SCHEDULE HC-R – REGULATORY CAPITAL COMPONENTS AND RATIOS

General Instructions – Part I.B

The instructions for Schedule HC-R, Part I.B, should be read in conjunction with the revised regulatory capital rules issued by the Federal Reserve Board on July 2, 2013.[1]

Advanced approaches holding companies[2] (except savings and loan holding companies (SLHCs)) must complete Schedule HC-R, Part I.B, starting on March 31, 2014. These institutions should not complete Schedule HC-R, Part I.A, for report dates in 2014.

Starting on March 31, 2015, all other holding companies subject to the revised regulatory capital rules must complete Schedule HC-R, Part I.B,[3] using the instructions below for line items 1 through 48. Holding companies must report the applicable line items using the mandatory transition provisions which are included in certain line items. Holding companies, except for advanced approaches holding companies, must apply the transition provisions starting with calendar year 2015.

SLHCs: The revised regulatory capital rules apply to top-tier SLHCs that are not substantially engaged in insurance or commercial activities (covered SLHCs).

A top-tier SLHC is deemed to be substantially engaged in insurance activities (insurance SLHC) if (i) the top-tier SLHC is an insurance underwriting company;[4] or (ii) as of June 30 of the previous calendar year, it held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk). For purposes of determining the 25 percent threshold, the SLHC must calculate its total consolidated assets in accordance with generally accepted accounting principles (GAAP), or if the SLHC does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the SLHC may estimate its total consolidated assets, subject to review and adjustment by the Board. Thus, insurance SLHCs are not required to complete Schedule HC-R, even if they complete other schedules of FR Y-9C.

A top-tier SLHC is deemed to be substantially engaged in commercial activities (commercial SLHC) if (i) the top-tier SLHC is a grandfathered unitary SLHC (as defined in section

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[1] See http://www.federalreserve.gov/bcreg20130702a.pdf for the revised regulatory capital rules.
[2] An advanced approaches banking organization as defined in the revised capital rules (i) has consolidated total assets on its most recent year-end regulatory report equal to $250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to $10 billion or more; (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Board), or 12 CFR part 325 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.
[3] Beginning with the March 31, 2015, reporting date, Schedule HC-R, Part I.A, will be removed and Part I.B will be re-designated as Part I.
[4] Insurance underwriting company means an insurance company as defined in section 201 of the Dodd-Frank Act (12 U.S.C. 5381) that engages in insurance underwriting activities.

10(c)(9)(A) of HOLA) and (ii) as of June 30 of the previous calendar year, it derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k)).

Common equity tier 1 capital

Line item 1 Common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan (ESOP) shares.

Report the sum of Schedule HC, items 24 and 25, less item 26(c) as follows:

(1) Common stock: report the amount of common stock reported in Schedule HC, item 24, provided it meets the criteria for common equity tier 1 capital based on the revised regulatory capital rules of the Federal Reserve. Include capital instruments issued by mutual banking organizations that meet the criteria for common equity tier 1 capital.

(2) PLUS: related surplus: adjust the amount reported in Schedule HC, item 25 as follows: include 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 adjustments arising from treasury stock transactions.

(3) LESS: treasury stock, unearned ESOP shares, and any other contra-equity components.

Line item 2 Retained earnings.

Report the amount of the holding company's retained earnings as reported in Schedule HC, item 26(a).

Line item 3 Accumulated other comprehensive income (AOCI).

Report the amount of AOCI as reported under generally accepted accounting principles (GAAP) in the U.S. that is included in Schedule HC, item 26(b), subject to the transition provisions described below, if applicable.

Line item 3(a) AOCI opt-out election.

(i) Holding companies, except advanced approaches holding companies:

A holding company, except an advanced approaches holding company, may make a one-time election to become subject to the AOCI-related adjustments in Schedule HC-R, items 9(a) through 9(e). That is, such a holding company may opt-out of the requirement to include most components of AOCI in common equity tier 1 capital (with the exception of accumulated net gains and losses on cash flow hedges related to items that are not recognized at fair value on the balance sheet). A holding company that makes an AOCI opt-out election must enter "1" for "Yes" in item 3(a). There are no transition provisions applicable to reporting Schedule HC-R, item 3, if a holding company makes an AOCI opt-out election.

A holding company (except an advanced approaches holding company) must make its AOCI opt-out election on the holding company's March 31, 2015 FR Y-9C report. For a holding company that comes into existence after March 31, 2015, the AOCI opt-out election must be made on the holding company's first FR Y-9C report. Each of the holding company's depository institution subsidiaries, if any, subject to the revised regulatory capital rules must elect the same option as the holding company. With prior notice to the Federal Reserve, a holding company resulting from a merger, acquisition, or purchase transaction may make a new AOCI opt-out election, as described in section 22(b)(2) of the revised regulatory capital rules.

(ii) Holding companies that do not make an AOCI opt-out election and all advanced approaches holding companies:

A holding company that does not make an AOCI opt-out election and enters "0" for "No" in item 3(a) and all advanced approaches holding companies are subject to the AOCI-related adjustment under Schedule HC-R, item 9(f). In addition, these holding companies must report Schedule HC-R, item 3, subject to the following transition provisions:

Transition provisions: report AOCI adjusted for the transition AOCI adjustment amount in Schedule HC-R, item 3, as follows:

(i) Determine the aggregate amount of the following items:
  - (1) Unrealized gains on available-for-sale equity securities, plus
  - (2) Net unrealized gains (losses) on available-for-sale debt securities, plus
  - (3) Any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (excluding, at the holding company's option, the portion relating to pension assets deducted in Schedule HC-R, item 10(b)), plus
  - (4) Accumulated net gains (losses) on cash flow hedges included in AOCI related to items that are reported on the balance sheet at fair value, plus
  - (5) Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

(ii) Multiply the amount calculated in step (i) by the appropriate percentage in Table 1 below. This amount is the calendar-year transition AOCI adjustment amount.

(iii) Report in Schedule HC-R, item 3, the amount of AOCI reported in Schedule HC, item 26(b), minus the calendar-year transition AOCI adjustment amount calculated in step (ii).

Table 1—Percentage of the transition AOCI adjustment amount

Calendar year	Percentage of the transition AOCI adjustment amount to be applied to common equity tier 1 capital
2014	80
2015	60
2016	40
2017	20
2018 and thereafter	0

Line item 4 Common equity tier 1 minority interest includable in common equity tier 1 capital.

Report the aggregate amount of common equity tier 1 minority interest, calculated as described below, consistent with section 21 of the revised regulatory capital rules. Common equity tier 1 minority interest means the common equity tier 1 capital of a depository institution or foreign bank that is a consolidated subsidiary of the holding company and that is not owned by the holding company. In addition, the capital instruments issued by the subsidiary must meet all of the criteria for common equity tier 1 capital (qualifying common equity tier 1 capital).

The minority interest limitations apply only to the consolidated subsidiaries that have common equity tier 1 capital in excess of capital necessary to meet the minimum capital requirements plus the capital conservation buffer. For example, a subsidiary with a common equity tier 1 capital ratio of 8 percent that needs to maintain a common equity tier 1 capital ratio of more than 7 percent to avoid limitations on capital distributions and discretionary bonus payments is considered to have "surplus" common equity tier 1 capital. Thus, at the consolidated level, the holding company may not include the portion of such surplus common equity tier 1 capital and is required to phase out this surplus minority interest in accordance with Table 2, as described below in this item 4.

In addition, a holding company is required to phase-out regulatory capital instruments issued by the subsidiaries that no longer qualify for inclusion in regulatory capital in accordance with Table 2, as described below in this Schedule HC-R, item 4.

The following example and a worksheet is intended to assist holding companies in determining the amount of common equity tier 1 minority interest includable in common equity tier 1 capital.

Example: calculate the minority interest includable at the holding company level as follows:
Assumptions:
- Risk-weighted assets of the consolidated subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary ($1,000);
- The subsidiary's qualifying common equity tier 1 capital is $80;
- The subsidiary's qualifying common equity tier 1 minority interest (that is, owned by minority shareholders) is $24.

(1)	Determine the risk-weighted assets of the subsidiary using the risk-based capital framework applicable to that subsidiary.[5]	*$1,000*
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Determine the lower of (1) or (2), and multiply that amount by 7.0%.[6]	*$1,000 x 7% = $70*
(4)	Determine the dollar amount of the subsidiary's qualifying common equity tier 1 capital. If this amount is less than step (3), include this amount in Schedule HC-R, item 4, as part of the	*$80*

[5] For purposes of the minority interest calculations, if the consolidated subsidiary issuing the capital is not subject to capital adequacy standards similar to those of the holding company, the holding company must assume that the capital adequacy standards of the holding company apply to the subsidiary.
[6] The percentage multiplier in step (3) is the capital ratio necessary for the depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding companies must adjust this percentage to account for all the applicable buffers.

	common equity tier 1 minority interest includable at the holding company level. Otherwise, continue to step (5).	
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus common equity tier 1 minority capital of the subsidiary."	*$80 - $70 = $10*
(6)	Determine the percent of the subsidiary's qualifying common equity tier 1 interest owned by third parties (the minority shareholders).	*$24/$80 = 30%*
(7)	Multiply the percentage in step (6) by the dollar amount in step (5). This is the "surplus common equity tier 1 minority interest of the subsidiary."	*30% x $10 = $3.30, which rounds to $3*
(8)	Subtract the amount in step (7) from the subsidiary's qualifying common equity tier 1 minority interest.	*$24 - $3 = $21*
(9)	This is the "common equity tier 1 minority interest includable at the holding company level" to be included in Schedule HC-R, item 4, for this subsidiary.	*$21*

Transition provisions for surplus minority interest and non-qualifying minority interest:

a. Surplus minority interest:

A holding company may include in common equity tier 1 capital, tier 1 capital, or total capital the percentage of the common equity tier 1 minority interest, tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that exceeds any common equity tier 1 minority interest, tier 1 minority interest or total capital minority interest includable under section 21 of the revised regulatory capital rules (surplus minority interest) as follows:

(i) Determine the amounts of outstanding surplus minority interest (for the case of common equity tier 1, tier 1, and total capital).
(ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
(iii) Include the amounts in (ii) in the corresponding line items (that is, Schedule HC-R, item 4, item 22, or item 29).

In the example above, the holding company has $10 of surplus common equity tier 1 minority interest as of January 1, 2014. Therefore, it may include $8 (that is, $10 multiplied by 80%) in Schedule HC-R, item 4, during calendar year 2014; $6 during calendar year 2015; $4 during calendar year 2016; $2 during calendar year 2017; and $0 starting on January 1, 2018.

b. Non-qualifying minority interest:

A holding company may include in tier 1 capital or total capital the percentage of the tier 1 minority interest and total capital minority interest outstanding as of January 1, 2014, that does not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules (non-qualifying minority interest). The holding company must phase-out non-qualifying minority interest in accordance with Table 2, using the following steps for each qualifying subsidiary:

(i) Determine the amounts of the outstanding non-qualifying minority interest (in the form of additional tier 1 and tier 2 capital).
(ii) Multiply the amounts in (i) by the appropriate percentage in Table 2 below.
(iii) Include the amounts in (ii) in the corresponding line item (that is, Schedule HC-R, item 22 or item 29).

For example, if a holding company has $10 of non-qualifying minority interest that previously qualified as tier 1 capital, it may include $8 (that is, $10 multiplied by 80%) during calendar year 2014, $6 during calendar year 2015, $4 during calendar year 2016, $2 during calendar year 2017 and $0 starting in January 1, 2018.

Table 2—Percentage of the amount of surplus or non-qualifying minority interest includable in regulatory capital during transition period

Calendar year	Percentage of the amount of surplus or non-qualifying minority interest that can be included in regulatory capital during the transition period
2014	80
2015	60
2016	40
2017	20
2018 and thereafter	0

Line item 5 Common equity tier 1 capital before adjustments and deductions.

Report the sum of Schedule HC-R, items 1, 2, 3, and 4.

Common equity tier 1 capital: adjustments and deductions

Note: as described in section 22 of the revised regulatory capital rules, netting of deferred tax liabilities (DTLs) against assets that are subject to deduction is permitted if the following conditions are met:

(i) The DTL is associated with the asset;
(ii) The DTL would be extinguished if the associated asset becomes impaired or is derecognized under GAAP; and
(iii) A DTL can only be netted against a single asset.

The amount of deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances, and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, may be offset by DTLs (that have not been netted against assets subject to deduction) if the following conditions are met:

(i) Only the DTAs and DTLs that relate to taxes levied by the same taxation authority and that are eligible for offsetting by that authority may be offset for purposes of this deduction.
(ii) The amount of DTLs that the holding company nets against DTAs that arise from operating loss and tax credit carryforwards, net of any related valuation allowances, and against DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances, must be allocated in proportion to the amount of DTAs that arise from net operating loss and tax credit carryforwards (net of any related valuation allowances, but before any offsetting of DTLs) and of DTAs arising from temporary differences that could not be realized through net operating loss carrybacks (net of any related valuation allowances, but before any offsetting of DTLs), respectively.

A holding company may offset DTLs embedded in the carrying value of a leveraged lease portfolio acquired in a business combination that are not recognized under GAAP against DTAs that are subject to section 22(b) of the revised regulatory capital rules in accordance with section 22(e).

An institution must net DTLs against assets subject to deduction in a consistent manner from reporting period to reporting period. Holding companies may change their DTL netting preference only after obtaining the prior written approval of the agency.

Line item 6 LESS: Goodwill net of associated deferred tax liabilities (DTLs).

Report the amount of goodwill included in Schedule HC, item 10(a).

However, if the holding company has a DTL that is specifically related to goodwill acquired in a taxable purchase business combination that it chooses to net against the goodwill, the amount of disallowed goodwill to be reported in this item should be reduced by the amount of the associated DTL.

If a holding company has significant investments in the capital of unconsolidated financial institutions in the form of common stock, the holding company should report in this item goodwill embedded in the valuation of a significant investment in the capital of an unconsolidated financial institution in the form of common stock (embedded goodwill). Such deduction of embedded goodwill would apply to investments accounted for under the equity method. Under GAAP, if there is a difference between the initial cost basis of the investment and the amount of underlying equity in the net assets of the investee, the resulting difference should be accounted for as if the investee were a consolidated subsidiary (which may include imputed goodwill).

There are no transition provisions for this item.

Line item 7 LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs.

Report all intangible assets (other than goodwill and MSAs) net of associated DTLs, included in Schedule HC-M, items 12.b and 12.c, that do not qualify for inclusion in common equity tier 1 capital under the regulatory capital rules. Generally, all purchased credit card relationships (PCCRs) and non-mortgage servicing rights, reported in Schedule HC-M, item 12.b, and all other identifiable intangibles, reported in Schedule HC-M, item 12.c, do not qualify for inclusion in common equity tier 1 capital and should be included in this item.

Further, if the holding company has a DTL that is specifically related to an intangible asset (other than servicing assets and PCCRs) acquired in a nontaxable purchase business combination that it chooses to net against the intangible asset for regulatory capital purposes, the amount of disallowed intangibles to be reported in this item should be reduced by the amount of the associated DTL. However, a DTL that the holding company chooses to net against the related intangible reported in this item may not also be netted against DTAs when the holding company determines the amount of DTAs that are dependent upon future taxable income and calculates the maximum allowable amount of such DTAs for regulatory capital purposes.

If the amount reported for other identifiable intangible assets in Schedule HC-M, item 12.c, includes intangible assets that were recorded on the reporting holding company's balance sheet on or before February 19, 1992, the remaining book value as of the report date of these intangible assets may be excluded from this item.

***Transition provisions*:**

(i) Calculate the amount as described in the instructions for this item 7.

(ii) Multiply the amount in (i) by the appropriate percentage in accordance with Table 3 below. Report the product in this line item 7.

(iii) Subtract (ii) from (i) to calculate the balance amount which must be risk-weighted during the transition period.

(iv) Multiply the amount in (iii) by 100 percent and report the risk-weighted assets as part of “other assets” in Schedule HC-R, Part II.

Table 3—Deduction of intangibles other than goodwill and MSAs during transition period

Calendar year	Percentage of the deductions from common equity tier 1 capital
2014	20
2015	40
2016	60
2017	80
2018 and thereafter	100

For example, in calendar year 2014, a holding company will deduct 20 percent of intangible assets (other than goodwill and MSAs), net of associated DTLs, from common equity tier 1 capital. The holding company must apply a 100 percent risk weight to the remaining 80 percent of the intangible assets that are not deducted.

Line item 8 LESS: Deferred tax assets (DTAs) that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.

Report the amount of DTAs that arise from net operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs.

***Transition provisions*:**
(i) Determine the amount as described in the instructions for this line item 8.
(ii) Multiply the amount in (i) by the appropriate percent in column A of Table 4 below. Report this product in this line item 8.
(iii) Multiply the amount in (i) by the appropriate percentage in column B of Table 4 below. Include this amount in Schedule HC-R, item 24, "Additional tier 1 capital deductions."

Table 4—Deduction of DTAs, gain-on-sale, defined benefit pension fund assets, changes in fair value of liabilities, and expected credit losses during the transition period

Calendar year	Column A: Percentage of the adjustments applied to common equity tier 1 capital	Column B: Percentage of the adjustments applied to tier 1 capital
2014	20	80
2015	40	60
2016	60	40
2017	80	20
2018 and thereafter	100	0

Line item 9 AOCI-related adjustments.

Holding companies that entered "1" for "Yes" in item Schedule HC-R, item 3(a), must complete Schedule HC-R, items 9(a) through 9(e), only. Holding companies that entered "0" for "No" in Schedule HC-R, item 3(a), must complete Schedule HC-R, item 9(f), only.

Line item 9(a) LESS: Net unrealized gains (losses) on available-for-sale securities.

Report the amount of net unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes, that is included in Schedule HC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line item 9(b) LESS: Net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

Report as a positive value net unrealized loss on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that is included in Schedule HC, item 26.b, "Accumulated other comprehensive income."

Line item 9(c) LESS: Accumulated net gains (losses) on cash flow hedges.

Report the amount of accumulated net gains (losses) on cash flow hedges that is included in Schedule HC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line item 9(d) LESS: Amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans.

Report the amounts recorded in AOCI and included in Schedule HC, item 26.b, "Accumulated other comprehensive income," resulting from the initial and subsequent application of ASC Subtopic 715-20 (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans") to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans. A holding company may exclude the portion related to pension assets deducted in Schedule HC-R, item 10(b). If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Line item 9(e) LESS: Net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

Report the amount of net unrealized gains (losses) that are not credit-related on held-to-maturity securities and are included in AOCI as reported in Schedule HC, item 26.b, "Accumulated other comprehensive income." If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Include (i) the unamortized balance of the unrealized holding gain (loss) that existed at the date of transfer of a debt security transferred into the held-to-maturity category from the available-for-sale category and (ii) the unaccreted portion of other-than-temporary impairment losses on available-for-sale and held-to-maturity debt securities that was not recognized in earnings in accordance with ASC Topic 320, Investments-Debt and Equity Securities (formerly FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities").

Line item 9(f)— to be completed only by holding companies that entered "0" for "No" in Schedule HC-R, item 3(a):

LESS: Accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items that are not recognized at fair value on the balance sheet.

Report the amount of accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects that relate to the hedging of items not recognized at fair value on the balance sheet. If the amount is a net gain, report it as a positive value. If the amount is a net loss, report it as a negative value.

Line item 10 Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions:

Line 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.

Report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in the holding company’s own credit risk. If the amount is a net gain, report it as a positive value in this item. If the amount is a net loss, report it as a negative value in this item.

Advanced approaches holding companies only: include the credit spread premium over the risk free rate for derivatives that are liabilities.

Transition provisions: follow the transition provisions in Schedule HC-R, item 8.

Line item 10(b) LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions.

Report the amount of other deductions from (additions to) common equity tier 1 capital that are not included in Schedule HC-R, items 1 through 9, as described below.

(1) After-tax gain-on-sale in connection with a securitization exposure.

Include any after-tax gain-on-sale in connection with a securitization exposure. Gain-on-sale means an increase in the equity capital of a holding company resulting from a securitization (other than an increase in equity capital resulting from the holding company’s receipt of cash in connection with the securitization or reporting of a mortgage servicing asset on Schedule HC).

Transition provisions: follow the transition provisions in Schedule HC-R, item 8.

(2) Defined benefit pension fund assets, net of associated DTLs.

A holding company must deduct defined benefit pension fund assets, net of associated DTLs, held by a holding company. With the prior approval of the Federal Reserve, this deduction is not required for any defined benefit pension fund net asset to the extent the holding company has unrestricted and unfettered access to the assets in that fund. For an insured depository institution, no deduction is required.

A holding company must risk weight any portion of the defined benefit pension fund asset that is not deducted as if the holding company directly holds a proportional ownership share of each exposure in the defined benefit pension fund.

Transition provisions: follow the transition provisions in Schedule HC-R, item 8.

(3) Investments in the holding company's own shares to the extent not excluded as part of treasury stock.

Include the holding company's investments in (including any contractual obligation to purchase) its own common stock instruments, including direct, indirect, and synthetic exposures to such instruments (as defined in the revised regulatory capital rules), to the extent such instruments are not excluded as part of treasury stock, reported in Schedule HC-R, line item 1.

If a holding company already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital elements, it does not need to make such deduction twice.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty credit risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments.

In addition:

(i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same underlying index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions may be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company's internal control processes which would have been assessed by the Federal Reserve.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

(4) Reciprocal cross-holdings in the capital of financial institutions in the form of common stock.

Include investments in the capital of other financial institutions (in the form of common stock) that the holding company holds reciprocally (this is the corresponding deduction approach). Such reciprocal crossholdings may result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

(5) Equity investments in financial subsidiaries.

A holding company must deduct the aggregate amount of its outstanding equity investment, including retained earnings, in its financial subsidiaries (as defined in 12 CFR 208.77) and may not consolidate the assets and liabilities of a financial subsidiary with those of the parent institution. No other deduction is required for these investments in the capital instruments of financial subsidiaries.

(6) Advanced approaches holding companies only that exit parallel run.[7]

Include the amount of expected credit loss that exceeds the eligible credit reserves.

Transition provisions: follow the transition provisions in Schedule HC-R, line item 8.

Line item 11 LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments.

A holding company has a non-significant investment in the capital of an unconsolidated financial institution (as defined in section 2 of the revised regulatory capital rules) if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Report the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that, in the aggregate, exceed the 10 percent threshold for non-significant investments, calculated as described below. The holding company may apply associated DTLs to this deduction.

Example:
Assumptions:
- A holding company has a total of $200 in non-significant investments in the capital of unconsolidated financial institutions, of which $100 is in common shares. For this example, all of the $100 in common shares is in the common stock of a publicly traded financial institution.
- The holding company reported $1,000 in Schedule HC-R, item 5 (common equity tier 1 capital before adjustments and deductions).
- Assume the amounts reported in Schedule HC-R, items 6 through 9(e), are all $0.

(1)	Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions (including in the form of common stock, additional tier 1, and tier 2 capital).	*$200*
(2)	Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.	*$100*
(3)	Subtract from Schedule HC-R, item 5, the amounts in Schedule HC-R, items 6, 7, 8, 9, and 10.	*$1,000 - $0 = $1,000*
(4)	Multiply the amount in step (3) by 10%. This is “the 10	*$1,000 x 10% = $100*

[7] An advanced approaches holding company that exit the parallel run is an advanced approaches holding company that has completed the parallel run process and received notification from the Federal Reserve pursuant to section 121(d) of subpart E of the revised regulatory capital rules.

	percent threshold for non-significant investments."	
(5)	If (1) is greater than (4), subtract (4) from (1) and multiply the result by the ratio of (2) divided by (1). Report this amount in this item 11. If (1) is less than (4), enter zero in Schedule HC-R, item 11.	*Line (1) is greater than line (4); therefore $200 - $100 = $100. Then ($100 x 100/200) = $50. Report $50 in this line item 11.*
(6)	Assign the applicable risk weight to the amount of non-significant investments in the capital of unconsolidated financial institutions that does not exceed the 10 percent threshold for non-significant investments.	*Of the $100 in common shares, $50 are deducted in this line item 11. Include the remaining $50 in risk-weighted assets in Schedule HC-R, Part II.*[8]

Transition provisions for investments in capital instruments:

(i) Calculate the amount as described in the instructions for this line item 11.

(ii) Multiply the amount in (i) by the appropriate percentage in Table 5 below. Report this product as this line item 11.

(iii) Subtract (ii) from (i); assign it the applicable risk weight; and report it as part of risk-weighted assets in Schedule HC-R, Part II.

Table 5—Deductions related to investments in capital instruments

Calendar year	Percentage of the deduction
2014	20
2015	40
2016	60
2017	80
2018 and thereafter	100

Line item 12 Subtotal.

Report the amount in Schedule HC-R, item 5, less the amounts in Schedule HC-R, items 6 through 11.

This subtotal will be used in Schedule HC-R, items 13 through 16, to calculate the amounts of items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions (threshold items):

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock,
- Mortgage servicing assets (MSAs) net of associated DTLs; and
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks).

[8] In this case, $50 x 300% risk weight for publicly traded common shares = $150 in risk-weighted assets for the portion of common shares in an unconsolidated financial institution that are not deducted.

Line item 13 LESS: Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

A holding company has a significant investment in the capital of an unconsolidated financial institution when it owns more than 10 percent of the issued and outstanding common shares of that institution.

Report the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent common equity tier 1 capital deduction threshold, calculated as follows:
(1) Determine the amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock.
(2) If the amount in (1) is greater than 10 percent of the amount of Schedule HC-R, item 12, report the difference as this line item 13.
(3) If the amount in (2) is less than 10 percent of the amount of Schedule HC-R, item 12, report zero.

If the holding company included embedded goodwill in Schedule HC-R, item 6, to avoid double counting, the holding company may net such embedded goodwill already deducted against the exposure amount of the significant investment. For example, if a holding company has deducted $10 of goodwill embedded in a $100 significant investment in the capital of an unconsolidated financial institution in the form of common stock, the holding company is allowed to net such embedded goodwill against the exposure amount of such significant investment (that is, the value of the investment is $90 for purposes of the calculation of the amount that is subject to deduction).

Transition provisions for items subject to the threshold deductions:
(i) Calculate the amount as described in the instructions for this line item 13.
(ii) Multiply the amount in (i) by the appropriate percent in Table 6 below. Report this product as this item amount. In addition:
(iii) *From January 1, 2014, until January 1, 2018*: Subtract the amount in (ii) from the amount in (i); assign it a 100 percent risk weight; and report it in Schedule HC-R, Part II, risk-weighted assets.
(iv) *Starting on January 1, 2018*: Subtract the amount in (ii) from the amount in (i); assign it a 250 percent risk weight; and report it in Schedule HC-R, Part II, risk-weighted assets.

Table 6—Transition provisions for items subject to the threshold deductions

Calendar year	Percentage of the deduction
2014	20
2015	40
2016	60
2017	80
2018 and thereafter	100

Line item 14 LESS: MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

Report the amount of MSAs included in Schedule HC-M, item 12(a), net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold as follows:
(1) Take the amount of MSAs as reported in Schedule HC-M, item 12(a), net of associated DTLs.
(2) If the amount in (1) is higher than 10 percent of the amount of Schedule HC-R, item 12, report the difference as this item 14.
(3) If the amount in (1) is lower than 10 percent of the amount of Schedule HC-R, item 12, enter zero.

Transition provisions: follow the transition provisions in Schedule HC-R, item 13.

Line item 15 LESS: DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold.

(1) Report the amount of DTAs arising from temporary differences that the holding company could not realize through net operating loss carrybacks net of any related valuation allowances and net of associated DTLs (for example, DTAs resulting from the holding company's ALLL).
(2) If the amount in (1) is higher than 10 percent of the amount Schedule HC-R, item 12, report the difference as this line item.
(3) If the amount in (1) is lower than 10 percent of the amount of Schedule HC-R, item 12, enter zero.

DTAs arising from temporary differences that could be realized through net operating loss carrybacks are not subject to deduction, and instead must be assigned a 100 percent risk weight.

Transition provisions: follow the transition provisions in Schedule HC-R, item 13.

Line item 16 LESS: Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold.

The aggregate amount of the threshold items (that is, significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs) may not exceed 15 percent of the holding company's common equity tier 1 capital, net of applicable adjustments and deductions (the 15 percent common equity tier 1 capital deduction threshold).

Transition provisions:
a. From January 1, 2014 until January 1, 2018, calculate this item 16 as follows:
(i) Calculate the aggregate amount of the threshold items before deductions:

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock (Schedule HC-R, item 13, step 1);
- MSAs (Schedule HC-R, item 14, step 1); and
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs (Schedule HC-R, item 15, step 1).

(ii) Multiply the amount in Schedule HC-R, item 12, by 15 percent. This is *the 15 percent common equity deduction threshold for transition purposes*.
(iii) Sum up the amounts reported in line Schedule HC-R, items 13, 14, and 15.
(iv) Deduct (iii) from (i).
(v) Deduct (ii) from (iv).
(vi) Multiply the amount in (iv) by the appropriate percentage in Table 6, in Schedule HC-R, item 13. Report the result in this line item 16.

b. *Prior to January 1, 2018*, calculate this item 16 as follows:

Example:

Assume the following balance sheet amounts prior to deduction of these items:

- Common equity tier 1 capital subtotal amount reported in Schedule HC-R, item 12 = $100
- Significant investments in the common shares of unconsolidated financial institutions = $15.
- MSAs = $7
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs = $6
- Amounts of each item that exceed the 10% limit
  - Significant investments in the common shares of unconsolidated financial institutions: $5 (reported in Schedule HC-R, item 13)
  - MSAs = $0 (reported in Schedule HC-R, item 14)
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs = $0 (reported in Schedule HC-R, item 15).

Calculation steps:

- (i) Sum of the significant investments in the common shares of unconsolidated financial institutions, MSAs, and DTAs before deductions: $15 + $7 + $6 = $28
- (ii) 15% of the amount from Schedule HC-R, item 12: 15% x $100 = $15
- (iii) Sum of the amounts reported in Schedule HC-R, items 13, 14, and 15: $5
- (iv) $28 - $5 = $23 (which is the amount of these three items that remains after the 10% deductions are taken)
- (v) $23 - $15 = $8
- (vi) $8 x 40% (amount that applies in calendar year 2015) = $3.20
- Report $3.20 in this item 16.

c. *Starting on January 1, 2018*, calculate this item 16 using the following example:

Example:

Assumptions:

- The amount reported in Schedule HC-R, item 12 is $130 (This amount is common equity tier 1 after all deductions and adjustments, except for deduction of the threshold items).
- Assume the following balance sheet amounts prior to deduction of these items:
  - Significant investments in the common shares of unconsolidated financial institutions = $10.
  - MSAs = $20
  - DTAs arising from temporary differences that could not be realized through net operating loss carrybacks net of any related valuation allowance and net of DTLs = $30.

(1)	**Aggregate amount of threshold items before deductions** Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock (Schedule HC-R, item 13, step 1);	*$10*
	b. MSAs (Schedule HC-R, item 14, step 1); and	*$20*
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowance and net of DTLs (Schedule HC-R, item 15, step 1).	*$30*
	d. Total of a, b, and c:	*$60*
(2)	**Sum of threshold items not deducted as a result of the 10 percent common equity tier 1 capital deduction threshold** Enter the sum of:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock that are not deducted (that is, the difference between the amount in step (1)(a) of this table and the amount deducted in Schedule HC-R, item 13)	*$0 from item 13, step 1(because $10 is less than $13, that is,10% of $130)*
	b. MSAs that are not deducted (that is, the difference between the amount in step (1)(b) of this table and the amount deducted in Schedule HC-R, item 14)	*$20 - $13 = $7*
	c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs that are not deducted (that is, the difference between the amount in step (1)(c) of this table and the amount deducted in Schedule HC-R, item 15)	*$30 - $13 = $17*
	d. Total of a, b, and c	*$0 + $7 + $17 = $24*
(3)	**The 15 percent common equity tier 1 capital deduction threshold** Calculate as follows:	

	a. Subtract the amount calculated in step (1)(d) of this table from Schedule HC-R, item 12. b. Multiply the resulting amount by 17.65%	*($130 - $60) x 17.65% =$12.36* *Rounds to $12*
(4)	**Amount of threshold items that exceed the 15 percent common equity tier 1 capital deduction threshold** Report as follows:	
	a. If the amount in step (2)(d) is greater than the amount in step (3), then subtract (3) from (2)(d) and report this number in this line item 16. In addition, the holding company must risk-weight the items that are not deducted at 250 percent in Schedule HC-R, Part II. b. If the amount in step (2)(d) is less than the amount in step (3), report zero in this line item 16.	*The amount in step 2(d) ($24) is greater than the amount in step 3 ($12). Therefore:* *$24 - $12 = $12*
(5)	**If the amount in step (4) is above zero, then pro-rate the threshold items as follows**:	
	a. Significant investments in the capital of unconsolidated financial institutions in the form of common stock: multiply (4)(a) by the ratio of (1)(a) over (1)(d). b. MSAs net of associated DTAs: multiply (4)(a) by the ratio of (1)(b) over (1)(d). c. DTAs arising from temporary differences that could not be realized through net operating loss carrybacks: multiply (4)(a) by the ratio of (1)(c) over (1)(d).	*a. $12 x (10/60) = $2* *b. $12 x (20/60) = $4* *c. $12 x (30/60) = $6.*

Line item 17 LESS: Deductions applied to common equity tier 1 capital due to insufficient amounts of additional tier 1 capital and tier 2 capital to cover deductions.

Report the total amount of deductions related to reciprocal cross holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant investments in the capital of unconsolidated financial institutions if the holding company does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover these deductions in Schedule HC-R, items 24 and 33.

Line item 18 Total adjustments and deductions for common equity tier 1 capital.

Report the sum of Schedule HC-R, items 13 through17.

Line item 19 Common equity tier 1 capital.

Report Schedule HC-R item 12 less item 18. The amount reported in this item is the numerator of the holding company's common equity tier 1 risk-based capital ratio.

Additional tier 1 capital

Line item 20 Additional tier 1 capital instruments plus related surplus.

Starting on January 1, 2014 for the case of advanced approaches holding companies and on January 1, 2015 for non-advanced holding companies, report the portion of noncumulative perpetual preferred stock and related surplus included in Schedule HC, item 23, that satisfy all the criteria for additional tier 1 capital in the revised regulatory capital rules of the Federal Reserve.

Include instruments that were (i) issued under the Small Business Job's Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 1 capital under the Federal Reserve's general risk-based capital rules (12 CFR part 225, appendix A, and, if applicable, appendix E) (for example, tier 1 instruments issued under the TARP program that are grandfathered permanently). Also include additional tier 1 capital instruments issued as part of an ESOP, provided that the repurchase of such instruments is required solely by virtue of ERISA for a banking organization that is not publicly-traded.

a. Depository institution holding companies[9] with total consolidated assets of less than $15 billion as of December 31, 2009 and holding companies that were mutual holding companies as of May 19, 2010 (2010 MHCs) only:

Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and holding companies that were mutual holding companies prior to May 19, 2010 (2010 MHCs) may include non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred stock) issued prior to May 19, 2010 in additional tier 1 or tier 2 capital if the instrument was included in tier 1 or tier 2 capital, respectively, as of January 1, 2014. Such non-qualifying capital instruments includable in tier 1 capital are subject to a limit of 25 percent of tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to tier 1 capital.

Line item 21 Non-qualifying capital instruments subject to phase out from additional tier 1 capital.

Starting on January 1, 2014 for the case of advanced approaches holding companies and on January 1, 2015 for non-advanced holding companies, report the total amount of non-qualifying capital instruments that were included in tier 1 capital and outstanding as of January 1, 2014 as follows:

a. Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and 2010 MHCs:

This line item is generally not applicable to non-qualifying capital instruments issued by depository institution holding companies with total consolidated assets of less than $15 billion

[9] Depository institution holding company means a bank holding company or savings and loan holding company.

and 2010 MHCs prior to May 19, 2010 because these institutions may include non-qualifying regulatory capital instruments in additional tier 1 capital as described in Schedule HC-R, item 20.

If these institutions have non-qualifying regulatory capital instruments in excess of 25 percent of tier 1 capital elements, excluding any non-qualifying capital instruments and after all regulatory capital deductions and adjustments have been applied to tier 1 capital, such instruments must be phased out in accordance with Table 7 below. In addition, the amount of non-qualifying capital instruments that are excluded from additional tier 1 capital in accordance with Table 7 may be included in tier 2 capital.

b. Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs:

Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs must phase out non-qualifying capital instruments (that is, debt or equity instruments that do not meet the criteria for additional tier 1 or tier 2 capital instruments in section 20 of the revised regulatory capital rules, but that were issued and included in tier 1 or tier 2 capital, respectively, prior to May 19, 2010) as set forth in Table 7 starting on January 1, 2014 for an advanced approaches holding company that is not an SLHC and starting January 1, 2015 for a non-advanced approaches holding company.

If non-advanced approaches holding companies have non-qualifying capital instruments that are excluded from tier 1 capital, such non-qualifying capital instruments can be included in tier 2 capital, without limitation, provided the instruments meet the criteria for tier 2 capital set forth in section 20(d) of the revised regulatory capital rules..

For the case of advanced approaches holding companies, non-qualifying capital instruments that are phased out of tier 1 capital under Table 7 are fully includable in tier 2 capital until December 31, 2015. From January 1, 2016, until December 31, 2021, these holding companies are required to phase out such non-qualifying capital instruments from tier 2 capital in accordance with the percentage in Table 8.

Transition provisions for non-qualifying capital instruments includable in additional tier 1 or tier 2 capital:

Table 7 applies separately to additional tier 1 and tier 2 non-qualifying capital instruments. For example, an advanced approaches holding company may include up to 50 percent of non-qualifying capital instruments in additional tier 1 capital and up to 50 percent of non-qualifying capital instruments in tier 2 capital during the calendar year 2014. If the institution is involved in a merger or acquisition, it should treat its non-qualifying capital instruments following the requirements in section 300 of the Federal Reserve's revised regulatory capital rules.

Table 7—Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for depository institution holding companies

Calendar year	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for depository institution

	holding companies
2014	50
2015	25
2016 and thereafter	0

Line item 22 Tier 1 minority interest not included in common equity tier 1 capital.

Report the amount of tier 1 minority interest that is includable at the consolidated level, as described below.

For each consolidated subsidiary, perform the calculations in steps (1) through (10) of the worksheet below. Sum up the results from step 10 for each consolidated subsidiary and report the aggregate number in this line item 22.

For tier 1 minority interest, there is no requirement that the subsidiary be a depository institution or a foreign bank. However, the instrument that gives rise to tier 1 minority interest must meet all the criteria for either common equity tier 1 capital or additional tier 1 capital instrument.

Example: calculate additional tier 1 minority interest includable at holding company level as follows:
Assumptions:

- This is a continuation of the example used for common equity tier 1 minority interest from Schedule HC-R, item 4. Given the following:
- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary: $1,000 in each case.
- Subsidiary's qualifying tier 1 capital: $110, which is composed of subsidiary's qualifying common equity tier 1 capital $80 and qualifying additional tier 1 capital of $30.
- Subsidiary's qualifying common equity tier 1 owned by minority shareholders: $24.
- Subsidiary's qualifying additional tier 1 capital owned by minority shareholders: $15.
- Other relevant numbers are from the example in Schedule HC-R, item 4.

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Determine the lower of (1) or (2), and multiply that amount by 8.5%.[10]	*$1,000 x 8.5% = $85*

[10] The percentage multiplier in step (3) is the capital ratio necessary for the subsidiary to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding companies must adjust this percentage to account for all the applicable buffers.

(4)	Determine the dollar amount of qualifying tier 1 capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	*$110*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus tier 1 capital of the subsidiary."	*$110 - $85 = $25*
(6)	Determine the percent of the subsidiary's qualifying capital instruments that are owned by third parties (the minority shareholders).	*$24 + 15 = $39. Then $39/$110 = 35.45%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus tier 1 minority interest of the subsidiary."	*35.45% x $25 = $8.86*
(8)	Determine the total amount of tier 1 minority interest of the subsidiary. Then subtract the surplus tier 1 minority interest of the subsidiary (step 7) from this amount.	*$24 + $15 = $39. Then $39 - $8.86 = $30.14*
(9)	The "tier 1 minority interest includable at holding company level" is the amount from step (8) or step (4) where there is no surplus tier 1 minority interest of the subsidiary.	*$30.14 (Report the lower of $30.14 or $39; therefore report $30.14)*
(10)	Subtract any minority interest that is included in common equity tier 1 capital (from line item 4). The result is the minority interest included in additional tier 1 capital.	*$30.14 - $21 (from example in item 4) = $9.14.*

Note: As indicated, this example built onto the example under the instructions for item 4, where the subsidiary was a depository institution, and where its common equity tier 1 minority interest was includable in common equity tier 1 capital. However, if this were a subsidiary other than a depository institution, none of its minority interest arising from common equity tier 1 is includable in common equity tier 1 capital. If the example were not for a depository institution, the full calculated amount ($30.14) is includable in additional tier 1 capital because none of it is includable in common equity tier 1 capital.

Transition provisions: for surplus minority interest and non-qualifying minority interest, follow the transition provision instructions in Schedule RC-R, item 4.

Line item 23 Additional tier 1 capital before deductions.

Report the sum of Schedule HC-R, items 20, 21, and 22.

Line item 24 LESS: Additional tier 1 capital deductions.

Report additional tier 1 capital deductions as the sum of the following elements:

Note that if an institution does not have a sufficient amount of additional tier 1 capital to reflect these deductions, then the institution must deduct the shortfall from common equity tier 1 capital (Schedule HC-R, item 17).

a. Investments in own additional tier 1 capital instruments:

Report the holding company's investments in (including any contractual obligation to purchase) its own additional tier 1 instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:

(i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;

(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and

(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company's internal control processes.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

b. Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the additional tier 1 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments. If the holding company does not have a sufficient amount of a specific component of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital.

For example, if a holding company is required to deduct a certain amount from additional tier 1 capital and it does not have additional tier 1 capital, then the deduction should be from common equity tier 1 capital in Schedule HC-R, item 17.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

c. Non-significant investments in additional tier 1 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

An institution has a non-significant investment in the capital of an unconsolidated financial institution if it owns 10 percent or less of the issued and outstanding common shares of that institution.

Calculate this amount as follows (similar to the calculation in Schedule HC-R, item 11):

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.

(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

(3) If the amount in (1) is greater than the 10 percent threshold for non-significant investments (Schedules HC-R, item 11, step (4)), then multiply the difference by the ratio of (2) over (1). Report this product in this line item.

(4) If the amount in (1) is less than the 10 percent threshold for non-significant investments, report zero.

For example, assume a holding company has a total of $200 in non-significant investments (step 1), including $60 in the form of additional tier 1 capital (step 2), and its 10 percent threshold for non-significant investments is $100 (as calculated in step 4 of Schedule HC-R, item 11). Since the aggregate amount of non-significant investments exceeds the 10 percent threshold for non-significant investments by $100 ($200-$100), the holding company must multiply $100 by the ratio of 60/200 (step 3). Thus, the holding company must deduct $30 from its additional tier 1 capital.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

d. Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from additional tier 1 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of additional tier 1 capital.

Transition provisions: follow the transition provisions in Schedule HC-R, item 11.

e. Other adjustments and deductions.

Include adjustments and deductions applied to additional tier 1 capital due to insufficient tier 2 capital to cover deductions (related to reciprocal cross holdings, non-significant investments in the tier 2 capital of unconsolidated financial institutions, and significant investments in the tier 2 capital of unconsolidated financial institutions).

Also include adjustments and deductions related to the calculation of DTAs, gain-on-sale, defined benefit pension fund assets, changes in fair value of liabilities due to changes in own credit risk, and expected credit losses during the transition period as described in Schedule HC-R, item 8.

Line item 25 Additional tier 1 capital.

Report the greater of Schedule HC-R, item 23 minus item 24, or zero.

Tier 1 capital

Line item 26 Tier 1 capital.

Report the sum of Schedule HC-R items 19 and 25.

Tier 2 capital

Line item 27 Tier 2 capital instruments plus related surplus.

Starting on January 1, 2014 for the case of advanced approaches holding companies and on January 1, 2015 for non-advanced holding companies, report tier 2 capital instruments that satisfy all eligibility criteria under the revised regulatory capital rules and related surplus.

Include instruments that were (i) issued under the Small Business Job's Act of 2010, or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and (ii) were included in the tier 2 capital under the Federal Reserve's general risk-based capital rules.

In addition, a depository institution holding company that is not an advanced approaches holding company may include in tier 2 capital non-qualifying capital instruments (e.g., TruPS and cumulative perpetual preferred) that have been phased-out of tier 1 capital in accordance with Table 7 in Schedule HC-R, item 21.

Line item 28 Non-qualifying capital instruments subject to phase out from tier 2 capital.

Starting on January 1, 2014, for the case of advanced approaches holding companies and on January 1, 2015, for non-advanced holding companies, report the total amount of non-qualifying capital instruments that were included in tier 2 capital and outstanding as of January 1, 2014, as described below.

a. Depository institution holding companies with total consolidated assets of less than $15 billion as of December 31, 2009 and 2010 MHCs:

This line item is generally not applicable to depository institution holding companies with total consolidated assets of less than $15 billion and 2010 MHCs that issued and included non-qualifying capital instruments prior to May 19, 2010, because these institutions may include such instruments in additional tier 1 and tier 2 capital as described in Schedule HC-R, item 20 and 27, respectively.

b. Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs:

Depository institution holding companies with total consolidated assets of $15 billion or more as of December 31, 2009 that are not 2010 MHCs must phase out non-qualifying capital instruments from tier 2 capital as set forth in Table 7, in Schedule HC-R, item 21, starting January 1, 2014 if it is an advanced approaches holding company that is not an SLHC and starting January 1, 2015 if it is a non-advanced approaches holding company.

A depository institution holding company of $15 billion or more that is not an advanced approaches holding company may include in tier 2 capital non-qualifying capital instruments that have been phased-out of tier 1 capital in accordance with Table 7.

For the case of advanced approaches holding companies, non-qualifying capital instruments that are phased out of tier 1 capital under Table 7 are fully includable in tier 2 capital until December 31, 2015. From January 1, 2016, until December 31, 2021, these holding companies are required to phase out such non-qualifying capital instruments from tier 2 capital in accordance with the percentage in Table 8.

Table 8—Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital for a depository institution holding company of $15 billion or more

Calendar year	Percentage of non-qualifying capital instruments includable in additional tier 1 or tier 2 capital
2014	80
2015	70
2016	60
2017	50
2018	40
2019	30
2020	20
2021	10
2022 and thereafter	0

Line item 29 Total capital minority interest that is not included in tier 1 capital.

Report the amount of total capital minority interest that is includable at the consolidated level, as described below. For each consolidated subsidiary, perform the calculations in steps (1) through (10) below. Sum up the results for each consolidated subsidiary and report the aggregate number in this line item 29.

Example: calculate additional tier 1 minority interest includable at holding company level as follows:
Assumptions:

- This is a continuation of the example used in the instructions for Schedule HC-R, items 4 and 22. Given the following:

- For this example, assume that risk-weighted assets of the subsidiary are the same as the risk-weighted assets of the holding company that relate to the subsidiary: $1,000.
- Subsidiary's qualifying total capital: $130, which is composed of subsidiary's qualifying common equity tier 1 capital $80, and qualifying additional tier 1 capital of $30, and tier 2 capital of $20.
- Subsidiary's qualifying common equity tier 1 capital owned by minority shareholders: $24.
- Subsidiary's qualifying additional tier 1 capital owned by minority shareholders: $15.
- Subsidiary's qualifying total capital instruments owned by minority shareholders: $15.

(1)	Determine the risk-weighted assets of the subsidiary.	*$1,000*
(2)	Determine the risk-weighted assets of the holding company that relate to the subsidiary. Note that the amount in this step (2) may differ from the amount in step (1) due to intercompany transactions and eliminations in consolidation.	*$1,000*
(3)	Determine the lower of (1) or (2), and multiply that amount by 10.5%.[11]	*$1,000 x 10.5% = $105*
(4)	Determine the dollar amount of qualifying total capital for the subsidiary. If this amount is less than step (3), go directly to step (9). Otherwise continue on to step (5).	*$130*
(5)	Subtract the amount in step (3) from the amount in step (4). This is the "surplus total capital of the subsidiary."	*$130 -$105 = $25*
(6)	Determine the percent of the subsidiary's qualifying total capital instruments that are owned by third parties (the minority shareholders). (This amount includes instruments that qualify for common equity tier 1 or tier 1 capital.)	*$24 + $15 + $15 = $54. Then, $54/$130 = 41.54%*
(7)	Multiply the percentage from step (6) by the dollar amount in step (5). This is the "surplus total capital minority interest of the subsidiary"	*41.54% x $25 = $10.39*
(8)	Determine the total amount of total capital minority interest of the subsidiary. Then subtract the surplus total capital minority interest of the subsidiary (step 7) from this amount.	*$24 + $15 + $15 = $54. Then $54 - $10.39 = $43.62.*
(9)	The "total capital minority interest includable at holding company level" is the amount from step (8) or step (4) where there is no surplus total capital minority interest of the subsidiary.	*$43.62 (Report the lesser of $43.62 or $54; therefore $43.62).*
(10)	Subtract from (9) any minority interest that is included in common equity tier 1 in Schedule HC-R, item 4, and additional tier 1 capital in Schedule HC-R, item 22, for this subsidiary. The result is the total capital minority interest includable in total capital minority	*$43.62 – ($21 + $9.14) = $13.48.*

[11] The percentage multiplier in step (3) is the capital ratio necessary for a subsidiary depository institution to avoid restrictions on distributions and discretionary bonus payments. Advanced approaches holding companies must adjust this amount to account for all buffers.

	interest in this line item 29.	

Transition provisions: for surplus minority interest and non-qualifying minority interest, follow the transition provision instructions in Schedule HC-R, item 4.

Line item 30(a) Allowance for loan and lease losses includable in tier 2 capital.

Report the portion of the holding company's allowance for loan and lease losses that are includable in tier 2 capital. None of the holding company's allocated transfer risk reserve, if any, is includable in tier 2 capital~~.~~

The amount reported in this item cannot exceed 1.25 percent of the holding company's risk-weighted assets, reported in Schedule HC-R, Part II, not including the allowance for loan and lease losses. The allowance for loan and lease losses equals Schedule HC, item 4.c, "Allowance for loan and lease losses," less Schedule HI-B, part II, Memorandum item 1, "Allocated transfer risk reserve included in Schedule HI-B, part II, item 7, above," plus Schedule HC-G, item 3, "Allowance for credit losses on off-balance sheet credit exposures."

Line item 30(b)--Advanced approaches holding companies that exit parallel run only: Eligible credit reserves includable in tier 2 capital.

Report the amount of eligible credit reserves includable in tier 2 capital as reported in FFIEC 101 Schedule A, item 50. Report this line item only after the advanced approaches holding company completes its parallel run process.

Line item 31 Unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital.

(i) Holding companies that entered "1" for "Yes" in Schedule HC-R, item 3(a):

Report the pretax net unrealized holding gain (i.e., the excess of fair value as reported in Schedule HC-B, item 7, column D, over historical cost as reported in Schedule HC-B, item 7, column C), if any, on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures includable in tier 2 capital, subject to the limits specified in the revised regulatory capital rules. The amount reported in this item cannot exceed 45 percent of the holding company's pretax net unrealized gain on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures.

(ii) Holding companies that entered "0" for "No" in Schedule HC-R, item 3(a):

Transition provisions for phasing out unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures:

(i) Determine the amount of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that an institution currently includes in tier 2 capital.

(ii) Multiply (i) by the percentage in Table 9 and include this amount in tier 2 capital.

Table 9—Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital

Calendar year	Percentage of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures that may be included in tier 2 capital
2014	36
2015	27
2016	18
2017	9
2018 and thereafter	0

For example, during calendar year 2014, include up to 36 percent of unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures in tier 2 capital. During calendar years 2015, 2016, 2017, and 2018 (and thereafter), these percentages go down to 27, 18, 9 and zero, respectively.

Line item 32(a) Tier 2 capital before deductions.

Report the sum of Schedule HC-R, items 27 through 30.a, plus item 31.

Line item 32(b)--Advanced approaches holding companies that exit parallel run only: Tier 2 capital before deductions.

Report the sum of Schedule HC-R, items 27 through 29, plus items 30.b and 31. Report this line item only after the advanced approaches holding company completes its parallel run process.

Line item 33 LESS: Tier 2 capital deductions.

Report total tier 2 capital deductions as the sum of the following elements:

If a holding company does not have a sufficient amount of tier 2 capital to reflect these deductions, then the holding company must deduct the shortfall from additional tier 1 capital (Schedule HC-R, item 24) or, if there is not enough additional tier 1 capital, from common equity tier 1 capital (Schedule HC-R, item 17).

For example, if tier 2 capital is $98, and if the holding company must make $110 in tier 2 deductions, it would report $98 on this line item 33, and would take the additional $12 deduction in Schedule HC-R, item 24 (and in Schedule HC-R, item 17, in the case of insufficient additional tier 1 capital to make the deduction in Schedule HC-R, item 24).

In addition, advanced approaches holding companies with insufficient tier 2 capital for deductions will make the following adjustments: an advanced approaches holding company will make deductions on this schedule under the generally applicable rules that apply to all banking organizations. It will use FFIEC 101, Schedule A, to calculate its capital requirements under the advanced approaches. Therefore, in the case of an advanced approaches holding company with insufficient tier 2 capital to make tier 2 deductions, it will use the corresponding deduction approach and the generally applicable rules to take excess tier 2 deductions from additional tier 1 capital in Schedule HC-R, item 24, and if necessary from common equity tier 1 capital in Schedule HC-R, item 17. It will use the advanced approaches rules to take deductions on the FFIEC 101 form.

For example, assume tier 2 capital is $100 under the advanced approaches and $98 under the generally applicable rules (due to the difference between the amount of eligible credit reserves includable in tier 2 capital under the advanced approaches, and ALLL includable in tier 2 capital under the standardized approach). If the required deduction from tier 2 capital is $110, then the advanced approaches holding company would add $10 to the required additional tier 1 capital deductions (on FFIEC 101, Schedule A, line 42, and FFIEC 101, Schedule A, line 27, if necessary), and would add $12 to its required additional tier 1 capital deductions for the calculation of the standardized approach regulatory capital ratios in this schedule (Schedule HC-R, item 24 and Schedule HC-R, item 17, if necessary).

a. Investments in own additional tier 2 capital instruments.

Report the holding company's investments in (including any contractual obligation to purchase) its own tier 2 instruments, whether held directly or indirectly.

A holding company may deduct gross long positions net of short positions in the same underlying instrument only if the short positions involve no counterparty risk.

The holding company must look through any holdings of index securities to deduct investments in its own capital instruments. In addition:
(i) Gross long positions in investments in a holding company's own regulatory capital instruments resulting from holdings of index securities may be netted against short positions in the same index;
(ii) Short positions in index securities that are hedging long cash or synthetic positions can be decomposed to recognize the hedge; and
(iii) The portion of the index that is composed of the same underlying exposure that is being hedged may be used to offset the long position if both the exposure being hedged and the short position in the index are covered positions under the market risk capital rule, and the hedge is deemed effective by the holding company's internal control processes.

Transition provisions: Follow the transition provisions in Schedule HC-R, item 11.

b. Reciprocal cross-holdings in the capital of financial institutions.

Include investments in the tier 2 capital instruments of other financial institutions that the holding company holds reciprocally, where such reciprocal crossholdings result from a formal or informal arrangement to swap, exchange, or otherwise intend to hold each other's capital instruments.

Transition provisions: Follow the transition provisions in Schedule HC-R, item 11.

c. Non-significant investments in tier 2 capital of unconsolidated financial institutions that exceed the 10 percent threshold for non-significant investments.

Calculate this amount as follows (similar to Schedule HC-R, item 11):

(1) Determine the aggregate amount of non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, additional tier 1, and tier 2 capital.

(2) Determine the amount of non-significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

(3) If (1) is greater than the 10 percent threshold for non-significant investments (Schedules HC-R, item 11, step (4)), then, multiply the difference by the ratio of (2) over (1). Report this product in this line item.

(4) If (1) is less than the 10 percent threshold for non-significant investments, enter zero.

For example, if a holding company has a total of $200 in non-significant investments (step 1), including $40 in the form of tier 2 capital (step 2), and its 10 percent threshold for non-significant investments is $100 (as calculated in Schedule HC-R, item 11, step 4). Since the aggregate amount of non-significant investments exceed the 10 percent threshold for non-significant investments by $100 ($200-$100), the holding company would multiply $100 by the ratio of 40/200 (step 3). Thus, the holding company would need to deduct $20 from its tier 2 capital.

Transition provisions: Follow the transition provisions in Schedule HC-R, item 11.

d. Significant investments in the capital of unconsolidated financial institutions not in the form of common stock to be deducted from tier 2 capital.

Report the total amount of significant investments in the capital of unconsolidated financial institutions in the form of tier 2 capital.

Transition provisions: Follow the transition provisions in Schedule HC-R, item 11.

e. Other adjustments and deductions.

Include any other applicable adjustments and deductions applied to tier 2 capital in accordance with the revised regulatory capital rules.

Line item 34(a) Tier 2 capital.

Report the greater of Schedule HC-R, item 32(a) less item 33, or zero.

Line item 34(b)--Advanced approaches holding companies that exit parallel run only: Tier 2 capital.

Report the greater of Schedule HC-R, item 32(b) less item 33, or zero. Report this line item only after the advanced approaches holding company completes its parallel run process.

Total capital

Line item 35(a) Total capital.

Report the sum of Schedule HC-R, items 26 and 34(a).

Line item 35(b)--Advanced approaches holding companies that exit parallel run only: Total capital.

Report the sum of Schedule HC-R, items 26 and 34(b). Report this line item only after the advanced approaches holding company completes its parallel run process.

Total assets for the leverage ratio

Line item 36 Average total consolidated assets.

Report the amount of average total consolidated assets as reported in Schedule HC-K, item 9.

Line item 37 LESS: Deductions from common equity tier 1 capital and additional tier 1.

Report the sum of Schedule HC-R, items 6, 7, 8, and 10(b).

Line item 38 LESS: Other deductions from (additions to) assets for leverage ratio purposes.

Based on the revised regulatory capital rules, report the amount of any deductions from (additions to) total assets for leverage capital purposes that are not included in Schedule HC-R, item 37. If the amount is a net deduction, report it as a positive value in this item. If the amount is a net addition, report it as a negative value in this item.

(i) Holding companies that do not make an AOCI opt-out election and all advanced approaches holding companies:

Because available-for-sale debt securities and available-for-sale equity securities are reflected at amortized cost and at the lower of cost or fair value, respectively, when calculating average total consolidated assets for Schedule RC-K, item 9, include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount needed to adjust available-for-sale debt securities from amortized cost to fair value and available-for-sale equity securities from the lower of cost or fair value to fair value. If the deferred tax effects of any net unrealized gains (losses) on available-for-sale debt securities were excluded from the determination of average total consolidated assets for Schedule RC-K, item 9, also include in this item as a deduction from (addition to) assets for leverage ratio purposes the amount necessary to reverse the effect of this exclusion on net deferred tax assets.

Transition provisions for holding companies that do not make an AOCI opt-out election and all advanced approaches holding companies: Include in this item 38 the amount of deductions from (additions to) assets for leverage ratio purposes for available-for-sale securities and deferred tax effects as determined above reduced by the appropriate percentage in Table 1 in Schedule RC-R, item 3.a. For example, in 2015, if the amount of these deductions (additions) is a $10,000 deduction, include $4,000 in this item 38 [$10,000 – ($10,000 x 60%) = $4,000].

Line item 39 Total assets for the leverage ratio.

Report Schedule HC-R, item 36 less items 37 and 38.

Total risk-weighted assets

Line item 40 (a) Total risk-weighted assets.

Report the amount of total risk-weighted assets using the general risk-based capital rules (as reported in Schedule HC-R, item 62), until January 1, 2015. Starting on January 1, 2015, report total risk-weighted assets calculated under the standardized approach in Schedule HC-R, Part II.

Note: Advanced approaches holding companies only: in 2014, adjust the reported amount of the risk-weighted assets by the amounts deducted from regulatory capital.

Line item 40(b)--Advanced approaches holding companies that exit parallel run only: Total risk-weighted assets using advanced approaches rules.

Report the amount from FFIEC 101 Schedule A, item 60. Report this line item only after the advanced approaches holding company completes its parallel run process.

Capital ratios

Holding companies that are not advanced approaches holding companies that have exited parallel run must report Schedule HC-R, items 41 through 44, Column A, only. Column B does not apply to these institutions.

Advanced approaches holding companies that exit parallel run only: must report Schedule HC-R, items 41 through 44, Columns A and B, as described below.

All advanced approaches holding companies must complete Schedule HC-R, item 45, as described below.

Line item 41 Common equity tier 1 capital ratio.

Report the institution's common equity tier 1 risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: divide Schedule HC-R, item 19 by item 40(a).

Advanced approaches holding companies that exit parallel run only: Column B: divide Schedule HC-R, item 19 by item 40(b). Report this line item only after the advanced approaches holding company completes its parallel run process. The lower of the reported capital ratios in column A and Column B will apply for prompt corrective action purposes.

Line item 42 Tier 1 capital ratio.

Report the institution's tier 1 risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: divide Schedule HC-R, item 26 by item 40(a).

Advanced approaches holding companies that exit parallel run only: Column B: divide Schedule HC-R, item 26 by item 40(b). Report this line item only after the advanced approaches holding company completes its parallel run process. The lower of the reported capital ratios in column A and Column B will apply for prompt corrective action purposes.

Line item 43 Total capital ratio.

Report the institution's total risk-based capital ratio as a percentage, rounded to two decimal places.

Column A: divide Schedule HC-R, item 35(a) by item 40(a).

Advanced approaches holding companies that exit parallel run only: Column B: divide Schedule HC-R, item 35(b) by item 40(b). Report this line item only after the advanced approaches holding company completes its parallel run process. The lower of the reported capital ratios in column A and Column B will apply for prompt corrective action purposes.

Line item 44 Tier 1 leverage ratio.

Report the institution's tier 1 leverage ratio as a percentage, rounded to two decimal places.

Column A: divide Schedule HC-R, item 26 by item 39.

Advanced approaches holding companies that exit parallel run only: Column B: divide Schedule HC-R, item 26 by item 39. Report this line item only after the advanced approaches holding company completes its parallel run process and do not complete Column A.

Line item 45 Advanced approaches holding companies only: Supplementary leverage ratio.

Starting on January 1, 2015, report the amount from FFIEC 101 Schedule A, item 98, regardless of the parallel run process status.

Capital buffer

Line item 46 Institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments.

Report institution-specific capital buffer necessary to avoid limitations on distributions and discretionary bonus payments.

Line item 46(a) Capital conservation buffer.

Report capital conservation buffer which is equal to the lowest of the following ratios: (i) Schedule HC-R, item 41, less the applicable percentage in the column titled "Common equity tier 1 capital ratio" in Table 10; (ii) Schedule HC-R, item 42, less the applicable percentage in the column titled "Tier 1 capital ratio" in Table 10; and (iii) Schedule HC-R, item 43, less 8 percent.

Transition provisions: common equity tier 1 and tier 1 minimum capital requirements are:

Table 10—Transition provisions for regulatory capital ratios

Transition Period	Common equity tier 1 capital ratio percentage	Tier 1 capital ratio percentage
Calendar year 2014	4.0	5.5
Calendar year 2015 and thereafter	4.5	6.0

Line item 46(b)--Advanced approaches holding companies that exit parallel run only.

Report total applicable capital buffer, as reported in FFIEC 101, Schedule A, item 68.

Transition provisions for the capital conservation buffer: In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, a holding company must hold a capital conservation buffer above its minimum risk-based capital requirements.

The amount reported in Schedule HC-R, item 46(a) (or the lower of Schedule HC-R, items 46(a) and 46(b), if an advanced approaches holding company has exited parallel run) must be greater than the following phased-in capital conservation buffer, otherwise the holding company will face limitations on distributions and certain discretionary bonus payments and will be required to complete Schedule HC-R, items 47 and 48.

Table 11 - Transition provisions for capital conservation buffer

Transition Period	Capital conservation buffer percentage above which holding companies avoid limitations on distributions and certain discretionary bonuses
Calendar year 2016	0.625
Calendar year 2017	1.25
Calendar year 2018	1.875
Calendar year 2019 and thereafter	2.5

Note: Advanced approaches holding companies, including those that have not exited parallel run, will need to consult the regulation for the transition period if the countercyclical buffer is in place or if the institution is subject to countercyclical buffers in other jurisdictions. Any countercyclical buffer amount applicable to an advanced approaches holding company should be added to the amount applicable in Table 11, in order for that holding company to determine if it will need to complete items 47 and 48.

Note: Holding companies must complete items 47 and 48 if Schedule HC-R, item 46(a) (or the lower of Schedule HC-R, items 46(a) and 46(b), if an advanced approaches holding company that has exited parallel run) is less than or equal to the applicable minimum capital conservation buffer:

Institutions must complete Schedule HC-R, items 47 and 48, if the amount reported in Schedule RC-R, 46(a) (or the lower of Schedule HC-R, items 46(a) and 46(b), if an advanced approaches holding company that has exited parallel run) is less than or equal to the applicable capital conservation buffer described above in Table 11 of Schedule HC-R, item 46 (plus any other applicable capital buffers, if the institution is an advanced approaches holding company).

Line item 47 Eligible retained income.

Report the amount of eligible retained income as the net income attributable to the holding company for the four calendar quarters preceding the current calendar quarter, based on the holding company's most recent quarterly regulatory report or reports, as appropriate, net of any distributions and associated tax effects not already reflected in net income.

For example, the amount of eligible retained income to be reported in this line item 47 for the June 30 report date would be based on the net income attributable to the holding company for the four calendar quarters ending on the preceding March 31.

Line item 48 Distributions and discretionary bonus payments during the quarter.

Report the amount of distributions and discretionary bonus payments during the quarter.