

Appendix C: Revisions to Call Report Instructions to Align with Final FASB Standard

Schedule RC-B, Item 7:

Unallocated last-of-portfolio layer fair value hedge basis adjustments. Report the total amount of last-of-portfolio layer fair value hedge basis adjustments (FVHBA) not allocated to individual AFS debt securities in column C only.

As defined in Accounting Standards Update No. ~~2017-12~~2022-01, Derivatives and Hedging (Topic 815), "~~Targeted Improvements to Accounting for Fair Value Hedging Activities- Portfolio Layer Method~~" (ASU ~~2017-02~~2022-01), the last-of-portfolio layer method was added to allow entities to apply hedge accounting to a single closed portfolio of ~~prepayable fixed-rate~~ financial assets or one or more beneficial interests secured by a portfolio of ~~prepayable~~ financial instruments. that is not expected to be affected by prepayments, defaults, or other factors affecting the timing and amount of cash flows for the designated hedge period. Under ASU ~~2017-12~~2022-01, different types of qualifying assets can be grouped together in a last-of-portfolio layer hedge.

~~Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the last-of-layer FVHBAs to~~ Per the standard, an institution should not adjust the recorded investment or the discount rate of the individual AFS debt security level assets or individual beneficial interest included in the single, closed portfolio for a basis adjustment that is maintained on a closed portfolio basis. As such, an institution that applies the last-of-portfolio layer method to a closed portfolio of AFS debt securities is should not ~~required to~~ allocate the portfolio-level, ~~last-of-~~ layer FVHBAs to a more granular level and. Institutions should report these unallocated amounts in this item 7, column C.

If the amount to be reported in this item represents a reduction in the amounts reported in Schedule RC-B, items 1 through 6.b, column C, report the amount with a minus (-) sign.

Appendix C (Continued)

Schedule RC-C, 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 bank should enter (on the FFIEC 041, in column B; on the FFIEC 031, in columns A and B, as appropriate) unearned income and net unamortized loan fees only to the extent that these amounts are included in (i.e., not deducted from) the various loan items of this schedule (Schedule RC-C, part I, items 1 through 9).

As defined in Accounting Standards Update No. ~~2017-12~~2022-01, Derivatives and Hedging (Topic 815), "~~Targeted Improvements to Accounting for Hedging Activities Fair Value Hedging - Portfolio Layer Method~~" (ASU ~~2017-12~~2022-01), the ~~last-of-portfolio~~ layer method was added to allow entities to apply hedge accounting to a single closed portfolio of ~~prepayable fixed-rate~~ financial assets or one or more beneficial interests secured by a portfolio of ~~prepayable~~ financial instruments, that is not expected to be affected by prepayments, defaults, or other factors affecting the timing and amount of cash flows for the designated hedge period. Under ASU ~~2017-12~~2022-01, different types of qualifying assets can be grouped together in a ~~last-of-portfolio~~ layer hedge.

~~Due to the aggregation of assets in a last-of-layer closed portfolio, institutions may find it challenging to allocate the last-of-layer fair value hedge basis adjustments (FVHBAs) to~~ Per the standard, an institution should not adjust the recorded investment or the discount rate of the individual ~~loan-level assets or individual beneficial interest included in the closed portfolio for a basis adjustment that is maintained on the closed portfolio basis~~. As such, an institution that applies the ~~last-of-layer portfolio~~ method to a closed portfolio of loans ~~is should~~ not ~~required to~~ allocate the portfolio-level, ~~last-of-layer~~ fair value hedge basis adjustments (FVHBAs) to a more granular level and should include these unallocated amounts in this item 11.

If an institution reports each loan item in this schedule net of both unearned income and net unamortized loan fees and has no unallocated ~~last-of-portfolio~~ layer FVHBAs applicable to loans, enter a zero in this item. If the amount to be reported in this item represents an addition to the amounts reported in Schedule RC-C, Part I, items 1 through 10, because of unallocated ~~last-of-portfolio~~ layer FVHBAs, report the amount with a minus (-) sign.