securities or the bank's ''prime rate,'' or to some other variable criterion the exact value of which cannot be known in advance.

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

The next repricing date is the amount of time remaining from the report date until the instrument's contract permits the rate of interest to change.

Distribution of Securities, Loans and Leases, and Other Interest-Bearing Assets

Banks must distribute the carrying value of selected securities, loans and leases and other interest-bearing assets in the specified balance sheet categories of this schedule in accordance with the procedures set forth in the item instructions below.

All permanent loans secured by first liens on 1–4 family residential mortgages and 1–4 family residential mortgage pass-through securities should be reported on the following basis:

(1) The entire carrying value of each asset with a fixed rate of interest should be reported on the basis of the asset's remaining contractual maturity, and

(2) The entire carrying value of each asset with a floating or adjustable rate of interest should be reported on the basis of its reset frequency.

The bank's own estimates of expected cash flows associated with these mortgage products should not be used in this schedule. Loans held for sale and delivery to secondary market participants under terms of binding commitments are reported separately in Item No. 2(c) without regard to maturity or repricing.

The carrying value of other debt securities, all other loans and leases, and all other interest-bearing assets should be reported on the following basis:

(1) Assets which carry a fixed rate of interest should be spread among the Columns according to their remaining maturity (as defined below), and

(2) Assets which carry a floating or adjustable rate of interest should be reported on the basis of the time remaining until the next repricing date.

Distribution of Time Deposits, Non-Maturity Deposits, and All Other Interest-Bearing Liabilities

All time deposits and other interest-bearing nondeposit liabilities should be distributed across Columns B through H according to remaining contractual maturity for fixed-rate liabilities and according to next repricing date for adjustable-rate liabilities. The maturity and repricing for all non-maturity deposits (DDAs, MMDAs, NOW accounts, and other savings deposits) is determined by bank management based on its own assumptions and experience and must be reported in both rising and falling interest rate scenarios in accordance with the parameters described in the item instructions below.

Distribution of Off-Balance Sheet Positions

Institutions are required to distribute selected off-balance sheet contracts that are not held for trading among the time bands (Columns) of Schedule 1. The off-balance sheet items include interest rate forward contracts, interest rate futures contracts, interest rate swaps without embedded options, and commitments to originate, buy, and sell loans and securities. Such commitments should exclude unused lines of credit and commitments to sell 1–4 family mortgage loans that the bank holds for sale and delivery to secondary market participants.

Off-balance sheet contracts should be reported as either amortizing or non-amortizing contracts depending on whether the notional value of the contract amortizes over time.

The selected off-balance sheet items must be reported using two entries to reflect the timing of the cash flows. The notional amounts of the contracts are offsetting: one entry is positive and the other is an offsetting negative entry. This reporting method reflects the way in which the off-balance sheet instruments affect the institution's balance sheet. In general, if the outstanding contract serves to lengthen an asset's maturity (i.e., long futures) then the first entry is negative and the second entry is positive. If the outstanding contract serves to shorten an asset's maturity (i.e., pay-fixed swap) then the first entry is positive and the second entry is negative. Reporting instructions for particular types of off-balance sheet contracts are provided in sections that follow.

Excluded from this section are: (1) Interest rate option contracts, including caps, floors, collars, corridors, and swaptions, and (2) interest rate swaps with embedded options, such as index amortizing swaps. These items are included in the self-reported section below.

Self-Reported Items

This self-reported section requests information regarding certain assets and off- balance sheet contracts. Institutions are required to provide estimates of changes in market values for each instrument given both a 200 basis point rise and decline in interest rates. These estimates may be obtained from reliable third party sources or from the institution's internal risk measurement system.

Item Instructions

The total amount reported in Column A must equal the sum of Columns B through H.

Item 1, Debt Securities (exclude self reported items): The sum of Items 1(a) and 1(b), Column A for this item plus the amount of nonaccrual pass-through securities included in Schedule RC-N, Column C, must equal the sum of Schedule RC-B, Items 4(a)(1) through 4(a)(3), Columns A and D.

Fixed-rate debt securities should be reported without regard to their call date unless the security has actually been called. When fixed-rate debt securities have been called, they should be reported on the basis of the time remaining until the call date. Adjustable-rate debt securities should be reported on the basis of their reset frequency without regard to their call date even if the security has actually been called.

Fixed-rate debt securities that the reporting bank has the option to redeem prior to maturity (''put bonds'') should be reported on the basis of the time remaining until the earliest ''put'' date. Adjustable-rate ''put bonds'' should be reported on the basis of reset frequency without regard to ''put'' dates.

The information requested in Items 1(c), 1(d), and 1(e) applies to both fixed-rate and adjustable-rate instruments.

Item 1(a), ARM Securities (use Memoranda section below): Report the total carrying value [13] of all adjustable-rate mortgage-backed pass-through certificates, such as those guaranteed by the Government National Mortgage Association (GNMA) and those issued by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and others (e.g., other depository institutions or insurance companies)

[13] For purposes of this schedule, available-for-sale debt securities are to be reported on the basis of their fair value, while held-to-maturity debt securities are to be reported on the basis of their amortized cost. Therefore, throughout the instructions to this schedule, references to the carrying value should be read as such.