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# General Instructions for Preparation of the Financial Statement of Foreign Subsidiaries of U.S. Banking Organizations— FR 2314 and FR 2314S

## Who Must Report

The Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314/FR 2314S) must be filed by foreign subsidiaries of U.S. banking organizations. Regulation K defines foreign or foreign country as one or more foreign nations, and includes the overseas territories, dependencies, and insular possessions of those nations and of the United States, and the Commonwealth of Puerto Rico.

The FR 2314/FR 2314S must be submitted for each legal entity subject to reporting requirements. Therefore, consolidation of individual entities is not permitted.<sup>1</sup>

Unless otherwise instructed, the FR 2314/FR 2314S is to be submitted for any organization, also referred to as a "subsidiary," described below *except* a corporation which itself is organized under Section 25 or 25A of the Federal Reserve Act.<sup>2</sup> For purposes of this report, "subsidiaries" include, but are not limited to:

- (1) Any organization which is a "subsidiary" as defined by Section 211.2(w) of Regulation K of the Board of Governors of the Federal Reserve System (see "Definitions");
- (2) Any other subsidiary in which shares have been acquired under Regulation K where the Board's consent to such acquisitions is conditioned on the furnishing of reports, and all subsidiaries of such organizations;
- (3) Any organization in which shares have been acquired, directly or indirectly, by a bank holding company under Section 4(c)(13) of the Bank Holding Company Act of 1956, as amended, if such

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1. For institutions that filed on a consolidated basis prior to December 31, 2002, consolidation of individual entities will be permitted only for the December 31, 2002, and March 31, 2003, reporting dates.

2. Such Edge or agreement corporations report on the FR 2886b.

acquisition represents greater than 50 percent of this organization's equity capital or if the Board's consent to the acquisition is conditioned on the furnishing of reports;

- (4) Any subsidiary in which shares have been acquired, directly or indirectly, by a financial holding company under Section 4(k)(4) of the Bank Holding Company Act, as amended by the Gramm–Leach–Bliley Act, domiciled outside of the United States,<sup>3</sup> (except subsidiaries that are functionally regulated as discussed in the exemptions section below). Refer to the FR Y-9C Glossary entry for "Addressee (Domicile)" for the definition of domicile.
- (5) Any other foreign organization directly or indirectly managed or controlled by, or operated on behalf of, a bank that is a member of the Federal Reserve System, a bank holding company, or any organization required to report under 1 through 4 above, *through management contracts, trust agreements, or similar instruments; and*
- (6) Any domestic subsidiary of U.S. banking organizations (principally held by an Edge or agreement corporation), that qualifies under Regulation K or Section 4 (c) (13) of the Bank Holding Company Act, as amended (i.e., subsidiaries authorized to conduct overseas activities even if domiciled in the U.S.).

## Quarterly Filers—Detailed Report (FR 2314)

A subsidiary must file the FR 2314 report on a **quarterly** basis if it is owned or controlled by a U.S. parent bank holding company (BHC)

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3. Any such organization domiciled in the United States should file either the Financial Statements of U.S. Nonbank Subsidiaries of Bank Holding Companies (FR Y-11) or the Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of Bank Holding Companies (FR Y-11S) pursuant to the reporting threshold requirements for those reports.

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with total consolidated assets of \$150 million or more, a state member bank or an Edge or agreement corporation **and** the subsidiary meets **any one** of the following criteria:

- (1) Total assets of the foreign subsidiary are equal to or greater than \$1 billion;
- (2) The foreign subsidiary's off-balance-sheet activities<sup>4</sup> are equal to or greater than \$5 billion;
- (3) The foreign subsidiary's equity capital is equal to or greater than five percent of the top tier organization's consolidated equity capital; or
- (4) The foreign subsidiary's operating revenue is equal to or greater than five percent of the top tier organization's consolidated operating revenue.

Operating revenue is defined as the sum of total interest income and total noninterest income, before deduction of expenses and extraordinary items.

For foreign subsidiaries held by a U.S. banking organization in the United States that is, in turn, owned by a foreign banking organization, the operating revenue and equity capital of the U.S. banking organization are used as the top tier organization's values.

Once a foreign subsidiary satisfies the criteria to file the FR 2314 for any quarter during the calendar year, the subsidiary must continue to file the quarterly FR 2314 for the remainder of the calendar year even if it no longer satisfies the requirement for filing the quarterly FR 2314.

Foreign subsidiaries that do not meet the quarterly filing thresholds may be requested to file quarterly if the Federal Reserve Bank has determined that these subsidiaries have significant risk exposures.

## Annual Filers—Detailed Report (FR 2314)

A foreign subsidiary that does not meet any of the criteria to file quarterly, but has total assets greater than or equal to \$250 million (but less than \$1 billion) must file the entire FR 2314 report on an annual basis.

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4. Off-balance sheet activities (defined as the sum of Schedule BS, items 20 through 30) include commitments to purchase foreign currencies and U.S. dollar exchange, all other future and forward contracts, option contracts, and the notional value of interest rate swaps, exchange swaps, and other swaps.

## Annual Filers—Abbreviated Report (FR 2314S)

A foreign subsidiary that does not meet the criteria to file the detailed report, but does meet the following criteria, must file the Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S) on an annual basis:

- (1) The foreign subsidiary has total assets equal to or greater than \$50 million (but less than \$250 million), or
- (2) The subsidiary's total assets are greater than one percent of the consolidated top tier organization's total assets.

## Other Reporting Criteria

- Each U.S. banking organization must submit a separate FR 2314/FR 2314S for each of its foreign subsidiaries satisfying the above criteria whether directly or indirectly owned. The reporting U.S. banking organization must submit a report on a parent only (non-consolidated) basis for each parent subsidiary meeting the criteria and submit individual reports for each lower level subsidiary required to file the report.
- The FR 2314/FR 2314S report for a subsidiary owned by more than one parent organization should be submitted in its entirety by the organization with the majority ownership. If a subsidiary is equally owned by two or more parent organizations, the FR 2314/FR 2314S report should be submitted in its entirety by the largest organization based on total consolidated assets.

## Exemptions from Reporting Foreign Subsidiary Financial Statements

The following subsidiaries are exempt from submitting the financial statements for foreign subsidiaries of U.S. banking organizations:

- Any subsidiary with less than \$50 million in total assets unless the total assets of the subsidiary are greater than one percent of the consolidated top-tier organization's total assets.
- Any foreign subsidiary in which the primary U.S. regulator is an organization other than the Federal

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Reserve System, such as the Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC), State Insurance Commissioners and State Securities departments;

- Any subsidiary that is required to file a Report of Condition for Edge or Agreement Corporations (FR 2886b);
- Any subsidiary, joint venture, or portfolio investment that is required to file the Financial Statements of Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11/FR Y-11S);
- Any subsidiary that is required to file the Financial Statements for a Bank Holding Company Subsidiary Engaged in Bank-Ineligible Securities Underwriting and Dealing (FR Y-20);
- Any subsidiary of a “qualified foreign banking organization” as defined by Section 211.23(a) of Regulation K (12 CFR 211.23(a)) except for subsidiaries of a U.S. bank holding company, U.S. bank, or Edge corporation, which is the direct subsidiary of a qualified foreign banking organization;
- Any subsidiary that is considered a merchant banking investment, the shares of which are held pursuant to section 4(k)4(H) of the Bank Holding Company (BHC) Act;
- Any U.S. federally-insured foreign company which is a subsidiary of a bank holding company (i.e., banks in Puerto Rico or in U.S. territories or possessions);
- Any subsidiary of a U.S. federally-insured foreign company that is a subsidiary of a bank holding company, unless such subsidiary is held pursuant to Regulation K;
- Any subsidiary of a Small Business Investment Company (SBIC controlled investment);
- Any nondepository trust company that is a member of the Federal Reserve System and required to file the Consolidated Reports of Condition and Income; and
- Any company the shares of which are held: (1) as a result of debts previously contracted (acquired under section 4(c)(2) of BHC act); (2) in a fiduciary capacity under section 4c(4) of BHC Act; or (3) solely as collateral securing an extension of credit.
- Any subsidiary that is **inactive** as of the end of the reporting period.
- Any subsidiary such as a namesaver or a newly organized subsidiary that has never conducted any business activity. However, a subsidiary that is newly incorporated is required to report upon the commencement of a business activity if it meets the reporting criteria.
- Any subsidiary that was divested or liquidated during the year. Reports must only be filed for subsidiaries that are part of the parent organization’s structure as of the close of the business day on the report date for which the report is being filed.
- Any subsidiary which is a special purpose vehicle (SPV) formed as a vehicle for specific leasing transactions (for example, when an SPV is engaged in a single leasing transaction).

Foreign subsidiaries that are not required to file under the above criteria may be required to file this report by the Federal Reserve Bank of the district in which they are regulated.

A graphic representation of the general criteria for the FR 2314/FR 2314S appears at the end of these General Instructions (page GEN-7).

## Frequency of Reporting

A U. S. banking organization must submit the FR 2314 report for each foreign subsidiary that meets the criteria to file quarterly as of the last calendar day of March, June, September and December. A U.S. banking organization must submit the FR 2314 report for each foreign subsidiary that meets the criteria to file annually as of December 31. A U.S. banking organization must submit the FR 2314S for each foreign subsidiary that meets the criteria to file the abbreviated report annually as of December 31.

The reporting should commence at the end of the quarter in which the subsidiary meets the significance threshold.

## Preparation of the Reports

Parent U.S. banking organizations are requested to prepare and file the Financial Statements for Foreign Subsidiaries of U.S. Banking Organizations (FR 2314/FR 2314S) in accordance with Generally Accepted Accounting Principles (GAAP), and these instructions. However, respondents may submit reports based on the foreign country’s accounting standards if submitting reports on

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this basis would materially reduce reporting burden. All reports shall be prepared in a consistent manner.

U.S. banking organizations should refer to the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) or the Parent Company Only Financial Statements (FR Y-9SP) for additional information on the items requested on this report. Copies of the FR 2314, FR 2314S, FR Y-9C, and FR Y-9SP may be found on the Federal Reserve Board's public website ([www.federalreserve.gov/boarddocs/reportforms](http://www.federalreserve.gov/boarddocs/reportforms)).

The foreign subsidiaries' financial records shall be maintained in such a manner and scope so as to ensure that the reports can be prepared and filed in accordance with these instructions and reflect a fair presentation of the subsidiaries' financial condition and results of operations. Questions and requests for interpretations of matters appearing in any part of these instructions should be addressed to the Federal Reserve Bank in the district where the reports are submitted.

Report all financial items in thousands of U.S. dollars. Assets or liabilities payable in other currencies should be converted into dollars at the exchange rates prevailing on the report date, except where required otherwise by Generally Accepted Accounting Principles (GAAP).

The preferred method for reporting purchases and sales of assets is as of the trade date. However, settlement date accounting is acceptable if the reported amounts are not materially different.

## **Applicability of Generally Accepted Accounting Principles to Foreign Subsidiaries of U.S. Banking Organization Reporting Requirements**

It should be noted that the presentation by subsidiaries of assets, liabilities, and stockholders' equity and the recognition of income and expenses is requested to be reported in accordance with Generally Accepted Accounting Principles (GAAP). Subsidiaries are required to report certain other accounts or types of transactions on schedules to the balance sheet and income statement. In addition, these instructions designate where a particular asset or liability should be reported.

There may be areas in which a reporting subsidiary wishes more technical detail on the application of

accounting standards and procedures to the requirements of these instructions. Such information may often be found in the appropriate entries in the Glossary section of the FR Y-9C instructions or, in more detail, in the GAAP standards. Selected sections of the GAAP standards are referenced in the instructions where appropriate.

## **Cover Page**

The cover page of the report must include the legal name of the U.S. banking organization filing the FR 2314/FR 2314S and the mailing address. The name and telephone number of a contact at the banking organization to whom questions about the report(s) may be directed must be indicated.

## **Legal Name of Foreign Subsidiaries**

When specifying the name of the foreign subsidiary for which the FR 2314/FR 2314S is being filed, use the legal name of the subsidiary as it appears on the papers of incorporation or formation documents. The legal name must be the same name that is specified on the Report of Changes in Organizational Structure (FR Y-10).

## **Signatures**

The declaration on the front page of the reporting form must be signed by an officer at the foreign subsidiary or at the U.S. parent organization who is authorized to make such declarations for that organization.

When the top tier bank holding company is domiciled outside the United States, the holding company may authorize an officer of the respondent nonbank subsidiary to sign the report.

## **Submission of Reports**

The reports are to be submitted for each report date on the report forms provided by the Federal Reserve Bank. No caption on the report form should be changed in any way. No item is to be left blank. An entry must be made for each item, i.e., an amount, a zero, or an "N/A."

All items will not be applicable to each foreign subsidiary required to file the report. An "N/A" should be entered if the foreign subsidiary cannot be involved in a transaction because of the nature of the organization. A

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zero should be entered whenever a foreign subsidiary can participate in an activity, but may not on the report date, have any outstanding balances.

## Where to Submit the Reports

The original reports and the number of copies specified by the Reserve Bank should be submitted to the Federal Reserve Bank of the District in which the reporter's *parent U.S. bank or bank holding company is domiciled*. In cases where these institutions are not in the same District, unless the respondent has specific instructions to the contrary, the following rules shall apply:

1. Subsidiaries owned through a U.S. bank should send reports to the Reserve Bank of that parent.
2. Subsidiaries owned directly by a U.S. bank holding company (that is, not through a subsidiary U.S. bank) should send reports to the Reserve Bank of the U.S. Banking Organization.

Generally, the Federal Reserve District in which a parent Edge or agreement corporation resides is not considered in determining where to submit the report.

All reports shall be made out clearly and legibly by typewriter or in ink. Reports completed in pencil will not be accepted. Computer printouts are acceptable, provided they are identical in format and detail to the reporting form, including all item and column captions.

*Electronic submission of report form.* At this time, electronic filing of the FR 2314/FR 2314S is not available. Federal Reserve Bank staff will notify reporting organizations when the electronic reporting option becomes available.

## Submission Date

A U.S. banking organization must file this report for its foreign subsidiaries no later than 60 calendar days after the report date. The filing of a completed report will be considered timely, regardless of when the reports are received by the appropriate Federal Reserve Bank, if these reports are mailed first class and postmarked no later than the third calendar day preceding the submission deadline. In the absence of a postmark, a company whose completed FR 2314/FR 2314S is received late may be called upon to provide proof of timely mailing.

A "Certificate of Mailing" (U.S. Postal Service form 3817) may be used to provide such proof. If an overnight

delivery service is used, entry of the completed original reports into the delivery system on the day before the submission deadline will constitute timely submission. In addition, the hand delivery of the completed original reports on or before the submission deadline to the location to which the reports would otherwise be mailed is an acceptable alternative to mailing such reports. Companies that are unable to obtain the required officers' signatures on their completed original reports in sufficient time to file these reports so that they are received by the submission deadline may contact the Federal Reserve Bank to which they mail their original reports to arrange for the timely submission of their report data and the subsequent filing of their signed reports.

If the submission deadline falls on a weekend or holiday, the report must be received by 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday. Any report received after 5:00 P.M. on the first business day after the Saturday, Sunday, or holiday deadline will be considered late unless it has been postmarked three calendar days prior to the original Saturday, Sunday, or holiday submission deadline (original deadline), or the institution has a record of sending the report by overnight service one day prior to the original deadline.

NOTE: A reporting U.S. banking organization must submit all of its required nonbank subsidiary reports on or before the submission deadline to be considered timely.

## Regulatory Reports Monitoring Program

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) amended various banking statutes to enhance the Federal Reserve's authority to assess civil monetary penalties against institutions that file late, false or misleading regulatory reports. Pursuant to the Federal Reserve System's Regulatory Reports Monitoring Program, submitted reports are reviewed for timeliness and accuracy. Many reporting errors can be screened through the use of computer validity edits, commonly referred to as monitored edits, which are detailed in the Checklist accompanying the reporting instructions. Reporting deadlines are detailed in the Submission Date section of these general instructions. Additional information on the Regulatory Reports Monitoring Program is available from the Federal Reserve Banks.

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## Confidentiality

These reports are available to the public upon request on an individual basis. However, a U.S. banking organization may request confidential treatment for one or more of the subsidiaries for which it submits the financial statements for foreign subsidiaries of U.S. banking organizations if it is of the opinion that disclosure of certain commercial or financial information in the report would likely result in substantial harm to its (or its subsidiaries') competitive position or that disclosure of the submitted personal information would result in unwarranted invasion of personal privacy.

A request for confidential treatment must be submitted in writing concurrently with the submission of the report. The request must discuss *in writing* the justification for which confidentiality is requested, demonstrating the specific nature of the harm that would result from public release of the information; merely stating that competitive harm would result or that information is personal is *not* sufficient.

INFORMATION FOR WHICH CONFIDENTIAL TREATMENT IS REQUESTED SHOULD BE REPORTED SEPARATELY BOUND WITH A SEPARATE FR 2314/FR 2314S COVER SHEET LABELED "CONFIDENTIAL." THIS INFORMATION SHOULD BE SPECIFICALLY IDENTIFIED AS BEING CONFIDENTIAL.

The Federal Reserve will determine whether information submitted with a request for confidential treatment will be so treated, and will advise the U.S. banking organization through the appropriate Reserve Bank of any decision to make available to the public any of the information.

The Federal Reserve System may subsequently release information for which confidential treatment is requested if the Board of Governors determines that the disclosure of such information is in the public interest.

## Amended Reports

The Federal Reserve may require the filing of amended Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations if reports as previously submitted contain significant errors. In addition, a U.S. banking organization should file an amended report when internal and external auditors make audit adjustments that result

in a restatement of financial statements affecting reports previously submitted to the Federal Reserve.

When the Federal Reserve's interpretation of how these instructions should be applied to a specified event or transaction (or series of related events or transactions) differs from the reporting institution's interpretation, the Federal Reserve may require the reporter to reflect the event(s) or transaction(s) in its FR 2314/FR 2314S reports in accordance with the Federal Reserve's interpretation and to amend previously submitted reports.

In the event that certain of the required data are not available, respondents should contact the appropriate Reserve Bank for information on submitting revised reports.

## Definitions

Respondents should refer to the Glossary of the Instructions for the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) for information concerning general definitions.

For purposes of this report, related organizations include any organization that directly or indirectly controls the reporting foreign subsidiary, or any organization that is controlled, directly or indirectly, by the reporting foreign subsidiary or by the reporter's parent banking organization.

Nonrelated organizations include all organizations that do not meet the definition of "related organizations." Nonrelated organizations include all organizations outside of the bank holding company structure and refer to third party entities.

In addition, for purposes of this report "subsidiary"<sup>5</sup> means any organization that has more than 50 percent of its voting shares held directly or indirectly, or that otherwise is controlled or capable of being controlled, by the investor or an affiliate of the investor under any authority. Among other circumstances, an investor is considered to control an organization if:

- (1) The investor or an affiliate is a general partner of the organization; or
- (2) The investor and its affiliates directly or indirectly own or control more than 50 percent of the equity of the organization.

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5. As defined by Section 211.2(w) of Regulation K of the Board of Governors of the Federal Reserve System.

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All references in the line item instructions to the “reporting bank holding company” refer to the subsidiary’s parent bank holding company.

## Miscellaneous General Instructions

### Rounding

All financial items must be reported in thousands of dollars, with the figures rounded to the nearest thousand. Items less than \$500 should be reported as zero.

### Negative Entries

Negative entries are generally not appropriate on the FR 2314/FR 2314S reports and should not be reported.

Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions.

## Additional Information

The Federal Reserve System reserves the right to require additional information from foreign subsidiaries if the FR 2314/FR 2314S report is not sufficient to appraise the financial soundness of the subsidiary or to determine its compliance with applicable laws and regulations.

## General Criteria Chart for FR 2314/FR 2314S

See General Instructions for more detail.

| <b>Quarterly Filers</b><br>Detailed Report<br>(FR 2314)  | <b>Annual Filers</b><br>Detailed Report<br>(FR 2314)   | <b>Annual Filers</b><br>Abbreviated Report<br>(FR 2314S)  | <b>Exemptions</b><br>No report required  |
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| Parent total assets are greater than or equal to \$150 million <i>and</i> any one of the following:<br>(1) Subsidiary’s total assets are greater than or equal to \$1 billion<br>(2) Subsidiary’s off-balance-sheet activities are greater than or equal to \$5 billion<br>(3) Subsidiary’s equity capital is greater than or equal to 5% of top tier consolidated equity capital or<br>(4) Subsidiary’s operating revenue is greater than or equal to 5% of top tier consolidated operating revenue | Subsidiary does not meet any of the quarterly filing criteria <i>and</i> its total assets are greater than or equal to \$250 million but less than \$1 billion | Subsidiary does not meet any of the FR 2314 filing criteria <i>and</i><br>(1) Subsidiary’s total assets are greater than or equal to \$50 million but less than \$250 million or<br>(2) Subsidiary’s total assets are greater than 1% of top tier consolidated total assets | Subsidiary does not meet any of the FR2314S filing criteria <i>and</i><br>(1) Subsidiary’s total assets are less than \$50 million or<br>(2) Specific exemption (see exemption list in General Instructions) |

# Income Statement Schedule IS

## General Instructions

Report all income and expense of the subsidiary for the calendar year-to-date. Include adjustments of accruals and other accounting estimates made shortly after the end of a reporting period that relate to the income and expense of the reporting period. A subsidiary that began operating during the reporting period should report all income earned and expense incurred since it commenced operations and all pre-opening income earned and expenses incurred from inception until that date.

### Line Item 1 Interest income.

Report in the appropriate subitem all interest, fees and similar income received by the subsidiary from non-related organizations (associated with assets reported in Lines 1 through 7 on Schedule BS) in item 1(a) and on balances due from related organizations in item 1(b). Include income resulting from interest earned on loans and leases (including related fees); income on balances due from depository institutions; interest and dividends on securities; interest from assets held in trading accounts; interest on federal funds sold and securities purchased under agreements to resell; and any other interest income received by the subsidiary. When yield related fees are collected in connection with a loan syndication or participation and passed through to another lender, report only the subsidiary's proportional share of such fees.

Deduct interest rebated to customers on loans paid before maturity from gross interest earned on loans; do not report as an expense. Exclude from this item:

- (1) fees that are not yield related such as fees for servicing real estate mortgage or other loans which are not assets of the subsidiary (report in item 5(a)(6));
- (2) net gains or losses from the sale of assets (report in item 5 or 7, as appropriate);

- (3) charges to merchants for handling credit card or charge sales when the subsidiary does not carry the related loan accounts on their books (report in item 5 below); and
- (4) reimbursements for out-of-pocket expenditures made by the subsidiary for the account of its customers. If the subsidiary's expense accounts were charged with the amount of such expenditures, the reimbursements should be credited to the same expense accounts.

### Line Item 1(a) Interest and fee income from nonrelated organizations.

Report all interest, fees, and similar income from nonrelated organizations.

### Line Item 1(b) Interest and fee income from related organizations.

Report all interest, fees, and similar income from related organizations. Also, a special purpose subsidiary should report interest received from (or earned on) the loan made to the parent bank holding company with the proceeds from the issuance of trust preferred securities. Exclude any noninterest income and income from undistributed earnings of related organizations (report in item 5(b)).

### Line Item 1(c) Total interest income.

Report the sum of items 1(a) and 1(b).

### Line Item 2 Interest expense.

Report in the appropriate subitem the total amount of interest expense of the subsidiary pertaining to non-related organizations in item 2(a) and pertaining to related organizations in item 2(b). Include expenses on deposits, on federal funds purchased and securities sold under agreements to repurchase, on short- and long-term



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# Income Statement

borrowings, on subordinated notes and debentures, on mandatory securities, on mortgage indebtedness and obligations under capitalized leases, and all other interest expense.

**Line Item 2(a) Interest expense pertaining to nonrelated organizations.**

Report all interest expense pertaining to nonrelated organizations.

**Line Item 2(b) Interest expense pertaining to related organizations.**

Report all interest expense pertaining to related organizations.

**Line Item 2(c) Total interest expense.**

Report the sum of items 2(a) and 2(b).

**Line Item 3 Net interest income.**

Report the difference between item 1(c), "Total interest income," and item 2(c), "Total interest expense." If this amount is negative, enclose it in parentheses.

**Line Item 4 Provision for loan and lease losses.**

Report the amount needed to make the allowance for loan and lease losses, as reported in Schedule BS, item 3(b), adequate to absorb expected loan and lease losses, based upon management's evaluation of the subsidiary's current loan and lease exposures. The amount reported must equal Schedule IS-B, item 4, "Provision for loan and lease losses." Enclose negative amounts in parentheses.

Exclude provision for credit losses on off-balance-sheet credit exposures and provision for allocated transfer risk, both of which should be reported in item 7, "Noninterest expense." The amount reported here may differ from the bad debt expense deduction taken for federal income tax purposes.

**Line Item 5 Noninterest income.**

Report in the appropriate subitem all other income not properly reported in item 1(c), "Total interest income" that is derived from activities in which the subsidiary is engaged. Report noninterest income from nonrelated organizations in item 5(a) and from related organizations in item 5(b). Also, a subsidiary may include as other

noninterest income in item 5(a)(7) or 5(b) below net gains (losses) from the sale of loans and certain other assets as long as the subsidiary reports such transactions on a consistent basis.

**Line Item 5(a) From nonrelated organizations.**

Report all income earned from nonrelated organizations in the appropriate item.

**Line Item 5(a)(1) Income from fiduciary activities.**

Report gross income from services rendered by the trust department of the subsidiary or the subsidiary acting in any fiduciary capacity. Include commissions and fees on the sale of annuities by these entities that are executed in a fiduciary capacity. Report "N/A" if the subsidiary has no trust departments or renders no services in any fiduciary capacity.

**Line Item 5(a)(2) Service charges on deposit accounts.**

Report the amounts charged depositors:

- (1) Who maintain accounts with the subsidiary or who fail to maintain specified minimum deposit balances;
- (2) Based on the number of checks drawn on and deposits made in deposit accounts;
- (3) For checks drawn on "no minimum-balance" deposit accounts;
- (4) For withdrawals from nontransaction deposit accounts;
- (5) For accounts which have remained inactive for extended periods of time or which have become dormant;
- (6) For deposits to or withdrawals from deposit accounts through the use of automated teller machines or remote service units;
- (7) For the processing of checks drawn against insufficient funds. Exclude subsequent charges levied against overdrawn accounts based on the length of time the account has been overdrawn and report the interest as interest and fee income in line 1 above;

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- (8) For issuing stop payment orders;
- (9) For certifying checks; and
- (10) For accumulation or disbursement of funds deposited to IRAs or Keogh Plan accounts. If the subsidiary is a bank and the account is handled by the bank's trust department (FR 2314), include the charges in line 5(a)(1) above.

## **Line Item 5(a)(3) Trading revenue.**

Report the net gain or loss from trading cash instruments and derivative contracts (including commodity contracts) that has been recognized during the calendar year-to-date. If the amount reported is a net loss, enclose it in parentheses.

Include as trading revenue:

- (1) Revaluation adjustments to the carrying value of assets and liabilities reportable in Schedule BS, item 4, "Trading assets," and Schedule BS, item 11, "Trading liabilities," resulting from the periodic marking to market of such instruments;
- (2) Revaluation of adjustments from the periodic marking to market of interest rate, foreign exchange, equity derivative, commodity and other contracts held for trading; and
- (3) Incidental income and expense related to the purchase and sale of cash instruments reportable in Schedule BS, item 4, "Trading assets," and Schedule BS, item 11, "Trading liabilities," and derivative contracts held for trading.

## **Line Item 5(a)(4) Investment banking, advisory, brokerage, and underwriting fees and commissions.**

Report fees and commissions from investment advisory and management services, merger and acquisition services, and other related consulting fees. Include fees and commissions from securities brokerage activities, from the sale of annuities, from the sale and servicing of mutual funds, and from the purchase and sale of securities and money market instruments where the subsidiary is acting as agent for other subsidiaries or customers (if these fees and commissions are not included in item 5(a)(1), "Income from fiduciary activities," or item 5(a)(3), "Trading revenue").

Also include the subsidiary's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in: corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the subsidiary exercises significant influence — that are principally engaged in investment banking, advisory, brokerage, or securities underwriting activities.

## **Line Item 5(a)(5) Venture capital revenue.**

Report as venture capital revenue market value adjustments, interest, dividends, gains, and losses (including impairment losses) on venture capital investments (loans and securities). Include any fee income from venture capital activities that is not reported in one of the preceding income items. Also include the subsidiary's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in: corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the subsidiary exercises significant influence — that are principally engaged in venture capital activities.

In general, venture capital activities involve the providing of funds, whether in the form of loans or equity, and technical and management assistance, when needed and requested, to start-up or high-risk companies specializing in new technologies, ideas, products, or processes. The primary objective of these investments is capital growth.

## **Line Item 5(a)(6) Net servicing fees.**

Report income from servicing real estate mortgages, credit cards, and other financial assets held by others. Report any premiums received in lieu of regular servicing fees on such loans only as earned over the life of the loans. Subsidiaries should report servicing income net of the related servicing assets' amortization expense. Include impairments recognized on servicing assets. For further information on servicing, see the FR Y-9C Glossary entry for "servicing assets and liabilities."

## **Line Item 5(a)(7) Net securitization income.**

Report net gains (losses) on assets sold in securitization transactions, i.e., net of transaction costs. Include fees (other than servicing fees) earned from the subsidiary's securitization transactions and unrealized losses

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# Income Statement

(and recoveries of unrealized losses) on loans and leases held for sale in securitization transactions. Exclude income from servicing securitized assets (report in item 5(a)(6), above) and from seller's interests and residual interests retained by the subsidiary (report in the appropriate subitem of item 1, "Interest income").

## **Line Item 5(a)(8) Insurance commissions and fees.**

Report income from insurance activities (includes premiums, annuities, and supplemental contracts); service charges, commissions, and fees from the sale of insurance; commissions on reinsurance; and other insurance related income. Also include the subsidiary's proportionate share of the income or loss before extraordinary items and other adjustments from its investments in corporate joint ventures, unincorporated joint ventures, general partnerships, and limited partnerships over which the subsidiary exercises significant influence — that are principally engaged in insurance underwriting, reinsurance, or insurance sales activities. Exclude commissions and fees on the sale of annuities reported in items 5(a)(1) and 5(a)(4).

## **Line Item 5(a)(9) Other noninterest income.**

Report all other noninterest income derived from nonrelated organizations that is not reported above.

## **Line Item 5(b) From related organizations.**

Report all noninterest income derived from related organizations. Exclude the parent's equity in undistributed income of subsidiaries from this item and report in item 11.

## **Line Item 5(c) Total noninterest income.**

Report the sum of items 5(a)(1) through 5(a)(9) and 5(b).

## **Line Item 6 Realized gains (losses) on securities not held in trading accounts.**

Report the net gain or loss realized during the calendar year-to-date from the sale, exchange, redemption, or retirement of all securities not held in trading accounts. The realized gain or loss on the security is the difference between the sales price (excluding interest at the coupon rate accrued since the last interest payment date, if any) and the amortized cost. Also include in this item the write-downs of the cost basis of individual securities for

other-than-temporary impairments. If the amount to be reported in this item is a net loss, enclose it in parentheses. Do not adjust for applicable income taxes (income taxes applicable to gains (losses) on securities are to be included in the applicable income taxes reported in item 9 below).

Exclude:

- (1) the change in net unrealized holding gains (losses) on available-for-sale securities during the calendar year (report in Schedule IS-A, item 5),
- (2) realized gains (losses) on trading securities (report in Schedule IS, item 5(a)(3)), "Trading revenue," and
- (3) net gains (losses) from the sale of detached securities coupons and the sale of ex-coupon securities, and report in item 7, "Noninterest expense," or item 5(a)(9), "Other noninterest income," as appropriate.

## **Line Item 7 Noninterest expense.**

Report in the appropriate subitem all other expense not properly reported in item 2(c), "Total interest expense" that is incurred from activities in which the subsidiary is engaged. Report noninterest expense pertaining to nonrelated organizations in item 7(a) and pertaining to the organization in item 7(b). Also, a subsidiary may include as other noninterest expense in item 7(a) or 7(b) below net losses (gains) from the sale of loans and certain other assets as long as the subsidiary reports such transactions on a consistent basis.

### **Line Item 7(a) Pertaining to nonrelated organizations.**

Report the amount of noninterest expense of the subsidiary pertaining to activities with nonrelated organizations (i.e., third party transactions). Enclose negative amounts in parentheses.

Report salaries and benefits of all officers and employees of the subsidiary including guards and contracted guards, temporary office help, dining room and cafeteria employees, and building department officers and employees (including maintenance personnel). Include gross salaries, wages, and other compensation; contributions to retirement plan, pension fund and profit-sharing plan; employee stock ownership plan, employee stock purchase plan, and employee savings plan; social security and other taxes paid by the subsidiary; health and life

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# Income Statement

insurance premiums; relocation and tuition programs; and the cost of all other fringe benefits for officers and employees.

Report all noninterest expenses related to the use of premises, equipment, furniture, and fixtures, net of rental income, that are reportable in Schedule BS, item 5, "Premises and fixed assets." If this net amount is a credit balance, enclose it in parentheses.

Deduct rental income from gross premises and fixed asset expense. Rental income includes all rentals charged for the use of buildings not incident to their use by the reporting subsidiary, including rentals by regular tenants of the subsidiary, income received from short-term rentals of other facilities of the subsidiary, and income from sub-leases. Also deduct income from assets that indirectly represent premises, equipment, furniture, or fixtures reportable in Schedule BS, item 5, "Premises and fixed assets." Include normal and recurring depreciation and amortization charges against assets; all operating lease payments made by the subsidiary on premises and equipment; cost of ordinary repairs to premises (including leasehold improvements), equipment, furniture, and fixtures; cost of service or maintenance contracts for equipment, furniture, and fixtures; insurance expense related to the use of premises, equipment, furniture, and fixtures; all property tax and other tax expense related to premises (including leasehold improvements), equipment, furniture, and fixtures; cost of heat, electricity, water, and other utilities connected with the use of premises and fixed assets; cost of janitorial supplies and outside janitorial services; and services and fuel, maintenance, and other expenses related to the use of the subsidiary-owned automobiles, airplanes, and other vehicles for the subsidiary's business.

Include fees paid to directors and advisory directors for attendance at board of directors or committee meetings; premiums on fidelity insurance, directors' and officers' liability insurance, and life insurance policies for which the subsidiary is the beneficiary; federal deposit insurance premium; Comptroller of the Currency assessment expense; legal fees and other direct costs incurred in connection with foreclosures; and advertising, promotional, public relations, and business development expenses; data processing cost; minority interest in the net income or loss of the subsidiary; goodwill impairment losses; amortization expenses of and impairment

losses for other intangible assets; and all other noninterest expenses pertaining to nonrelated organizations.

Also report any provision for credit losses related to off-balance-sheet credit exposures, based upon management's evaluation of the subsidiary's current off-balance-sheet credit exposures.

## **Line item 7(b) Pertaining to related organizations.**

Report all expenses involving related organizations that cannot properly be reported in Schedule IS, item 2(b), "Interest expense pertaining to related organizations." Report amounts that have net credit balances as noninterest income in item 5(b), "Noninterest income from related organizations."

## **Line Item 7(c) Total noninterest expense.**

Report the sum of items 7(a) and 7(b).

## **Line Item 8 Income (loss) before extraordinary items and other adjustments.**

Report the sum of items 3, 5(c) and 6, minus items 4 and 7(c). If the result is negative, enclose the amount in parentheses.

## **Line Item 9 Applicable income taxes (benefits)(estimated).**

Report the total estimated federal, state and local, and foreign income tax expense applicable to item 8, "Income (loss) before extraordinary items and other adjustments," including the tax effects of gains (losses) on securities not held in trading accounts (i.e., available-for-sale securities and held-to-maturity securities). Include both the current and deferred portions of these income taxes. If the result is negative (i.e., the amount is a tax benefit rather than a tax expense), enclose the amount in parentheses.

Include as applicable income taxes all taxes based on a net amount of taxable revenue less deductible expenses. Exclude the estimated income taxes applicable to foreign currency translation adjustments included in Schedule IS-A, item 5. Exclude from applicable income taxes all taxes based on gross revenues or gross receipts.

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# Income Statement

## **Line Item 10 Extraordinary items, net of applicable income taxes.**

Report the total of extraordinary items and other adjustments, net of income taxes. Include the material effects of any extraordinary items and the cumulative effect of all changes in accounting principles except those required to be reported as a change in equity capital in accordance with GAAP.

Include:

- (1) Realized tax benefits of operating loss carryforwards (other than realized loss carryforward benefits of purchased subsidiaries which should be treated as an adjustment of purchase price);
- (2) Material aggregate gains or losses from extinguishments of the subsidiary's own debt unrelated to sinking fund as determined in accordance with the provisions of FASB Statement No. 4, as amended;
- (3) Material aggregate gains or losses from disposal of segments of the subsidiary's business as determined in accordance with APB Opinion No. 30;
- (4) Material aggregate gains on troubled debt restructuring of the subsidiary's own debt as determined in accordance with the provisions of FASB Statement No. 15; and
- (5) The material effects on any other events or transactions that are both unusual in nature and

infrequent in their occurrence. To be unusual in nature, the underlying event or transaction should be abnormal and significantly different from the ordinary and typical activities of the subsidiary. An event or transaction not reasonably expected to recur in the foreseeable future is considered to occur infrequently. Exclude net gains or losses on the sale or other disposal of the subsidiary's premises and fixed assets, other real estate owned, coins, art and other similar assets, as well as any branch offices; report these gains or losses in Schedule IS, Items 5(a)(9) or 7, respectively.

If the amount is negative, enclose it in parentheses.

## **Line Item 11 Equity in undistributed income (loss) of subsidiary(s).**

Report the amount of the parent subsidiary's proportionate interest in the subsidiary's(s') net income (loss) less any dividends declared by the subsidiary(s) for the calendar year-to-date.

## **Line Item 12 Net income (loss).**

Report the sum of items 8, 10, and 11 minus item 9. If this amount is a net loss, enclose it in parentheses. This item must equal Schedule IS-A, Changes in Equity Capital, item 2, "Net income."

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## LINE ITEM INSTRUCTIONS FOR THE

# Changes in Equity Capital Schedule IS-A

### General Instructions

Total equity capital includes perpetual preferred stock, common stock, capital surplus, retained earnings, accumulated other comprehensive income and other equity capital components such as treasury stock and unearned Employee Stock Ownership Plan Shares. All amounts, other than the amount reported in item 1, should represent net aggregate changes for the calendar year-to-date. Enclose all net decreases and losses (net reductions of equity capital) in parentheses.

#### **Line Item 1 Equity capital most recently reported for the end of the previous calendar year (i.e., after adjustments from amended Income Statements).**

Report the subsidiary's total equity capital balance most recently reported for the previous calendar year-end after the filing of any amended report(s). Include the cumulative effect, net of applicable income taxes, of those changes in any accounting principles adopted during the calendar year-to-date reporting period that were applied retroactively and for which prior years' financial statements were restated. Also, include the sum of all corrections, net of applicable income taxes, resulting from material accounting errors that were made in prior years and not corrected by the filing of an amended report for the period in which the error was made.

#### **Line Item 2 Net income (loss).**

Report the net income (loss) for the calendar year-to-date as reported on the Income Statement, item 12, "Net income (loss)."

#### **Line Item 3 Sale, conversion, acquisition, or retirement of common stock and perpetual preferred stock.**

Report the changes in the subsidiary's total equity capital

resulting from the sale, conversion, acquisition, or retirement of the subsidiary's capital stock. Limited-life preferred stock is not included in equity capital.

Report the total amount of new capital stock issued, net of any expenses associated with the issuance of the stock.

Report the changes in the subsidiary's total equity capital resulting from:

- (1) Sale of the subsidiary's perpetual preferred stock or common stock;
- (2) Exercise of stock options, including:
  - (a) Any income tax benefits to the subsidiary resulting from the sale of the subsidiary's own stock acquired under a qualified stock option within three years of its purchase by the employee who had been granted the option; and
  - (b) Any tax benefits to the subsidiary resulting from the exercise (or granting) of nonqualified stock options (on the subsidiary's stock) based on the difference between the option price and the fair market value of the stock at the date of exercise (or grant);
- (3) The conversion of convertible debt, limited-life preferred stock, or perpetual preferred stock into perpetual preferred or common stock;
- (4) Redemption of perpetual preferred stock or common stock;
- (5) Retirement of perpetual preferred stock or common stock including:
  - (a) The net decrease in equity capital which occurs when cash is distributed in lieu of fractional shares in a stock dividend; and
  - (b) The net increase in equity capital when a stockholder who receives a fractional share from

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## Schedule IS-A

a stock dividend purchases the additional fraction necessary to make a whole share; and

- (6) Capital-related transactions involving the subsidiary's Employee Stock Option Plan.

### **Line Item 4 LESS: Cash dividends declared.**

Report all cash dividends declared during the calendar year-to-date, including dividends on common and preferred stock. Include dividends not payable until after the report date. Exclude dividends declared during the previous calendar year but paid in the current period.

Cash dividends are payments of cash to stockholders in proportion to the number of shares they own. Cash dividends on preferred and common stock are to be reported on the date they are declared by the subsidiary's board of directors (the declaration date) by debiting "retained earnings" and crediting "dividends declared not yet payable," which is to be reported in other liabilities. Upon payment of the dividend, "dividends declared not yet payable" is debited for the amount of the cash dividend with an offsetting credit, normally in an equal amount, to "dividend checks outstanding."

A liability for dividends payable may not be accrued in advance of the formal declaration of a dividend by the boards of directors. However, the subsidiary may segregate a portion of retained earnings in the form of a capital reserve in anticipation of the declaration of a dividend.

### **Line Item 5 Other comprehensive income.**

Report the amount of other comprehensive income for the calendar year-to-date. Other comprehensive income

includes changes during the calendar year-to-date in: net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, foreign currency translation adjustments, and minimum pension liability adjustments. Refer to the FR Y-9C instructions and FASB Statement No. 130 for additional information on reporting this item.

### **Line Item 6 Other adjustments to equity capital.**

Report all adjustments to equity capital that are not properly reported in items 1 through 5 above. This item should include:

- (1) changes incident to business combinations;
- (2) sales of treasury stock (the resale or the disposal on the subsidiary's own perpetual preferred stock or common stock, i.e., treasury stock transactions);
- (3) LESS: Purchases of treasury stock (the resale or the disposal on the subsidiary's own perpetual preferred stock or common stock, i.e., treasury stock transactions); and
- (4) change in offsetting debit to the liability for Employee Stock Ownership Plan (ESOP) debt guaranteed by the subsidiary.

### **Line Item 7 Total equity capital at end of current period.**

Report the sum of items 1, 2, 3, 5, and 6, minus item 4. This item must equal Schedule BS, Balance Sheet item 18(f), "Total equity capital."

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## LINE ITEM INSTRUCTIONS FOR

# Changes in Allowance for Loan and Lease Losses Schedule IS-B

### General Instructions

Report all changes in the allowance account on a year-to-date basis. When the subsidiary maintains an allowance for possible loan and lease losses, report all related transactions and reconcile, beginning with the balance reported at the end of the previous year, to the balance of the allowance shown in Schedule BS, Balance Sheet, Item 3(b), as of the end of the current period. The provision for possible loan and lease losses should correspond to the amount reported in Schedule IS, item 4, "Provision for loan or lease losses." Exclude transactions pertaining to reserves carried in capital accounts, such as reserves for contingencies that represent a segregation of undivided profits. Also exclude any allowance for credit losses on off-balance-sheet exposures.

#### **Line Item 1 Balance most recently reported at end of previous calendar year.**

Include the ending balance as most recently reported for the prior year end in the allowance for possible loan and lease losses account. The amount must reflect the effect of all corrections and adjustments to the allowance for loan and lease losses that were made in any amended report(s) for the previous calendar year-end.

#### **Line Item 2 Recoveries.**

Include recoveries of amounts previously charged off against the allowance for possible loan and lease losses.

#### **Line Item 3 Less: Charge-offs.**

Enter the amount of gross charge-offs on loans and leases during the period.

#### **Line Item 4 Provision for loan and lease losses.**

This item must equal Schedule IS, item 4, "Provision for loan or lease losses." If the amount is negative, enclose it in parentheses.

#### **Line Item 5 Adjustments.**

Include any increase or decrease resulting from foreign currency translation of the allowance for possible loan and lease losses into dollars.

#### **Line Item 6 Balance at end of current period.**

Enter the total of items 1, 2, 4 and 5 minus item 3. This item must equal Schedule BS, item 3(b), "Allowance for Loan and Lease Losses."



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LINE ITEM INSTRUCTIONS FOR

# Balance Sheet and Off-Balance-Sheet Items-Schedule BS

## Assets

Items 1 through 8 exclude balances due from related institutions (see definition in the General Instructions). Report balances due from related institutions in item 9.

### Line Item 1 Cash and balances due from depository institutions.

Report the total of non-interest bearing and interest-bearing balances due from depository institutions, currency and coin, cash items in process of collection and unposted debits.

Depository institutions consist of commercial banks in the United States, credit unions, mutual and stock savings banks, savings or building and loan associations, cooperative banks, industrial banks that accept deposits, U.S. branches and agencies of foreign banks, and banking organizations<sup>1</sup> in foreign countries.

Balances due from depository institutions include:

- (1) Noninterest-bearing funds on deposit at depository institutions for which the reporting company has already received credit; and
- (2) Interest-bearing balances due from depository institutions, whether in the form of demand, savings or time balances, including certificates of deposit, but excluding certificates of deposits held for trading.

Exclude balances with closed or liquidating banks or other depository institutions and all loans (report in item 3 below). Also exclude balances due from subsidiary banks (and their branches) of the reporting bank holding company (report in item 9 below).

Cash and due from balances include:

- (1) Cash items in the process of collection that include the following:

- (a) Checks or drafts in the process of collection that are drawn on banking institutions, and payable immediately upon presentation, including checks or drafts already forwarded for collection and checks on hand which will be presented for payment or forwarded for collection on the following business day in the country where the reporting office that is clearing or collecting the check or draft is located;

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

- (c) Checks or warrants that are drawn on a foreign government that are payable immediately upon presentation and that are in the process of collection; and

- (d) Amounts credited to deposit accounts in connection with automatic payment arrangements where such credits are made one business day prior to the payment date to ensure the availability of funds on the payment date; and

- (2) Unposted debits are cash items in the reporting organization's possession drawn on itself that are chargeable, but have not yet been charged to the general ledger deposit control account at the close of business on the report date.

Exclude from this item the following:

- (1) Credit or debit card sales slips in process of collection (report as noncash items in item 7, "All other assets"). However, if the reporting organization has been notified that they have been given credit, the amount of such sales slips should be reported in this item;

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# Balance Sheet

- (2) Cash items not conforming to the definition of in process of collection, whether or not cleared; and
- (3) Commodity or bill-of-lading drafts (including arrival drafts) not yet payable (because the merchandise against which the draft was drawn has not yet arrived), whether or not deposit credit has been given. (If deposit credit has been given, report such drafts as loans in the appropriate line item; if the drafts were received on a collection basis, exclude them entirely until the funds have actually been collected.)

## **Line Item 2 Securities.**

Report the amount of U.S. Treasury securities, U.S. government agency and corporation obligations, securities issued by states and political subdivisions in the U.S., and all other debt and equity securities with readily determinable fair values. Also, include as debt securities all holdings of commercial paper. Report held-to-maturity securities in item 2(a) and available-for-sale securities in item 2(b). Exclude equity securities that do not have readily determinable fair values and report these equity securities in item 7, "All other assets."

Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities (FASB 115)," requires depository institutions to divide their securities holdings among three categories: held-to-maturity, available-for-sale, and trading securities. This accounting standard provides a different accounting treatment for each category. Under FASB 115, only those debt securities for which an institution has the positive intent and ability to hold to maturity may be included in the held-to-maturity account, and the institution would continue to account for these debt securities at amortized cost.

Securities in the available-for-sale category under FASB 115 are those securities for which an institution does not have the positive intent and ability to hold to maturity, yet does not intend to trade as part of its trading account. Report available-for-sale securities at fair value, and report unrealized holding gains (losses) on these securities, net of the applicable tax effect, as a separate component of equity capital in Schedule BS, item 18(d), "Accumulated other comprehensive income."

Trading securities are debt and equity securities that an institution buys and holds principally for the purpose of

selling in the near term. Report trading securities at fair value (generally, market value), and report unrealized changes in value (appreciation and depreciation) directly in the income statement as a part of earnings. Exclude all trading securities from this item and report trading securities in Schedule BS, item 4, "Trading assets."

## **Line Item 2(a) Held-to-maturity securities.**

Report the amortized cost of held-to-maturity securities.

## **Line Item 2(b) Available-for-sale securities.**

Report the fair value of available-for-sale securities.

## **Line Item 3 Loans and lease financing receivables (including federal funds sold).**

### **Line Item 3(a) Loans and leases, net of unearned income.**

Report the aggregate book value of all loans and leases of the subsidiary, net of unearned income, before the deduction of the "Allowance for loan and lease losses," (report in item 3(b)). This item must equal Schedule BS-A, item 6. See Schedule BS-A, "General Instructions," for further detail.

### **Line Item 3(b) Less: Allowance for loan and lease losses.**

Report the allowance for loan and lease losses as determined in accordance with generally accepted accounting principles (GAAP) for the subsidiary. Exclude any allowance for loan and lease losses on loans and leases with related institutions.

### **Line Item 3(c) Loan and lease financing receivables, net of unearned income and allowance for loan and lease losses.**

Report the amount derived by subtracting item 3(b) from item 3(a).

## **Line Item 4 Trading assets.**

Subsidiaries that (a) regularly underwrite or deal in securities, interest rate contracts, foreign exchange rate contracts, other commodity and equity derivative contract, other financial instruments, and other assets for resale, (b) acquire or take positions in such items principally for the purpose of selling in the near term or

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# Balance Sheet

otherwise with the intent to resell in order to profit from short-term price movements, or (c) acquire or take positions in such items as an accommodation to customers or for other trading purposes shall report in this item the value of such assets or positions on the report date. Assets and other financial instruments held for trading shall be valued at fair value.

Assets held in trading accounts include, but are not limited to:

- (1) U.S. Treasury securities;
- (2) U.S. government agency and corporation obligations;
- (3) Securities issued by states and political subdivisions in the U.S.;
- (4) Securities of all foreign governments and official institutions;
- (5) Equity securities;
- (6) Other bonds, notes, and debentures;
- (7) Certificates of deposit;
- (8) Commercial paper;
- (9) Bankers acceptances; and
- (10) Revaluation gains from derivative contracts.

## **Line Item 5 Premises and fixed assets (including capitalized leases).**

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

Include as premises and fixed assets:

- (1) Premises that are actually owned and occupied (or to be occupied, if under construction) by the subsidiary;
- (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 subsidiary;

- (6) Furniture, fixtures, and movable equipment of the subsidiary;
- (7) Automobiles, airplanes, and other vehicles owned by the subsidiary and used in the conduct of its business;
- (8) The amount of capital lease property (with the subsidiary as lessee)-premises, furniture, fixtures, and equipment; and
- (9) Stocks and bonds issued by nonmajority-owned corporations whose principal activity is the ownership of land, buildings, equipment, furniture, or fixtures occupied or used (or to be occupied or used) by the subsidiary.

Property formerly but no longer used for subsidiary activities may be reported in this item as "Premises and fixed assets" or in item 6, "Other real estate owned."

Exclude from premises and fixed assets:

- (1) Original paintings, antiques, and similar valuable objects (report in item 7, "All other assets");
- (2) Favorable leasehold rights (report in Schedule BS-M, item 5(e), "All other identifiable 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 subsidiary (report in item 3(a) "Loans and lease financing receivables, net of unearned income").

## **Line item 6 Other real estate owned.**

Report the book value (not to exceed the fair value), less accumulated depreciation, if any, of all real estate other than premises actually owned by the subsidiary.

Exclude any property necessary for the conduct of banking business (report in item 5 above, "Premises and fixed assets"). Property formerly but no longer used for subsidiary activities may be reported in this item or in item 5 above.

Include as other real estate owned:

- (1) Real estate acquired in any manner for debts previously contracted (including, but not limited to, real estate acquired through foreclosure and real

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# Balance Sheet

estate acquired by deed in lieu of foreclosure), even if the subsidiary has not yet received title to the property;

- (2) Real estate collateral underlying a loan when the subsidiary has obtained physical possession of the collateral, regardless of whether formal foreclosure proceedings have been instituted against the borrower;
- (3) Foreclosed real estate sold under contract and accounted for under the deposit method of accounting in accordance with FASB Statement No. 66, "Accounting for Sales of Real Estate;"
- (4) Any real estate acquired, directly or indirectly, by the subsidiary and held for development or other investment purposes;
- (5) Real estate acquisition, development, or construction (ADC) arrangements that are accounted for as investments in real estate in accordance with guidance prepared by the American Institute of Certified Public Accountants (AICPA) in Notices to Practitioners issued in November 1983, November 1984, and February 1986;
- (6) Real estate acquired and held for investment by the subsidiary that has been sold under contract and accounted for under the deposit method in accordance with FASB Statement No. 66, "Accounting for Sales of Real Estate;"
- (7) Any other loans secured by real estate and advanced for real estate acquisition, development, or investment purposes if the reporting subsidiary in substance has virtually the same risks and potential rewards as an investor in the borrower's real estate venture;
- (8) Investments in corporate joint ventures, unincorporated joint ventures, and general or limited partnerships that are primarily engaged in the holding of real estate for development, resale, or other investment purposes and over which the subsidiary does not exercise significant influence; and
- (9) Property originally acquired for future expansion but no longer intended to be used for that purpose.

## **Line item 7 All other assets.**

Report all other assets held by the respondent subsidiary

that cannot be properly included in any of the preceding items. Include investments in unconsolidated subsidiaries and associated companies, customers' liability on acceptances outstanding, goodwill, and intangible assets. Also report income earned but not collected, prepaid expenses, accounts receivable, and the positive fair value of all derivatives held for purposes other than trading.

Report all deferred tax assets in this item and deferred tax liabilities in item 14, "Other liabilities." Exclude all balances due from related institutions. Report such transactions in item 9.

## **Line item 8 Claims on nonrelated organizations.**

Enter the sum of items 1, 2, and 3(c) through 7.

## **Line item 9 Balances due from related institutions, gross.**

Report all balances due from the top tier bank holding company or banking organization, all balances due from subsidiary banks (or their branches) or subsidiary bank holding companies of the top tier bank holding company, and all balances due from other subsidiaries of these organizations (including subsidiaries of the parent organization), on a gross basis.

Also, a special purpose subsidiary should report the loan made to the parent bank holding company with the proceeds from the issuance of trust preferred securities. Exclude all balances due to related institutions and include in item 16.

## **Line item 10 Total assets.**

Report the sum of items 8 and 9.

## **Liabilities and Equity Capital**

Items 11 through 15 exclude balances due to related institutions. Report balances due to related institutions in item 16.

## **Line item 11 Trading liabilities.**

Report the amount of liabilities from the reporting subsidiary's trading activities. Include liabilities resulting from the sales of assets that the reporting subsidiary does not own (short position) and revaluation losses from

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# Balance Sheet

“marking to market” (or the “lower of cost or market”) of interest rate, foreign exchange rate, and other commodity and equity contracts into which the reporting subsidiary has entered for trading, dealer, customer accommodation, and similar purposes.

**Line item 12 Other borrowed money with a remaining maturity of one year or less (including commercial paper issued and federal funds purchased).**

Report the total amount of money borrowed by the subsidiary with a remaining maturity of one year or less. Include outstanding commercial paper issued and federal funds purchased. For purposes of this item, remaining maturity is the amount of time remaining from the report date until final contractual maturity of a borrowing without regard to the borrowing’s repayment schedule, if any.

Borrowings may take the form of:

- (1) Demand notes issued to the U.S. Treasury;
- (2) Promissory notes;
- (3) Notes and bills rediscounted (including commodity drafts rediscounted);
- (4) Loans sold under repurchase agreements and sales of participations in pools of loans that mature in more than one business day;
- (5) Due bills issued representing the subsidiary’s receipt of payment and similar instruments, whether collateralized or uncollateralized;
- (6) Overnight and “Term federal funds” purchased;
- (7) Securities sold under agreements to repurchase; and
- (8) Mortgage indebtedness and obligations under capitalized leases with a remaining maturity of one year or less.

*Exclude* all borrowings with related institutions. Report such borrowings in item 16.

**Line item 13 Other borrowed money with a remaining maturity of more than one year (including subordinated debt and limited-life preferred stock and related surplus).**

Report the total amount of all borrowings of the subsidiary with a remaining maturity of more than one

year, including subordinated debt and limited-life preferred stock including related surplus. For purposes of this item, remaining maturity is the amount of time remaining from the report date until final contractual maturity of a borrowing without regard to the borrowing’s repayment schedule, if any.

Borrowings may take the form of:

- (1) Promissory notes;
- (2) Perpetual debt securities that are unsecured and not subordinated;
- (3) Notes and bills rediscounted (including commodity drafts rediscounted);
- (4) Loans sold under repurchase agreements and sales of participations in pools of loans that mature in more than one business day;
- (5) Due bills issued representing the subsidiary’s receipt of payment and similar instruments, whether collateralized or uncollateralized;
- (6) “Term federal funds” purchased;
- (7) Securities sold under agreements to repurchase;
- (8) Notes and debentures issued by the respondent subsidiary; and
- (9) Mortgage indebtedness and obligations under capitalized leases with a remaining maturity of more than one year; and
- (10) Limited-life preferred stock. Limited life preferred stock is preferred stock that has a stated maturity date or that can be redeemed at the option of the holder. It excludes those issues of preferred stock that automatically convert into perpetual preferred stock at a stated date.

*Exclude* all borrowings with related institutions. Report such borrowings in item 16.

**Line Item 14 Other liabilities.**

Report the total amount of all other liabilities that cannot be properly reported in items 11 through 13. Include liabilities such as deposits held by the subsidiary, liability on acceptances outstanding, expenses accrued and unpaid, deferred income taxes (if credit balance), minority interest in the subsidiary, dividends declared but not yet payable, accounts payable (other than expenses

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# Balance Sheet

accrued and unpaid), liability on deferred payment letters of credit, deferred gains from sale-leaseback transactions, and unamortized loan fees (other than those that represent an adjustment of the interest yield, if material).

Also, report all derivatives with negative fair value held for purposes other than trading in this item. Exclude all liabilities with related institutions. Report such liabilities in item 16.

## **Line Item 15 Liabilities to nonrelated organizations.**

Enter the sum of items 11 through 14.

## **Line Item 16 Balances due to related institutions, gross.**

Report all balances due to the top tier bank holding company or banking organization, all balances due to subsidiary banks (or their branches) or subsidiary bank holding companies of the top tier bank holding company, and all balances due to other subsidiaries of these organizations (including subsidiaries of the parent organization), on a gross basis.

*Exclude* all balances due from related institutions and include in item 9.

## **Line Item 17 Total liabilities.**

Report the sum of items 15 and 16.

## **Line Item 18 Equity capital.**

Equity capital represents the sum of capital stock, surplus, undivided profits, and various reserve accounts. Subsidiaries that are not corporate in form (that is, those that do not have capital structures made up of capital stock and the other subheadings for item 18 or their equivalents) should report their entire net worth in item 18(f), "Total Equity Capital." Other subsidiaries should follow the instructions below.

### **Line Item 18(a) Stock.**

Report the amount of perpetual preferred stock issued, including any amounts received in excess of its par or stated value, and the aggregate par or stated value of common stock issued.

### **Line Item 18(b) Surplus (exclude all surplus related to preferred stock).**

Report the net amount formally transferred to the surplus account, including capital contributions, and any amount received for common stock in excess of its par or stated value on or before the report date. Exclude any portion of the proceeds received from the sale of limited-life preferred stock in excess of its par or stated value (report in item 16) or any portion of the proceeds received from the sale of perpetual preferred stock in excess of its par or stated value (report in item 18(a)).

### **Line Item 18(c) Retained earnings.**

Report the amount of retained earnings (including capital reserves) as of the report date. The amount of the retained earnings should reflect the transfer of net income, declaration of dividends, transfers to surplus, and any other appropriate entries. Adjustments of accruals and other accounting estimates made shortly after the report date that relate to the income and expenses of the year-to-date period ended as of the report date must be reported in the appropriate items of the Income Statement for that year-to-date period.

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

- (1) Reserve for undeclared stock dividends, which includes amounts set aside to provide for stock dividends (not cash dividends) not yet declared;
- (2) Reserve for undeclared cash dividends, which includes amounts set aside for cash dividends on common and preferred stock not yet declared (report cash dividends declared but not yet payable in item 14);
- (3) Retirement account (for limited-life preferred stock or notes and debentures subordinated to deposits), which includes amounts allocated under the plan for retirement of limited-life preferred stock or notes and debentures subordinated to deposits contained in the subsidiary's articles of association or in the agreement under which such stock or notes and debentures were issued; and
- (4) Reserve for contingencies, which includes amounts set aside for possible unforeseen or indeterminate

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# Balance Sheet

liabilities not otherwise reflected on the subsidiary's books and not covered by insurance.

*Exclude* from retained earnings:

- (1) The amount of the cumulative foreign currency translation adjustment (report in item 18(d));
- (2) Any portion of the proceeds received from the sale of perpetual preferred stock and common stock in excess of its par or stated value except where required by state law or regulation (report surplus related to perpetual preferred stock in item 18(a) and surplus related to common stock in item 18(b));
- (3) Any portion of the proceeds received from the sale of limited-life preferred stock in excess of its par or stated value (report in item 13); and
- (4) "Reserves" that reduce the related asset balances such as valuation allowances (e.g., allowance for loan and lease losses), reserves for depreciation, and reserves for bond premiums.

## **Line Item 18(d) Accumulated other comprehensive income.**

Report the amount of other comprehensive income in conformity with the requirements of FASB Statement No. 130, Reporting Comprehensive Income. Accumulated other comprehensive income includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, foreign currency translation adjustments, and minimum pension liability adjustments. Net unrealized holding gains (losses) on available-for-sale securities is the difference between the amortized cost and fair value of the subsidiary's available-for-sale securities, net of tax effects, as of the report date.

For most subsidiaries, all "securities," as the term is defined in FASB Statement No. 115, that are designated as "available-for-sale" will be reported as "available-for-sale securities" in item 2(b), above. However, a subsidiary may have certain assets that fall within the definition of "securities" in FASB Statement No. 115 (e.g., commercial paper or nonrated industrial development obligations) that the subsidiary has designated as "available-for-sale" which are reported for purposes of this report in a balance sheet category other than "securities" (e.g., "loans and lease financing receivables"). These "available-for-sale" assets must be

carried on the balance sheet at fair value rather than amortized cost and the difference between these two amounts, net of tax effects, must be included in this item.

Also include the unamortized amount of the unrealized holding gain or loss at the date of transfer of any debt security transferred into the held-to-maturity category from the available-for-sale category. When a debt security is transferred from available-for-sale to held-to-maturity, report the unrealized holding gain or loss at the date of transfer in this equity capital account and amortize it over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount. Accumulated net gains (losses) on cash flow hedges is the effective portion of the accumulated change in fair value (gain or loss) on derivatives designated and qualifying as cash flow hedges in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Under Statement No. 133, a subsidiary that elects to apply hedge accounting must exclude from net income the effective portion of the change in fair value of a derivative designated as a cash flow hedge and record it on the balance sheet in a separate component of equity capital (referred to as "accumulated other comprehensive income" in the accounting standard). Report the ineffective portion of the cash flow hedge in earnings. Adjust the equity capital component (i.e., the accumulated other comprehensive income) associated with a hedged transaction each reporting period to a balance that reflects the lesser (in absolute amounts) of:

- (1) The cumulative gain or loss on the derivative from inception of the hedge, less (a) amounts excluded consistent with the subsidiary's defined risk management strategy and (b) the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings to offset the hedged transaction, or
- (2) The portion of the cumulative gain or loss on the derivative necessary to offset the cumulative change in expected future cash flows on the hedged transaction from inception of the hedge less the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings.

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# Balance Sheet

Accordingly, the amount reported in this item should reflect the sum of the adjusted balance (as described above) of the cumulative gain or loss for each derivative designated and qualifying as a cash flow hedge. These amounts will be reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (for example, when a hedged variable rate interest receipt on a loan is accrued or when a forecasted sale occurs).

Report the sum of the subsidiary's foreign currency translation adjustments accumulated in accordance with FASB Statement No. 52. Report any minimum pension liability adjustment recognized in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions*. Under Statement No. 87, an employer must report in a separate component of equity capital, net of any applicable tax benefits, the excess of additional pension liability over unrecognized prior service cost.

Refer to the FR Y-9C instructions and FASB Statement No. 130 for additional information on reporting this item.

## **Line Item 18(e) Other equity capital components.**

Report all other equity capital components including the total carrying value (at cost) of treasury stock and unearned Employee Stock Ownership Plan (ESOP) shares as of the report date. Refer to the FR Y-9C instructions for additional information on reporting this item.

## **Line Item 18(f) Total equity capital.**

Report the sum of items 18(a) through 18(e). This item must equal Schedule IS-A, *Changes in Equity Capital*, item 7, "Total equity capital at end of current period."

## **Line Item 19 Total liabilities and equity capital.**

Report the sum of items 17 and 18(f). This item must equal item 10, "Total assets."

## **Derivatives and Off-Balance-Sheet Items**

Report the following selected commitments, contingencies, and other off-balance-sheet items and derivative contracts. Include transactions with related organizations. Exclude contingencies arising in connection with litigation.

## **Line Item 20 Unused commitments on securities underwriting.**

Report the unsold portion of the subsidiary's own takedown in securities underwriting transactions. Report the unused portion of commitments for which the subsidiary has charged a commitment fee or other consideration, or otherwise has a legally binding commitment. Report such commitments regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time.

Include revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements. These are facilities under which a borrower can issue on a revolving basis short-term paper in its own name, but for which the underwriting banks have a legally binding commitment either to purchase any notes the borrower is unable to sell by the roll-over date or to advance funds to the borrower.

## **Line Item 21 Unused commitments on loans and all other unused commitments.**

Report the unused portions of commitments that obligate the reporting subsidiary to extend credit in the form of loans or participations in loans, lease financing receivables, or similar transactions. Report the unused portion of commitments for which the subsidiary has charged a commitment fee or other consideration, or otherwise has a legally binding commitment. Report such commitments regardless of whether they contain "material adverse change" clauses or other provisions that are intended to relieve the issuer of its funding obligations under certain conditions and regardless of whether they are unconditionally cancelable at any time. In the case of commitments for syndicated loans, report only the subsidiary's proportional share of the commitments. Report unused commitments gross, that is, including any commitments acquired from others and any portions of commitments conveyed to others.

*Include* loan proceeds that the subsidiary is obligated to advance, such as loan draws, construction progress payments, seasonal or living advances to farmers under prearranged lines of credit, rotating or revolving credit arrangements, including retail credit card, check credit,



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# Balance Sheet

and related plans, or similar transactions. Include forward agreements and commitments to issue a commitment at some point in the future.

Report the unused portion of commitments to extend credit for the following loans:

- (1) Revolving, open-end loans secured by 1–4 family residential properties, e.g., home equity lines;
- (2) Commercial real estate, construction, and land development;
- (3) Commitments to fund loans secured by real estate;
- (4) Commitments to fund loans not secured by real estate;
- (5) Credit card lines;
- (6) Overdraft facilities;
- (7) Commercial lines of credit; and
- (8) Retail check credit and related plans.

## **Line Item 22 Standby letters of credit and foreign office guarantees.**

Report the amount outstanding and unused as of the report date of all standby letters of credit (and all legally binding commitments to issue standby letters of credit) issued by the subsidiary. The originating subsidiary must report the full outstanding and unused amount of standby letters of credit in which participations have been conveyed to others where (a) the originating and issuing subsidiary is obligated to pay the full amount of any draft drawn under the terms of the standby letter of credit and (b) the participating companies have an obligation to partially or wholly reimburse the originating subsidiary, either directly in cash or through a participation in a loan to the account party. The originating subsidiary also must report the amount of standby letters of credit conveyed to others through participations. The subsidiary participating in such arrangements must report the full amount of their contingent liabilities to participate in such standby letters of credit without deducting any amounts that they may have reparticipated to others. Participating subsidiaries also must report the amount of interest in transactions that they have reparticipated to others, if any. Also include those standby letters of credit that are collateralized by cash on deposit.

## **Line Item 23 Commercial and similar letters of credit.**

Report the amount outstanding and unused as of the report date of issued or confirmed commercial letters of credit, travelers' letters of credit not issued for money or its equivalent, and all similar letters of credit, but excluding standby letters of credit (which are to be reported in item 22 above). Report legally binding commitments to issue commercial letters of credit.

## **Line Item 24 Commitments to purchase foreign currencies and U.S. dollar exchange (spot, forward, and futures).**

Report the gross aggregate par value or notional amount (stated in U.S. dollars) of all futures contracts, forward and spot contracts to purchase foreign (non-U.S.) currencies and U.S. dollar exchange that are outstanding as of the report date. A purchase of U.S. dollar exchange is equivalent to a sale of foreign currency. Report only one side of a foreign currency transaction. In those transactions where foreign (non-U.S.) currencies are bought or sold against U.S. dollars, report only that side of the transaction that involves the foreign (non-U.S.) currency. A currency futures contract is a standardized agreement for delayed delivery of a foreign (non-U.S.) currency in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate. Future contracts are traded on organized exchanges that act as the counterparty to each contract.

A forward foreign exchange contract is an agreement for delayed delivery of a foreign (non-U.S.) currency in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified amount at a specified exchange rate. These contracts are not standardized and are traded in an over-the-counter market. A spot contract is an agreement for the immediate delivery, usually within two days, of a foreign currency at the prevailing spot rate. Contracts are outstanding (i.e., open) until they have been canceled by acquisition or delivery of the underlying currencies or, for futures contracts, by offset. (“Offset” is the purchase and sale of an equal number of contracts on the same underlying currencies for the same delivery month, executed through the same clearing member on the same exchange.)

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# Balance Sheet

## **Line Item 25 All other futures and forward contracts (excluding contracts involving foreign exchange).**

Report the gross aggregate par value or notional amount of all other futures and forward contracts not included in item 24. Include futures and forward interest rate contracts (e.g., U.S. Treasury securities futures, forward rate agreements, and forward agreements on U.S. government securities) and futures and forward contracts on other commodities (e.g., stock index and commodity contracts). Report the aggregate par value of all futures and forward contracts that are related to an interest-bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.

Report futures and forward contracts that commit the subsidiary to purchase or sell agricultural products (e.g., wheat or coffee), precious metals (e.g., gold or platinum), non-ferrous metals (e.g., copper or zinc) or any other commodity.

Futures and forward contracts are agreements for delayed delivery of financial instruments or other commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price. Futures contracts are standardized, transferable agreements traded on organized exchanges that act as the counterparty to each contract. Forward contracts are not standardized and are not traded on organized exchanges. The contract amount to be reported for futures and forward contracts on commodities is the quantity, (i.e., number of units) of the commodity or product contracted for purchase or sale multiplied by the contract price of a unit.

## **Line Item 26 Option contracts.**

Report the amount of written option contracts in item 26(a), and the amount of purchased option contracts in item 26(b). In reporting items 26(a) and 26(b), do not net the following:

- (1) Obligations of the subsidiary to buy against the subsidiary's obligations to sell, or
- (2) Written options against purchased options.

An option contract conveys either the right or the obligation, depending upon whether the reporting subsidiary is the purchaser or the writer, respectively, to

(1) buy or sell a financial instrument or an interest rate futures contract on a financial instrument at a specified price by a specified future date, (2) exchange two different currencies at a specified exchange rate, or (3) buy or sell stock options, stock index options, or other commodities. Options can be traded on organized exchanges. In addition, options can be written to meet the specialized needs of the counterparties to the transaction. These customized option contracts are known as over the counter (OTC) options and are not generally traded.

## **Line Item 26(a) Written option contracts.**

Report the amount of all financial instruments (aggregate par value), foreign currencies, and other commodities that the reporting subsidiary has obligated itself, for compensation (such as a fee or premium), to either purchase or sell under option contracts that are outstanding as of the report date.

## **Line Item 26(b) Purchased option contracts.**

Report the amount of all financial instruments (aggregate par value), foreign currencies, and other commodities that the reporting subsidiary has purchased, for compensation (such as a fee or premium), the right to either purchase or sell under option contracts that are outstanding as of the report date. In the case of option contracts giving the reporting subsidiary the right to either purchase or sell a futures contract, report the amount of the financial instrument, foreign currency, or other commodity underlying the futures contract.

## **Line Item 27 Notional value of interest rate swaps.**

Report the notional value of all outstanding interest rate and basis swaps. In those cases where the subsidiary is acting as an intermediary, report both sides of the transaction. Include cross-currency interest rate swaps that do not involve the exchange of principal amounts between the counterparties. An interest rate swap is a transaction in which two parties agree to exchange the interest payment streams on a specified principal amount of assets or liabilities for a certain number of years. The notional value of an interest rate swap is the underlying principal amount upon which the exchange of interest income or expense is based.

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# Balance Sheet

## **Line Item 28 Notional value of exchange swaps.**

Report the notional principal value (stated in U.S. dollars) of all outstanding cross-currency interest rate swaps. In those cases where the subsidiary is acting as an intermediary, report both sides of the transaction. A cross-currency interest rate swap is a transaction in which two parties agree to exchange principal amounts of different currencies, usually at the prevailing spot rate, at the inception of the agreement, which lasts for a certain number of years. Over the life of the swap, the counterparties exchange payments in the different currencies based on fixed rates of interest. When the agreement matures, the principal amounts will be re-exchanged at the same spot rate. The notional value of a cross-currency interest rate swap is the underlying principal amount upon which the exchange is based.

## **Line Item 29 Notional value of other swaps.**

Report the notional principal value of all other swap agreements that are not reportable as either interest or foreign exchange rate contracts in items 27 or 28.

## **Line Item 30 All other off-balance-sheet liabilities.**

With the exceptions listed below, report all types of off-balance-sheet items not covered in other items of this schedule. Other off-balance-sheet liabilities include, but are not limited to:

- (1) Securities borrowed against collateral (other than cash) or on an uncollateralized basis;
- (2) Securities lent against collateral or on an uncollateralized basis (other than cash);

- (3) Commitments to purchase and to sell securities that have not been issued (when-issued securities) and are excluded from the requirements of FASB Statement No. 133 and are not reported in item 25;
- (4) Credit derivatives;
- (5) Participations in acceptances conveyed to others by the reporting subsidiary or acquired by the subsidiary;
- (6) Financial guarantee insurance that insures the timely payment of principal and interest on bond issues;
- (7) Letters of indemnity other than those issued in connection with the replacement of lost or stolen official checks; and
- (8) Shipment or dockside guarantees or similar guarantees relating to missing bills of lading or title documents and other document guarantees that facilitate the replacement of lost or destroyed documents and negotiable instruments.

*Exclude* from other off-balance-sheet items:

- (1) All items that are required to be reported on the balance sheet, such as repurchase and resale agreements;
- (2) Commitments to purchase property being acquired for lease to others (reported in item 23);
- (3) Contingent liabilities arising in connection with litigation in which the subsidiary is involved; and
- (4) Signature or endorsement guarantees of the type associated with the regular clearing of negotiable instruments or securities in the normal course of business.

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## LINE ITEM INSTRUCTIONS FOR

# Loans and Lease Financing Receivables Schedule BS-A

### General Instructions

Loans and lease financing receivables are extensions of credit resulting from either direct negotiation between the subsidiary and their customers or the purchase of such assets from others. Loans may take the form of promissory notes, acknowledgments of advance, due bills, invoices, overdrafts, acceptances held, factoring account receivables, and similar written or oral obligations.

Include the dollar amount outstanding of all federal funds sold (including "term federal funds") and securities purchased under agreement to resell. Also include resale agreements involving assets other than securities.

#### *Exclude:*

- (1) All loans and leases with related institutions (including federal funds sold and securities purchased under agreements to resell), which are to be reported in Schedule BS, item 9;
- (2) Any loans or leases that the subsidiaries have sold or charged off;
- (3) The fair value of any assets received in full or partial satisfaction of a loan or lease (unless the asset received is itself reportable as a loan or lease) and any loans for which the subsidiary has obtained physical possession of the underlying collateral regardless of whether formal foreclosure or repossession proceedings have been instituted against the borrower;
- (4) Holdings of commercial paper (report in Schedule BS, item 2, "Securities");
- (5) Contracts of sale or other loans indirectly representing other real estate (report in Schedule BS, item 6, "Other real estate owned"); and
- (6) Loans and leases held for trading purposes (report in Schedule BS, item 4, "Trading assets").

Exclude all transactions with related institutions. Include in items 1 through 7 all loans and leases on the books of the subsidiary even if on the report date they are past due and collection is doubtful. Also report all loans and leases held for sale as part of the subsidiary's mortgage banking activities or activities of a similar nature involving other types of loans. Loans held for sale shall be reported at the lower of cost or market value. Exclude any loans or leases the subsidiary has charged off (report in Schedule IS-B, item 3, "less: charge-offs." Report the aggregate book value of all loans and leases before deduction of the allowance for loan and lease losses. Report each item in this schedule net of (1) unearned income (to the extent possible), (2) any applicable allocated transfer risk reserve, and (3) deposits accumulated for the payment of personal loans (hypothecated deposits).

### **Line Item 1 Loans secured by real estate.**

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

### **Line Item 2 Loans to depository institutions.**

Report all loans (other than those secured by real estate), including overdrafts, to banks, other depository institutions, and other associations, companies, and financial intermediaries whose primary business is to accept deposits and to extend credit for business or for personal expenditure purposes. This includes commercial banks in the U.S., foreign branches of U.S. banks and banks in foreign countries. Report the subsidiary's holdings of all bankers acceptances accepted by unrelated banks (i.e., banks that are not direct or indirect subsidiaries of

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# Schedule BS-A

the subsidiary's bank holding company or parent organization).

Exclude acceptances accepted by related banks (i.e., banks that are direct or indirect subsidiaries of the subsidiary's bank holding company or parent organization). Also exclude loans to foreign governments and foreign official institutions.

### **Line Item 3 Commercial and industrial loans.**

Report all loans (regardless of domicile) for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises, whether secured (other than by real estate) or unsecured, single-payment or installment. These loans may take the form of direct or purchased loans. Include commercial and industrial loans guaranteed by foreign governmental institutions.

*Exclude:*

- (1) Loans secured by real estate (report in item 1);
- (2) Loans for the purpose of financing agricultural production, whether made to farmers or to nonagricultural businesses (report in item 5);
- (3) Loans to finance companies and insurance companies (report in item 5);
- (4) Loans to broker and dealers in securities, investment companies, and mutual funds (report in item 5);
- (5) Loans to depository institutions (report in item 2);
- (6) Loans to nonprofit organizations (report in item 5); and
- (7) Loans to nondepository financial institutions (report in item 5).

### **Line Item 4 Loans to individuals for personal, household, and other personal expenditures.**

Report credit card and related plans and other loans to individuals for household, family, and other personal expenditures. Include all loans to individuals for household, family, and other personal expenditures that are not secured by real estate, whether direct loans or purchased paper. Exclude loans secured by real estate (report in item 1) and loans to individuals for the purpose of purchasing or carrying securities (report in item 5).

### **Line Item 5 All other loans and lease financing receivables.**

Report all other loans held by the subsidiary that are not properly included in items 1 through 4 above and all lease financing receivables. Report all outstanding receivable balances relating to direct financing and leveraged leases on property acquired by the subsidiary for leasing purposes. These balances should include the estimated residual value of leased property and must be net of unearned income. Include all lease financing receivables of states and political subdivisions in the U.S. Also include all loans to foreign governments and official institutions.

### **Line Item 6 Total loans and lease financing receivables.**

Report the sum of items 1 through 5.

### **Line Item 7 Past due and nonaccrual loans and leases.**

Report the subsidiary loans and lease financing receivables that are past due 30 through 89 days and still accruing in item 7(a), past due 90 days or more and still accruing in item 7(b), in nonaccrual status in item 7(c), and restructured loans and leases included in past due and nonaccrual loans in item 7(d). Report the full outstanding balances of the past due loans and lease financing receivables, not simply the delinquent payments.

#### **Line Item 7(a) Loans and leases past due 30 through 89 days.**

Report loans and lease financing receivables that are contractually past due 30 through 89 days as to principal or interest payments, and still accruing. Include restructured loans and leases past due 30 through 89 days and still accruing.

#### **Line Item 7(b) Loans and leases past due 90 days or more.**

Report loans and lease financing receivables that are contractually past due 90 days or more as to principal or interest payments, and still accruing. Include restructured loans and leases past due 90 days or more and still accruing.

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## Schedule BS-A

### **Line Item 7(c) Nonaccrual loans and leases.**

Report loans and lease financing receivables accounted for on a nonaccrual status. Include restructured loans and leases that are in nonaccrual status. For purposes of this report, report loans and leases as being in nonaccrual status if: (a) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (b) payment in full of interest or principal is not expected, or (c) principal or interest has been in default for a period of 90 days or more unless the obligation is both well-secured and in the process of collection.

NOTE: Loans to individuals for household, family, and other personal expenditures and loans secured by 1 to 4 family residential properties on which principal or interest is due and unpaid for 90 days or more are not required to be reported as nonaccrual loans. Nevertheless, such loans should be subject to other alternative methods of evaluation to assure that the subsidiary's net income is not materially overstated. To the extent that the subsidiary has elected to carry any loans in nonaccrual status on its books, such loans must be reported as nonaccrual in this item.

### **Line Item 7(d) Restructured loans and leases included in items 7(a) through 7(c) above.**

Report loans and leases that, under their modified terms, are past due 30 days or more and still accruing or are in nonaccrual status as of the report date. Report such loans and leases in items 7(a), 7(b), or 7(c), (and exclude from item 6). Restructured debt includes those loans and lease financing receivables that have been restructured or renegotiated to provide a reduction of either interest or principal because of a deterioration in the financial position of the borrower. 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 restructured debt.

*Exclude* all loans to individuals for household, family, and other personal expenditures, and all loans secured by 1–4 family residential properties. (However, restructured loans of these two types that subsequently become past due 90 days or more or are placed in nonaccrual status should be reported accordingly.)

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LINE ITEM INSTRUCTIONS FOR THE

# Memoranda Schedule BS-M

**Exclude all balances with related institutions from this schedule.**

**Line Item 1 Balances due from depository institutions, gross.**

**Line Item 1(a) Balances due from depository institutions in the U.S. (including their IBFs).**

Report demand, savings, and time balances on deposit with offices of commercial banks, industrial banks, stock savings banks, private banks, Edge and agreement corporations, mutual savings banks, savings and loan associations, and any other depository institutions domiciled in the fifty states of the United States, the District of Columbia, Puerto Rico, and U.S. territories and possessions. Include deposits with U.S.-chartered bank subsidiaries and U.S. branches and agencies of foreign banks and foreign official banking institutions in the United States. Report all such balances gross of any reciprocal balances.

**Line Item 1(b) Balances due from banks in foreign countries.**

**Line Item 1(b)(1) Foreign branches of U.S. banks.**

Report all balances on deposit with non-U.S. branches of U.S. banks; exclude balances with non-U.S. subsidiaries of U.S. banks and report in Item 1(b)(2). Also exclude balances with branches of non-U.S. banks that are domiciled in the United States and report in Item 1(a). Report all such balances gross of any reciprocal balances.

**Line Item 1(b)(2) Other banks in foreign countries.**

Report all balances on deposit with non-U.S. commercial banks, savings banks, discount houses, and similar non-U.S. domiciled institutions that accept deposits. Include balances with non-U.S. subsidiaries of U.S.

banks. Report balances with non- U.S. branches of U.S. banks in item 1(b)(1). Report all such balances *gross* of any reciprocal balances.

**Line Item 2 Balances due from foreign central banks.**

Report all balances with foreign central banks. Refer to the FR Y-9C glossary for the definition of “foreign central bank.”

**Line Item 3 Equity interest in nonrelated organizations.**

Include the total value of all equity investments other than those in related organizations.

Report equity investments that represent 20 percent to 50 percent of the voting shares of an organization using the equity method of accounting.

**Line Item 4 Assets held in trading accounts (excluding trading account balances with related organizations).**

Organizations that *regularly* underwrite or deal in securities and other assets for resale or that acquire securities and other assets with the intent to resell in order to profit from short-term price movements shall report in items 4(a) through 4(f) the value of such assets. Consistently value assets held in trading accounts at fair value (or, if appropriate, the lower of cost or fair value). Exclude the carrying value of any available-for-sale securities or of any loans or leases that are held for sale. Exclude all trading account balances with related organizations, and report in Schedule BS, Item 9, “Balances due from related organizations, gross” or Schedule BS, Item 16, “Balances due to related organizations, gross.” Refer to the FR Y-9C instructions and glossary for further information.

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# Memoranda

## **Line Item 4(a) Securities of U.S. government and its agencies.**

Report the fair value of securities issued by the U.S. government and all other U.S. government agencies and official institutions thereof.

## **Line Item 4(b) Securities of all foreign governments and official institutions.**

Report the fair value of all debt securities issued by foreign governments (central, state, provincial and local), including their ministries, departments and agencies. Refer to the FR Y-9C glossary for the definition of "foreign government." Exclude bankers' acceptances accepted by the reporting organization and held in its trading account when the account party is a foreign government or official institution. Also exclude securities issued by nonbank corporations and enterprises which are foreign-government-owned.

## **Line Item 4(c) Equity securities.**

Report the fair value of all equity securities held in the organization's trading account. Exclude:

- (1) Equity securities that have been purchased for investment or acquired for debts previously contracted.
- (2) Equity securities that do not have readily determinable fair values (report such securities at historical cost in Schedule BS, item 7, "All other assets").

## **Line Item 4(d) Corporate bonds, notes, and debentures.**

Report the total value of debt securities issued by corporations.

## **Line Item 4(e) Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts.**

Report the amount of revaluation gains (that is, assets) from the "marking to market" of interest rate, foreign exchange rate, and other off-balance-sheet commodity and equity contracts held for trading purposes (in compliance with Financial Accounting Standards Board Interpretation No. 39). Refer to the FR Y-9C instructions for further information.

## **Line Item 4(f) Other (including commercial paper).**

Report the total value of all assets held in trading accounts that cannot be properly reported in items 4(a) through 4(e). Include certificates of deposit, bankers acceptances, and commercial paper.

## **Line Item 5 Other assets.**

### **Line Item 5(a) Accrued interest receivable.**

Report the amount of interest, commissions, and other income earned or accrued on loans, securities, and other earning assets and applicable to current or prior periods that has not yet been collected.

### **Line Item 5(b) Prepaid expenses.**

Report the amount of all expenses prepaid and applicable as a charge against operations in future periods.

### **Line Item 5(c) Net deferred tax assets.**

Report the cumulative tax effect of all deductible temporary differences, operating loss carryforwards, and tax credit carryforwards in accordance with GAAP. Report the net amount after offsetting deferred tax assets (net of valuation allowance) and net deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a debit balance. If the result for a particular tax jurisdiction is a net credit balance, report the amount in item 8(b), "Net deferred tax liabilities."

### **Line Item 5(d) Accounts receivable.**

Report the amount owed to the subsidiary in the form of regular accounts or written promissory notes to be collected in the future arising from the sale of goods and services. Exclude notes with a maturity of more than one year.

### **Line Item 5(e) Intangible Assets.**

Report the cost of intangible assets. Such intangibles may arise from the following:

- (1) Business combinations accounted for under the purchase method in accordance with FASB Statement No. 141, and
- (2) Acquisitions of portions or segments of another



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# Memoranda

institution's business, such as branch offices, mortgage servicing portfolios, and credit card portfolios

Report the carrying value of mortgage servicing assets, i.e., the unamortized cost of acquiring contracts to service loans secured by real estate that have been securitized or are owned by another party, net of any related valuation allowances. Also report in this item the unamortized amount of other specifically identifiable intangible assets such as purchased credit card relationships (PCCRs), core deposit intangibles, favorable leasehold rights, and goodwill. Goodwill represents the excess of the cost of a company over the sum of the fair values of the tangible assets and identifiable intangible assets acquired less the fair value of liabilities assumed in a business combination accounted for as a purchase. Also, include servicing assets other than mortgage servicing assets.

## **Line Item 6 Deposits.**

Report the total amount of deposits held by the subsidiary. Include both noninterest-bearing and interest-bearing deposits. Such deposits may take the form of passbook accounts, certificates of deposit, NOW accounts, money market deposit accounts, time deposits, open accounts, or similar deposits. Include all deposits regardless of customer or form.

*Exclude* all deposits due to related institutions. Report such deposits in Schedule BS, item 16.

## **Line Item 7 Balances due to U.S. and foreign banks.**

Report all deposit balances of all banks headquartered and chartered in the United States and foreign countries.

Include both U.S. and non-U.S. branches of U.S. commercial banks (including IBFs established by U.S. commercial banks). Also include both U.S. and non-U.S. branches of foreign banks.

## **Line Item 8 Other liabilities.**

### **Line Item 8(a) Expenses accrued and unpaid.**

Report the amount of interest on deposits, interest on nondeposit liabilities, income taxes, and other expenses accrued through charges to expense during the current or prior periods, but not yet paid or credited to a deposit account.

### **Line Item 8(b) Net deferred tax liabilities.**

Report the cumulative tax effect of all taxable temporary differences, in accordance with GAAP. Report the net amount after offsetting deferred tax assets and net deferred tax liabilities measured at the report date for a particular tax jurisdiction if the net result is a credit balance. If the result for a particular tax jurisdiction is a net debit balance, report the amount in item 5(c).

### **Line Item 8(c) Accounts payable.**

Report the amount due from the reporting subsidiary for the purchase of goods and services.

# FR 2314 CHECKLIST

**Each edit in the checklist must balance, rounding errors are not allowed**

| Edit Type   | FRS EDCK   | Target Item  | Edit Test   | Edit Test in the Form of Boolean Algebra  |
|---|------------|--------------|---|---|
| <b>Schedule IS ó Income Statement</b>                                 |            |              |   |   |
| V   | 150        | IS-1c        | Sum of IS-1a and IS-1b must equal IS-1c.                                  | (subia028 + subia029) eq subi4107   |
| V   | 160        | IS-2c        | Sum of IS-2a and IS-2b must equal IS-2c.                                  | (subia030 + subia031) eq subi4073   |
| V   | 170        | IS-3         | IS-1c minus IS-2c must equal IS-3.  | (subi4107 - subi4073) eq subi4074   |
| V   | 175        | IS-4         | IS-B4 must equal IS-4   | subt4230 eq subi4230  |
| V   | 180        | IS-5c        | Sum of IS-5a1 through IS-5b must equal IS-5c.                             | (subi4070 + subia4080 + subia220 + subib490 + subib491 + subib492 + subib493 + subib494 + subib497 + subia4619) eq subi4079 |
| V   | 190        | IS-7c        | Sum of IS-7a and IS-7b must equal IS-7c.                                  | (subia034 + subic376) eq subi4093   |
| V   | 200        | IS-8         | Sum of IS-3, IS-5c, and IS-6 minus IS-4 and IS-7c must equal IS-8.        | (subi4074 + subi4079 + subi4280 - subi4230 - subi4093) eq subi3631  |
| V   | 210        | IS-12        | Sum of IS-8, IS-10, and IS-11 minus IS-9 must equal IS-12.                | (subi3631 + subi4320 + subi3147 - subi4302) eq subi4340   |
| V   | <b>230</b> | <b>IS-12</b> | <b>IS-A2 must equal IS-12.</b>  | <b>subt4340 eq subi4340</b>   |
| <b>Schedule IS-A ó Changes in Equity Capital</b>                      |            |              |   |   |
| V   | 240        | IS-A6        | Sum of IS-A1, IS-A2, IS-A3, IS-A5 and IS-A6 minus IS-A4 must equal IS-A7. | (subi3217 + subt4340 + subia035 + subib511 + subi3581 - subi4598) eq subt3210   |
| <b>Schedule IS-B ó Changes in Allowance for Loan and Lease Losses</b> |            |              |   |   |
| V   | 260        | IS-B5        | Sum of IS-B1, IS-B2, IS-B4 and IS-B5 minus IS-B3 must equal IS-B6.        | (subi3124 + subi4605 + subt4230 + subi4815 - subic079) eq subt3123  |
| <b>Schedule BS ó Balance Sheet</b>                                    |            |              |   |   |
| V   | 270        | BS-3a        | BS-A6 must equal BS-3a.   | subt2122 eq subc2122  |
| V   | 280        | BS-3b        | IS-B6 must equal BS-3b.   | subt3123 eq subc3123  |
| V   | 290        | BS-3c        | Sum of BS-3a minus BS-3b must equal BS-3c.                                | (subc2122 - subc3123) eq subc2125   |
| V   | 300        | BS-8         | Sum of BS-1 through BS-2b and BS-3c through BS-7 must equal BS-8.         | (subc0010 + subc1754 + subc1773 + subc2125 + subc3545 + subc2145 + subc2150 + subc1724) eq subcc377                         |
| V   | 310        | BS-10        | Sum of BS-8 and BS-9 must equal BS-10.                                    | (subcc377 + subcc378) eq subc2170   |
| V   | 320        | BS-15        | Sum of BS-11 through BS-14 must equal BS-15.                              | (subc3548 + subcc379 + subc1729 + subc2750) eq subca012   |
| V   | 330        | BS-17        | Sum of BS-15 and BS-16 must equal BS-17.                                  | (subca012 + subcc380) eq subc2948   |
| V   | 340        | BS-18f       | Sum of BS-18a through BS-18e must equal BS-18f.                           | (subc3230 + subc3240 + subc3247 + subcb530 + subca130) eq subc3210  |
| V   | 350        | BS-18f       | IS-A7 must equal BS-18f   | subt3210 eq subc3210  |
| V   | 360        | BS-19        | Sum BS-17 and BS-18f must equal BS-19.                                    | (subc2948 + subc3210) eq subc3300   |
| V   | 370        | BS-19        | BS-19 must equal BS-10.   | subc3300 eq subc2170  |
| <b>Schedule BS-A ó Loans and Lease Financing Receivables</b>          |            |              |   |   |
| V   | 390        | BS-A5        | Sum of BS-A1 through BS-A5 must equal BS-A6.                              | (subc1410 + subc3622 + subc3623 + subc1975 + subca017) eq subt2122  |