SUPPLEMENTAL INSTRUCTIONS

December 2016 Call Report Materials

Sample Call Report forms for December 2016 are available on both the FFIEC's website (https://www.ffiec.gov/ffiec_report_forms.htm) and the FDIC's website (https://www.fdic.gov/callreports). There is no instruction book update this quarter. Call Report forms, including the cover (signature) page, and instructional materials can be printed and downloaded from the FFIEC's and the FDIC's websites. In addition, institutions that use Call Report software generally can print paper copies of blank forms from their software. Please ensure that the individual responsible for preparing Call Reports at your institution has been notified about the electronic availability of the December 2016 report forms as well as these Supplemental Instructions. The locations of changes to the text of the previous quarter's Supplemental Instructions (except references to the quarter-end report date) are identified by a vertical line in the right margin.

Submission of Completed Reports

Each institution's Call Report data must be submitted to the FFIEC's Central Data Repository (CDR), an Internet-based system for data collection (https://cdr.ffiec.gov/cdr/), using one of the two methods described in the banking agencies' Financial Institution Letter (FIL) for the December 31, 2016, report date. The CDR Help Desk is available from 9:00 a.m. until 8:00 p.m., Eastern Time, Monday through Friday, to provide assistance with user accounts, passwords, and other CDR system-related issues. The CDR Help Desk can be reached by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

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

Currently, Call Report preparation software products marketed by Axiom Software Laboratories, Inc.; DBI Financial Systems, Inc.; Fed Reporter, Inc.; FIS Compliance Solutions; FiServ, Inc.; Jack Henry & Associates, Inc.; Lombard Risk; SHAZAM Core Services; and Wolters Kluwer Financial Services meet the technical specifications for producing Call Report data files that are able to be processed by the CDR. The addresses and telephone numbers of these vendors are listed on the final page of these Supplemental Instructions.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which added Topic 606, Revenue from Contracts with Customers, to the Accounting Standards Codification (ASC). The core principle of Topic 606 is that an entity should recognize revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. ASU 2014-09 also added Topic 610, Other Income, to the Codification to extend revenue recognition guidance in Topic 606 to sales of nonfinancial assets to noncustomers, that is, transactions that are determined not to be part of an institution's ordinary business activities, including sales of other real estate owned (OREO). ASU 2014-09 and subsequent amendments to Topic 606 are collectively referred to herein as the "new standard."

The new standard addresses the recognition of gain or loss from the sale or transfer of a nonfinancial asset that is not in a contract with a customer, such as the sale or transfer of OREO. ASC Subtopic 610-20, Other

Income – Gains and Losses from the Derecognition of Nonfinancial Assets, provides the accounting guidance for dispositions of OREO. The banking agencies plan to issue regulatory reporting guidance with respect to balance-sheet derecognition and income recognition for sales and transfers of OREO when the reporting institution finances the transaction. The new guidance will replace relevant portions of the Call Report Glossary entry for "Foreclosed Assets," which currently contains guidance on the reporting of seller-financed sales of real estate.

The new standard specifically excludes certain types of contracts with customers, including financial instruments and other contractual rights or obligations within the scope of Topic 310, Receivables; Topic, 320, Investments – Debt and Equity Securities; Topic 815, Derivatives and Hedging; and certain other ASC Topics. Therefore, many common revenue streams in the financial sector, such as interest income, fair value adjustments, gains and losses on sales of financial instruments, and loan origination fees, are not within the scope of the new standard. The new standard may change the timing for the recognition of, and the presentation of, various fee-based sources of revenue, such as certain fees associated with credit card arrangements, underwriting fees and costs, and deposit-related fees.

For institutions that are public business entities, as defined under U.S. generally accepted accounting principles (GAAP), the new standard is effective for fiscal years beginning after December 15, 2017, including interim reporting periods within those fiscal years. For institutions that are not public business entities (i.e., that are private companies), the new standard is effective for fiscal years beginning after December 15, 2018, and interim reporting periods within fiscal years beginning after December 15, 2019. Early application of the new standard is permitted for all institutions for fiscal years beginning after December 15, 2016, and interim reporting periods as prescribed in the new standard. If an institution chooses to early adopt the new standard for financial reporting purposes, the institution should implement the new standard in its Call Report for the same quarter-end report date.

For Call Report purposes, an institution must apply the new standard on a modified retrospective basis. Under the modified retrospective method, an institution should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted. The cumulative-effect adjustment to retained earnings for this change in accounting principle should be reported in Schedule RI-A, item 2. An institution that early adopts the new standard must apply it in its entirety. The institution cannot choose to apply the guidance to some revenue streams and not to others that are within the scope of the new standard.

For additional information, institutions should refer to the new standard, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Reporting Exposures Hedged with Cleared Eligible Credit Derivatives in Schedule RC-R

Institutions are able to obtain full or partial protection for (i.e., "hedge") on-balance sheet assets or off-balance sheet items using credit derivatives that are cleared through a central counterparty (CCP) or a qualified central counterparty (QCCP). In some cases, a cleared credit derivative used for this purpose meets the definition of an eligible credit derivative in section .2 of the agencies' regulatory capital rules. In these cases, under section .36 of the regulatory capital rules, an institution that is a clearing member bank or a clearing member client bank may recognize the credit risk mitigation benefits of the eligible credit derivative. More specifically, the risk weight of the underlying exposure (e.g., 20 percent, 50 percent, and 100 percent) may be replaced with the risk weight of the protection provider on the cleared credit derivative if the derivative is an eligible credit derivative, is cleared through a CCP or a QCCP, and meets the applicable requirements under sections .35 and .36 of the regulatory capital rules. The risk weight for an eligible credit derivative cleared through a QCCP is 2 percent or 4 percent, based on conditions set forth in the rules. In addition, the coverage amount provided by an eligible credit derivative must be adjusted downward under certain conditions as described in section .36 of the regulatory capital rules.

However, on Schedule RC-R, Part II, the 2 percent and 4 percent risk-weight columns are shaded at present for most on- and off-balance sheet items. Therefore, the protected exposure amounts and credit equivalent amounts cannot be reported in these risk-weight categories. If a clearing member bank or clearing member client bank has obtained full or partial protection for an on-balance sheet asset or off-balance sheet item using a cleared eligible credit derivative cleared through a QCCP, the institution may, but is not required to, recognize the benefits of this eligible credit derivative in determining the risk-weighted asset amount for the hedged exposure in Schedule RC-R, Part II. As a practical expedient for an on-balance sheet asset or an off-balance sheet item, the reporting institution should first multiply the exposure amount or the credit equivalent amount covered by the eligible credit derivative by the risk weight applicable to the cleared eligible credit derivative (i.e., 2 percent or 4 percent, as appropriate under the regulatory capital rules) and report the product in Column I, the 100 percent risk-weight category. Second, the difference between the covered exposure amount and the product reported in Column I should be reported in Column C, the zero percent risk-weight category. Any amount of the exposure that is not covered by the eligible credit derivative should be reported in the column corresponding to the risk weight of the underlying exposure. For example, for an asset with a $200 exposure amount fully covered by an eligible credit derivative cleared through a QCCP that qualifies for a 2 percent risk weight, the institution would report $4 in Column I–100% risk weight and $196 in Column C–0% risk weight.

The agencies will modify Schedule RC-R, Part II, effective March 31, 2017, to open the 2 percent and 4 percent risk-weight columns. This will enable institutions to report protected exposure amounts and credit equivalent amounts in the appropriate risk-weight categories, thereby eliminating the need for institutions to use the practical expedient described above.

The agencies' regulatory capital rules may be found at 12 CFR Part 3 for national banks and federal savings associations, 12 CFR Part 217 for state member banks, and 12 CFR Part 324 for state nonmember banks and state savings associations.

Classification and Measurement of Financial Instruments: Fair Value Option Liabilities

On January 5, 2016, the Financial Accounting Standards Board (FASB) completed its Classification and Measurement of Financial Instruments project by issuing Accounting Standards Update (ASU) No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities."

This ASU makes targeted improvements to U.S. GAAP. It includes requiring an institution to present separately in other comprehensive income (OCI) the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk ("own credit risk") when the institution has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Prior to the new ASU, U.S. GAAP required institutions to report the entire change in fair value of such an instrument in earnings. The effect of a change in an entity's own credit risk for other financial liabilities measured at fair value, including derivatives, will continue to be reported in net income.
The change due to own credit risk, as described above, is the difference between the total change in fair value and the amount resulting from a change in a base market rate (e.g., a risk-free interest rate). An institution may use another method that it believes results in a faithful measurement of the fair value change attributable to instrument-specific credit risk. However, it will have to apply the method consistently to each financial liability from period to period.

For public business entities, as defined under U.S. GAAP, the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application of the ASU is permitted for all organizations that are not public business entities as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Additionally, early application of the provisions regarding the presentation in OCI of changes due to own credit risk, as described above, is permitted for all entities for financial statements of fiscal years or interim periods that have not yet been issued or made available for issuance, and in the same period for Call Report purposes.

When an institution with a calendar year fiscal year adopts ASU 2016-01, the accumulated gains and losses as of the beginning of the fiscal year due to changes in the instrument-specific credit risk of fair value option liabilities, net of tax effect, are reclassified from Schedule RC, item 26.a, "Retained earnings," to Schedule RC, item 26.b, "Accumulated other comprehensive income" (AOCI). If an institution with a calendar year fiscal year chooses to early apply the ASU's provisions for fair value option liabilities in an interim period after the first interim period of its fiscal year, any unrealized gains and losses due to changes in own credit risk and the related tax effects recognized in the Call Report income statement during the interim period(s) before the interim period of adoption should be reclassified from earnings to OCI. In the Call Report, this reclassification would be from Schedule RI, item 5.l, "Other noninterest income," and Schedule RI, item 9, "Applicable income taxes," to Schedule RI-A, item 10, "Other comprehensive income," with a corresponding reclassification from Schedule RC, item 26.a, to Schedule RC, item 26.b.

Additionally, for purposes of reporting on Schedule RC-R, Part I, institutions should report in item 10.a, "Less: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk," the amount included in AOCI attributable to changes in the fair value of fair value option liabilities that are due to changes in the institution's own credit risk. Institutions should note that this AOCI amount is included in the amount reported in Schedule RC-R, Part I, item 3, "Accumulated other comprehensive income (AOCI)."

For additional information, institutions should refer to ASU 2016-01, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Accounting for Measurement-Period Adjustments Related to a Business Combination

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." Under Accounting Standards Codification Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer reports provisional amounts in its financial statements for the items for which the accounting is incomplete. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. At present under Topic 805, an acquirer is required to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information. To simplify the accounting for the adjustments made to provisional amounts, ASU 2015-16 eliminates the requirement to retrospectively account for the adjustments. Accordingly, the ASU amends Topic 805 to require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which adjustment amounts are determined. Under the ASU, the acquirer also must recognize in the financial statements for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional amounts as if the accounting for the business combination had been completed as of the acquisition date.

In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts reported for identifiable assets acquired, liabilities assumed, and consideration transferred for the acquiree for which the initial accounting for the business combination is incomplete at the end of the reporting period in which the combination occurs. Topic 805 provides additional guidance on the measurement period, which shall not exceed one year from the acquisition date, and adjustments to provisional amounts during this period.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2015-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The ASU's amendments to Topic 805 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU. Thus, institutions with a calendar year fiscal year that are public business entities were required to apply the ASU to any adjustments to provisional amounts that occur after

January 1, 2016, beginning with their Call Reports for March 31, 2016. Institutions with a calendar year fiscal year that are private companies must apply the ASU to any adjustments to provisional amounts that occur after January 1, 2017, beginning with their Call Reports for December 31, 2017. Early application of ASU 2015-16 is permitted in Call Reports that have not been submitted.

For additional information, institutions should refer to ASU 2015-16, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share (or its equivalent) practical expedient described in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"). It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient, regardless of whether the expedient has been applied. Rather, the ASU limits those disclosures to investments for which the entity has elected to measure fair value using the NAV per share practical expedient to help users of its financial statements understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from their NAV per share (or its equivalent). In addition, although the investments are not categorized within the fair value hierarchy, the ASU requires a reporting entity to disclose the amount of investments for which fair value is measured using the NAV per share practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position.

ASC Topic 820 currently permits a reporting entity, as a practical expedient, to measure the fair value of certain investments in investment companies and real estate funds using the NAV per share of the investment. In contrast to other investments within the fair value hierarchy, which are categorized on the basis of the observability of the significant inputs in the fair value measurement, investments valued using the NAV per share practical expedient currently are categorized on the basis of whether the investment is redeemable with the investee at NAV on the measurement date, never redeemable with the investee at NAV, or redeemable with the investee at NAV at a future date.

The criteria for categorizing investments in the fair value hierarchy that are measured using the NAV per share practical expedient do not consider the observability of inputs and are therefore inconsistent with the overarching intent of the fair value hierarchy. By removing the requirement to include investments measured using the NAV per share practical expedient within the fair value hierarchy, ASU 2015-07 ensures that all investments within the hierarchy are categorized using a consistent approach. Investments that calculate NAV per share, but for which the practical expedient is not applied, must continue to be included in the fair value hierarchy.

For Call Report purposes, the issuance of ASU 2015-07 means that an institution that has adopted the ASU and elects to measure the fair value of an investment that meets criteria specified in Topic 820 using the NAV per share practical expedient should continue to report the investment's fair value in the appropriate asset item in column A of Schedule RC-Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. However, the institution should exclude the investment from the Level 1, 2, and 3 disclosures in columns C, D, and E of Schedule RC-Q and it should instead report the fair value measured using the NAV per share practical expedient in column B along with the netting adjustments currently reported in column B. In contrast, if the institution does not elect to measure an investment that meets criteria specified in Topic 820 using the NAV practical expedient, it must disclose in column C, D, or E of Schedule RC-Q, as appropriate, the level within the fair value hierarchy within which its fair value measurement in its entirety falls based on the lowest level input that is significant to the fair value measurement in its entirety.

ASU 2015-07 is effective for institutions that are public business entities, as defined under U.S. GAAP, for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For example, institutions with a calendar year fiscal year that are public business entities were required to apply the ASU in their Call Reports beginning March 31, 2016. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Accordingly, institutions with a calendar year fiscal year that are private companies must apply the ASU in their Call Reports beginning March 31, 2017. Earlier application is permitted. If an institution chooses to early adopt ASU 2015-07 for financial reporting purposes, the institution may implement the provisions of the ASU in the manner described above in its Call Report for the same quarter-end report date. However, prior Call Reports should not be amended.

For additional information, institutions should refer to ASU 2015-07, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Amending Previously Submitted Report Data

Should your institution find that it needs to revise previously submitted Call Report data, please make the appropriate changes to the data, ensure that the revised data passes the FFIEC-published validation criteria, and submit the revised data file to the CDR using one of the two methods described in the banking agencies' Financial Institution Letter for the December 31, 2016, report date. For technical assistance with the submission of amendments to the CDR, please contact the CDR Help Desk by telephone at (888) CDR-3111, by fax at (703) 774-3946, or by e-mail at CDR.Help@ffiec.gov.

Other Reporting Matters

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

- "Purchased" Loans Originated By Others – Supplemental Instructions for September 30, 2015 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201509.pdf)
- True-up Liability under an FDIC Loss-Sharing Agreement – Supplemental Instructions for June 30, 2015 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201506.pdf)
- Troubled Debt Restructurings, Current Market Interest Rates, and ASU No. 2011-02 – Supplemental Instructions for December 31, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201412.pdf)
- Determining the Fair Value of Derivatives – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Indemnification Assets and Accounting Standards Update No. 2012-06 – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Other-Than-Temporary Impairment of Debt Securities – Supplemental Instructions for June 30, 2014 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201406.pdf)
- Small Business Lending Fund – Supplemental Instructions for March 31, 2013 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201303.pdf)
- Reporting purchased subordinated securities in Schedule RC-S – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Treasury Department's Capital Purchase Program – Supplemental Instructions for September 30, 2011 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_FFIEC041_suppinst_201109.pdf)
- Deposit insurance assessments – Supplemental Instructions for September 30, 2009 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf)
- Accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* – Supplemental Instructions for December 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200612.pdf)
- Commitments to originate and sell mortgage loans – Supplemental Instructions for March 31, 2006 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200603.pdf) and June 30, 2005 (https://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200506.pdf)

Call Report Software Vendors

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

Axiom Software Laboratories, Inc.
67 Wall Street, 17th Floor
New York, New York 10005
Telephone: (212) 248-4188
http://www.axiomsl.com

DBI Financial Systems, Inc.
P.O. Box 14027
Bradenton, Florida 34280
Telephone: (800) 774-3279
http://www.e-dbi.com

Fed Reporter, Inc.
28118 Agoura Road, Suite 202
Agoura Hills, California 91301
Telephone: (888) 972-3772
http://www.fedreporter.net

FIS Compliance Solutions
16855 West Bernardo Drive,
Suite 270
San Diego, California 92127
Telephone: (800) 825-3772
http://www.callreporter.com

FiServ, Inc.
1345 Old Cheney Road
Lincoln, Nebraska 68512
Telephone: (402) 423-2682
http://www.premier.fiserv.com

Jack Henry & Associates, Inc.
Regulatory Filing Group
11044 Research Boulevard,
Suite D-230
Austin, Texas 78759
Telephone: (800) 688-9191
http://filing.jackhenry.com

Lombard Risk
One Gateway Center,
26th Floor
Newark, New Jersey 07102
Telephone: (973) 648-0900
http://www.lombardrisk.com

SHAZAM Core Services
6700 Pioneer Parkway
Johnston, Iowa 50131
Telephone: (888) 262-3348
http://www.cardinal400.com

Wolters Kluwer Financial Services
130 Turner Street, Building 3,
4th Floor
Waltham, Massachusetts 02453
Telephone (800) 261-3111
http://www.wolterskluwer.com