of any HVCRE exposure included in loans and leases, ~~net of unearned income,~~ reported in Schedule RC, item 4.b, that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

  - o Include in column R the carrying value of the portion of an HVCRE exposure that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  - o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the HVCRE exposure that is secured by such collateral. Any remaining portion of the HVCRE exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through I, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

5(c) <u>**Exposures past due 90 days or more or on nonaccrual.**</u> Report in column A the carrying value of loans and leases, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status according to the requirements set forth in in §.32(k) of the regulatory capital rules. Do not include sovereign exposures or residential mortgage exposures, as described in §.32(a) and §.32(g) respectively, that are 90 days or more past due or in nonaccrual status (report such past due and nonaccrual exposures in Schedule HC-R, Part II, items 5(d) and 5(a), respectively). Also do not include high volatility commercial real estate exposures that are 90 days or more past due or in nonaccrual status (report such exposures in Schedule HC-R, Part II, item 5(b)).

- *In column C-0% risk weight*, include the portion of loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases, net of unearned income, collateralized by deposits at the reporting institution.

- *In column G-20% risk weight*, include the portion of loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(b), that are 90 days or more past due or in

HFI- change all

nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases, ~~net of unearned income,~~ covered by an FDIC loss-sharing agreement.

- *In column H-50% risk weight*, include the portion of loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I-100% risk weight*, include the portion of loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In column J-150% risk weight*, include the carrying value of loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(b), that are 90 days or more past due or in nonaccrual status (except as noted above), excluding those portions that are covered by qualifying collateral or eligible guarantees as described in §.37 and §.36, respectively, of the regulatory capital rules.

- *In columns R and S-Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases, ~~net of unearned income,~~ included in Schedule HC, item 4(a), that are 90 days or more past due or in nonaccrual status (except as noted above), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

  o Include in column R the carrying value of the portion of a loan or lease, ~~net of unearned income,~~ that is 90 days or more past due or in nonaccrual status that is secured by the fair value of securitization exposure or mutual fund collateral that meets the general requirements of the simple approach in §.37. In addition, the holding company must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.

  o Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease ~~net of unearned income~~ that is secured by such collateral. Any remaining portion of the loan or lease, exposure, that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

  For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

5(d) **<u>All other exposures.</u>** Report in column A the carrying value of loans and leases, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that are not reported in items 5(a) through 5(c) above:

- *In column C-0% risk weight*, include the

HFI- change all

carrying value of the unconditionally guaranteed portion of SBA "Guaranteed Interest Certificates" purchased in the secondary market that are included in Schedule HC-C, net of unearned income. Also include the portion of any loans and leases, net of unearned income, not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the zero percent risk weight. This would include the portion of loans and leases, ~~net of unearned income,~~ collateralized by deposits at the reporting institution.

- *In column G-20% risk weight*, include the carrying value of loans to and acceptances of other U.S. depository institutions, ~~net of unearned income,~~ that are reported in Schedule HC-C, item 2 (excluding the carrying value of any long-term exposures to non-OECD banks), plus the carrying value, net of unearned income, of the guaranteed portion of SBA loans originated and held by the reporting holding company included in Schedule HC-C, and the carrying value, net of unearned income, of the portion of student loans reinsured by the U.S. Department of Education included in Schedule HC-C, item 6(d), "Other consumer loans." Also include the portion of any loans and leases, ~~net of unearned income,~~ not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 20 percent risk weight. This would include the portion of loans and leases, ~~net of unearned income,~~ covered by FDIC loss-sharing agreements.

- *In column H-50% risk weight*, include the carrying value of loans and leases, ~~net of unearned income,~~ that meet the definition of presold construction loan in §.2 of the regulatory capital rules that qualify for the 50 percent risk weight. Also include the portion of any loans and leases, ~~net of unearned income,~~ not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight.

- *In column I-100% risk weight*, include the carrying value of loans and leases, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that is not included in columns C through H, J or R (excluding loans that are assigned a higher than 100 percent risk weight, such as HVCRE loans and past due loans). This item would include 1-4 family construction loans and leases, ~~net of unearned income,~~ reported in Schedule HC-C, item 1(a)(1) and the portion of loans, ~~net of unearned income,~~ secured by multifamily residential property reported in Schedule HC-C, item 1(d), with an original amount of more than $1 million. Also include the carrying value of loans and leases, ~~net of unearned income,~~ that meet the definition of presold construction loan in §.2 of the regulatory capital rules that qualify for the 100 percent risk weight. Also include the portion of any loans and leases, ~~net of unearned income,~~ not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above, that is secured by collateral or has a guarantee that qualifies for the 100 percent risk weight.

- *In columns R and S-Application of Other Risk-Weighting Approaches*, include the portion of any loans and leases, ~~net of unearned income,~~ including eligible margin loans, reported in Schedule HC, item 4(b), that is secured by qualifying financial collateral that meets the definition of a securitization exposure in §.2 of the regulatory capital rules or is a mutual fund only if the holding company chooses to recognize the risk-mitigating effects of the securitization exposure or mutual fund collateral under the simple approach, or the collateral margin approach for eligible margin loans, outlined in §.37 of the regulatory capital rules. Under the simple approach, the risk weight assigned to the collateralized portion of the exposure may not be less than 20 percent.

- Include in column R the carrying value of the portion of such a loan or lease, ~~net of unearned income,~~ that is secured by the fair value or adjusted fair value of securitization exposure or mutual fund collateral as determined under the simple approach or the collateral haircut approach, respectively; however, the holding company must apply the same approach for all eligible margin loans. In addition, if the holding company applies the simple approach, it must apply the same approach to securitization exposure collateral - either the Simplified Supervisory Formula Approach or the Gross-Up Approach - that it applies to determine the risk-weighted asset amounts of its on- and off-balance sheet securitization exposures that are reported in Schedule HC-R, Part II, items 9 and 10.
- Report in column S the risk-weighted asset amount of the securitization exposure or mutual fund collateral that collateralizes the portion of the loan or lease, ~~net of unearned income,~~ that is secured by such collateral. Any remaining portion of the loan or lease exposure that is uncollateralized or collateralized by other qualifying collateral would be reported in columns C through J, as appropriate.

For further information, see the discussions of "Treatment of Collateral and Guarantees" and "Risk-Weighted Assets for Securitization Exposures" in the General Instructions for Schedule HC-R, Part II.

- All other loans and leases, ~~net of unearned income,~~ that must be risk weighted according to the Country Risk Classification (CRC) methodology
  - In column C-0% risk weight; column G-20% risk weight; column H-50% risk weight; column I-100% risk weight; column J-150% risk weight. Assign these exposures to risk weight categories based on the CRC methodology described above in the General Instructions for Part II.
  - The carrying value of other loans and leases, ~~net of unearned income,~~ reported in Schedule HC, item 4(b), that are not reported in Schedule HC-R, Part II, items 5(a) through 5(c) above.

6 **LESS: Allowance for loan and lease losses.** Report in columns A and B the balance of the allowance for loan and lease losses reported in Schedule HC, item 4(c).

7 **Trading assets.** Report in column A the fair value of trading assets reported in Schedule HC, item 5, excluding those trading assets that are securitization exposures, as defined in §.2 of the regulatory capital rules.

The fair value of those trading assets reported in Schedule HC, item 5, that qualify as securitization exposures must be reported in Schedule HC-R, Part II, item 9.c, column A. The sum of Schedule HC-R, Part II, items 7 and 9(c), column A, must equal Schedule HC, item 5.

If the holding company is subject to the market risk capital rules, include in column B the fair value of all trading assets that are covered positions as defined in Schedule HC-R, Part II, item 27 (except those trading assets that are both securitization exposures and covered positions, which are excluded from column A of this item 7 and are to be reported instead in Schedule HC-R, Part II, item 9(c), column A). The holding company will report its standardized market risk-weighted assets in Schedule HC-R, Part II, item 27.

For holding companies not subject to the market risk capital rule and for those trading assets reported in column A that are held by holding companies subject to the market risk capital rule and do not meet the definition of a covered position:

- *In column B*, if the holding company completes Schedule HC-D, include the fair value of derivative contracts that are

Schedule HC-R

HFI

17 **All other off-balance sheet liabilities.** Report in column A:

- The notional amount of all other off-balance sheet liabilities reported in Schedule HC-L, item 9, that are covered by the regulatory capital rules,
- The face amount of risk participations in bankers acceptances that have been acquired by the reporting institution and are outstanding,
- The full amount of loans sold with credit-enhancing representations and warranties that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules,
- The notional amount of written option contracts that act as financial guarantees that do not meet the definition of a securitization exposure as described in §.2 of the regulatory capital rules, and
- The notional amount of all forward agreements, which are defined as legally binding contractual obligations to purchase assets with certain drawdown at a specified future date, not including commitments to make residential mortgage loans or forward foreign exchange contracts.

However, exclude from column A:

- The amount of credit derivatives classified as trading assets that are subject to the market risk capital rule (report in Schedule HC-R, Part II, items 20 and 21, as appropriate), and
- Credit derivatives purchased by the holding company that are recognized as guarantees of an asset or off-balance sheet exposure under the regulatory capital rules, i.e., credit derivatives on which the holding company is the beneficiary (report the guaranteed asset or exposure in Schedule HC-R, Part II, in the appropriate balance sheet or off-balance sheet category - e.g., item 5, "Loans and leases, ~~net of unearned income~~" - and in the risk weight category applicable to the derivative counterparty - e.g., column G - 20% risk weight - rather than the risk weight category applicable to the obligor of the guaranteed asset), and
- The notional amount of standby letters of credit issued by another depository institution, a Federal Home Loan Bank, or any other entity on behalf of the reporting holding company that are reported in Schedule HC-L, item 9, because these letters of credit are not covered by the regulatory capital rules.

- *In column B*, report 100 percent of the face amount, notional amount, or other amount reported in column A.
- *In column C-0% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the zero percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, Part II, items 1 through 8, above.
- *In column G-20% risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 20 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, Part II, items 1 through 8, above.
- *In column H-50$ risk weight*, include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or collateral that meets, the criteria for the 50 percent risk weight category as described in the instructions for Risk-Weighted Assets and for Schedule HC-R, Part II, items 1 through 8, above.
- *In column I-100% risk weight*, include the portion of the credit equivalent amount reported in column B that is not included in columns C through J. Include the credit equivalent amount of liabilities to counterparties who meet, or that have guarantees or

DRAFT

Schedule HC-V

held for investment

Line Item 1(a) Cash and balances due from depository institutions.

Report in the appropriate column the amount of cash and balances due from depository institutions held by consolidated VIEs included in Schedule HC, item 1(a), "Noninterest-bearing balances and currency and coin," and item 1(b), "Interest-bearing balances," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(b) Held-to-maturity securities.

Report in the appropriate column the amount of held-to-maturity securities held by consolidated VIEs included in Schedule HC, item 2(a), "Held-to-maturity securities," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(c) Available-for-sale securities.

Report in the appropriate column the amount of available-for-sale securities held by consolidated VIEs included in Schedule HC, item 2(b), "Available-for-sale securities," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(d) Securities purchased under agreements to resell.

Report in the appropriate column the amount of securities purchased under agreements to resell held by consolidated VIEs included in Schedule HC, item 3(b), "Securities purchased under agreements to resell," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(e) Loans and leases held for sale.

Report in the appropriate column the amount of loans and leases held for sale by consolidated VIEs included in Schedule HC, item 4(a), "Loans and leases held for sale," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(f) Loans and leases, ~~net of unearned income.~~

Report in the appropriate column the amount of loans and leases held for investment by consolidated VIEs included in Schedule HC, item 4(b), "Loans and leases, ~~net of unearned income,"~~ that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(g) Less: Allowance for loan and lease losses.

Report in the appropriate column the amount of the allowance for loan and lease losses held by consolidated VIEs included in Schedule HC, item 4(c), "LESS: Allowance for loan and lease losses," that is allocated to these consolidated VIEs' loans and leases held for investment that can be used only to settle obligations of the same consolidated VIEs and are reported in Schedule HC-V, item 1(f), above.

Line Item 1(h) Trading assets (other than derivatives).

Report in the appropriate column the amount of trading assets (other than derivatives) held by consolidated VIEs included in Schedule HC, item 5, "Trading assets," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(i) Derivative trading assets.

Report in the appropriate column the amount of derivative trading assets held by consolidated VIEs included in Schedule HC, item 5, "Trading assets," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(j) Other real estate owned.

Report in the appropriate column the amount of other real estate owned held by consolidated VIEs included in Schedule HC, item 7, "Other real estate owned," that can be used only to settle obligations of the same consolidated VIEs.

Line Item 1(k) Other assets.

Report in the appropriate column the amount of all other assets held by consolidated VIEs included in Schedule HC, item 12, "Total assets," and not reported in Schedule HC-V, items 1(a) through 1(j), above, that can be used only to settle obligations of the same consolidated VIEs.

Line Item 2 Liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting holding company.

Report in the appropriate subitem and column those liabilities of consolidated VIEs reported in Schedule HC, Balance Sheet, for which creditors do not have recourse to the general credit of the reporting holding company.

DRAFT

LINE ITEM INSTRUCTIONS FOR

Notes to the Balance Sheet
Predecessor Financial Items

held for investment

General Instructions

This one-time reporting schedule is event-driven. An event for reporting the average balance sheet items below is defined as a business combination that occurred during the quarter (that is, the holding company consummated a merger or acquisition within the quarter). Complete this schedule only if the combined assets of the acquired entity(ies) are at least equal to $10 billion or 5 percent of the reporting holding company's total consolidated assets at the previous quarter-end, whichever is less.

Report in accordance with these instructions the selected quarterly average information for any acquired company(ies), the predecessor, as described above. For the items on this schedule, report the average of the balances as of the close of business for each day for the calendar quarter up to the date of acquisition or an average of the balances as of the close of business on each Wednesday during the calendar quarter up to date of acquisition. For days that the acquired company or any of its consolidated subsidiaries were closed (e.g., Saturdays, Sundays, or holidays), use the amount outstanding from the previous business day. An office is considered closed if there are no transactions posted to the general ledger as of that date.

Only a single schedule should be completed with aggregated information for all entities acquired during the quarter. The combined assets of these firms should at least equal $10 billion or 5 percent of the respondent's total consolidated assets at the previous quarter-end, whichever is less.

The reporting holding company may report the items below, net of merger-related adjustments, if any.

In the unlikely event that only a portion of a firm was purchased and actual financial statements for the acquired operations are not readily available, the reporting holding company may provide estimates in lieu of inaccessible actual data.

If a single transaction business combination occurred where the acquiree was another holding company that filed the FR Y-9C in the preceding quarter, and the combination occurred on the first day of the quarter, that event is exempt from being reported on this schedule. This exemption also applies if all entities acquired on the first day of the quarter were FR Y-9C filers as of the prior quarter.

The line item instructions should be read in conjunction with the instructions for Schedule HC-K, "Quarterly Averages."

Line Item 1 Average loans and leases ~~(net of unearned income).~~

Report the quarterly average for all loans and leases, ~~net of unearned income,~~ in both domestic and foreign offices of the acquired company (as defined for Schedule HC-C, items 1 through 11).

Line Item 2 Average earning assets.

Report the quarterly average for all earning assets.

Include as earning assets:

(1) Securities;

(2) Federal funds sold and securities purchased under agreements to resell;

(3) Loans and leases;

(4) Trading assets; and

(5) Other earning assets.

Line Item 3 Average total consolidated assets.

Report the quarterly average for the fully consolidated acquired company's total assets (as defined for Schedule

DRAFT

held for investment

asset must also be reported in both Schedule HC-G, item 4, "Other liabilities," and Schedule HC-F, item 6, "Other assets," respectively.

Exceptions to the mandatory reporting by the reporting holding company of the full amount of all outstanding drafts accepted by the bank subsidiary(ies) of the reporting holding company in both "Other liabilities" (Schedule HC, item 20) and "Other assets" (Schedule HC, item 11) on the Consolidated Balance sheet of the FR Y-9C occur in the following situations:

(a) One exception occurs in situations where the accepting bank acquires—through initial discounting or subsequent purchase—and holds its own acceptance (i.e., a draft that it has itself accepted). In this case, the bank subsidiary's own acceptances that are held by it will not be reported in the "Other liabilities" and "Other assets" items noted above. The bank subsidiary's holdings of its own acceptances will be reported either in "Loans and leases, ~~net of unearned income"~~ (Schedule HC, item 4(b)) or, if held in a trading account, in "Trading assets" (Schedule HC, item 5).

(b) A second exception occurs where the parent holding company or a subsidiary of the holding company (other than the accepting bank subsidiary) purchases an acceptance executed by one of the reporting holding company's subsidiary banks. In this case, the process of consolidation eliminates the consolidated holding company's liability on acceptances and outstanding and the customers' liability to the accepting bank on acceptances outstanding will be reported either in Schedule HC, item 4(b) or item 5.

(c) A third exception occurs in situations where the account party anticipates its liability to a bank subsidiary of the reporting holding company on an acceptance outstanding by making a payment to the bank that reduces the customer's liability in advance of the maturity of the acceptance. In this case, the holding company will decrease the asset item "Other assets" (Schedule HC, item 11) by the amount of such prepayment; the prepayment will not affect the liability item "Other liabilities" (Schedule HC, item 20) which would continue to reflect the full amount of the acceptance until the bank subsidiary has repaid the holder of the acceptance at the maturity date specified in the instrument. If the account party's payment to the accepting bank before the maturity date is not for the purpose of immediate reduction of its indebtedness to the reporting bank or if receipt of the payment does not immediately reduce or extinguish that indebtedness, such advance payment will not reduce item 11 of Schedule HC but should be reflected in the bank's deposit liabilities.

(d) A fourth exception occurs when the holding company has a subsidiary of the holding company (other than the accepting bank) that is the account party (customer) in the acceptance transaction. In this case, the process of consolidation eliminates the asset item but will leave the liability item (item 20) unaffected except where the holding company or one of its consolidated subsidiaries purchases the acceptance executed.

In all situations other than these four exceptions just described, the reporting holding company's financial statement must reflect the full amount of its acceptances in "Other liabilities" (Schedule HC, item 20) and in "Other assets" (Schedule HC, item 11).

(2) *"Participations" in acceptances.* The general requirement for the accepting bank to report on its balance sheet the full amount of the total obligation to put the holder of the acceptance in funds applies also, in particular, to any situation in which the acceptingbank enters into any kind of arrangement with others for the purpose of having the latter share, or participate, in the obligation to put the holder of the acceptance in funds at maturity or in the risk of loss in the event of default on the part of the account party.[2] In any such sharing arrangement or participation agreement—regardless of its form or its contract provisions, regardless of the terminology (e.g., "funded," "risk," "unconditional," or "contingent") used to describe it and the relationships under it, regardless of whether it is described as a participation in the customer's liability or in the accepting bank's obligation or in the risk of default by the account

2. The discussion does not deal with participations in holdings of bankers acceptances, which are reportable under loans. Such participations are treated like any participations in loans.

Glossary

party, and regardless of the system of debits and credits used by the accepting bank to reflect the participation arrangement—the existence of the participation or other agreement should not reduce the accepting bank's obligation to honor the full amount of the acceptance at maturity.

The existence of such participations should not to be recorded on the balance sheet of the accepting bank subsidiary nor on the consolidated balance sheet (Schedule HC) of the holding company (except for immaterial amounts) that conveys shares in its obligation to put the holder of the acceptance in funds or shares in its risk of loss in the event of default on the part of the account party, and similarly is not to be recorded on the balance sheets (Schedule HC) of the other holding companies or their subsidiaries that are party to, or acquire, such participations. However, in such cases of agreements to participate, the nonaccepting institution acquiring the participation will report the participation in HC-R, Part II item 17 "All other off-balance sheet liabilities." This same reporting treatment applies to a holding company that acquires a participation in an acceptance of another (accepting) institution and subsequently conveys the participation to others and to an institution that acquires such a participation. Moreover, the holding company that both acquires and conveys a participation in another institution's acceptance must report the amount of the "All other off-balance sheet liabilites" item in Schedule HC-R, Part II.

(3) *Acceptances owned by the reporting holding company.* The treatment of acceptances owned or held by the reporting holding company (whether acquired by initial discount or subsequent purchase) depends upon whether the acceptances are held in trading account or in portfolio and upon whether the acceptances held have been accepted by a bank subsidiary of the reporting holding company or by a bank that is not a subsidiary of the reporting holding company. All acceptances held by the reporting holding company in trading accounts (whether acceptances of a bank of the reporting holding company or of banks outside the holding company) are to be reported in Schedule HC, item 5, "Trading assets." Holding companies that must complete Schedule HC-D, Trading Assets and Liabilities, will identify there holdings in item 9, "Other trading assets." The reporting holding company's holdings of acceptances other

held for investment

than those in its trading account (whether acceptances of a bank subsidiary of the reporting holding company or of banks outside the holding company) are to be reported in Schedule HC, item 4(b), "Loans and leases, ~~net of unearned income,~~" and in Schedule HC-C which calls for detail on "Loans and lease financing receivables."

In Schedule HC-C, the reporting holding company's holdings of acceptances of banks outside the reporting holding company, other than those held in trading accounts, are to be reported in "Loans to depository institutions and acceptances of other banks" (item 2). On the other hand, the holding company's holdings of acceptances of its bank subsidiaries, other than those held in trading accounts, are to be reported in Schedule HC-C according to the account party of the draft. Thus, holdings of acceptances of bank subsidiaries for which the account parties are commercial or industrial enterprises are to be reported in Schedule HC-C in "Commercial and industrial loans" (item 4); holdings of acceptances of subsidiary banks for which the account parties are banks outside the holding company (e.g., in connection with the refinancing of another acceptance or for the financing of dollar exchange) are to be reported in Schedule HC-C in "Loans to depository institutions and acceptances of other banks" (item 2); and holdings of acceptances of subsidiary banks for which the account parties are foreign governments or official institutions (e.g., for the financing of dollar exchange) are to be reported in Schedule HC-C, "Loans to foreign governments and official institutions" (item 7).

The difference in treatment between holdings of acceptances of subsidiary banks and holdings of other banks' acceptances reflects the fact that, for other banks' acceptances, the holding company's immediate claim is on the accepting bank, regardless of the account party or of the purpose of the loan. On the other hand, for its holdings of its own acceptances, the holding company's immediate claim is on the account party named in the accepted draft.

If the account party prepays its acceptance liability on an acceptance of a bank subsidiary of the reporting holding company that is held by the bank subsidiary (either in loans or trading account) so as to immediately reduce its indebtedness to the bank subsidiary, the recording of the holding—in "Commercial and industrial loans," "Loans to depository institutions," or "Assets held in trading accounts," as appropriate—is reduced by the prepayment.