



To: Mississippi Public Depositories

From: Justin Smith, Chief Investment Officer

Date: November 4, 2022

Re: Primary Capital Ratio Calculation Guidance

In recent weeks, the Office of the State Treasurer has received several inquiries on the interpretation and calculation of the primary capital to total assets ratio requirement of five and one-half percent (5-1/2%) for financial institutions to qualify as a public funds depository, pursuant to Section 27-105-5, of the Mississippi Code of 1972, annotated, as amended. This memorandum is meant to provide guidance on the calculation used in the Application for State of Mississippi Funds and for quarterly Guaranty Pool Analysis.

During the application process, clarification was provided to ensure there was no duplication of "Unrealized Gains or Losses on Available for Sale Equity Securities", Line 9A Sch RC-R. After further research of primary capital, the current worksheet calculation, including the clarification previously issued, has been updated to be more representative and consistent with the statutory definition and how the FDIC would calculate the primary capital to total assets ratio.

The following revised worksheet removes the Accumulated Other Comprehensive Income ("AOCI") from the ratio calculation to align with the original intention of the statutory definition and representative of current federal bank capital regulations.

The Office of the State Treasurer will use this calculation for all applications already received and issue certification letters on December 1, 2022. It is not necessary to resend revised worksheets. This calculation revision will also be brought to the Guaranty Pool Board of Directors to be included in the analysis at the next meeting scheduled for December 6, 2022.

APPLICATION FOR STATE OF MISSISSIPPI FUNDS

WORKSHEET To be completed by using your June 30, 2022

		<u>FDIC Call Report.</u>	FDIC CALL REPORT (in thousands)
"A"			
ADD	Total Bank Equity Capital (Sum of items 23 through 26C)		<u>0</u> Line 27A Sch RC
ADD	Minority Interests in Consolidated Subsidiaries		<u>0</u> Line 27B Sch RC
ADD	Allowance for Loan and Lease Losses		<u>0</u> Line 4C Sch RC
ADD/Deduct	Unrealized Gains or Losses on Available for Sale Debt Securities *		<u>0</u> Line 9A Sch RC-R
ADD	Additional Tier 1 Capital Instruments		<u>0</u> Line 20 Sch RC-R
ADD	Non-Qualifying Capital Instruments Subject to Phase Out Tier 1 Capital		<u>0</u> Line 21 Sch RC-R
ADD	Tier 2 Capital Instruments		<u>0</u> Line 39 Sch RC-R
ADD	Non-Qualifying Capital Instruments Subject to Phase Out Tier 2 Capital		<u>0</u> Line 40 Sch RC-R
TOTAL PRIMARY CAPITAL - TOTAL "A"			<u><u>0</u></u>
"B"			
	Total Assets		<u>0</u> Line 27 Sch RC-R
ADD	Allowance for Loan and Lease Losses		<u>0</u> Line 4C Sch RC
Deduct	Assets Classified Loss (see definitions)		<u>0</u> Provided by financial institution
Deduct	Intangible Assets Other than Mortgage Servicing Rights		<u>0</u> Line 2B & 2C Sch RC-M
TOTAL ADJUSTED ASSETS TOTAL "B"			<u><u>0</u></u>
PRIMARY CAPITAL RATIO			
Divide Total "A" by Total "B"			<u><u> </u></u>

* If the amount reported on Line 9A of Schedule RC-R of the FDIC Call Report for your institution is negative, and you have entered a "1" on line 3.a of Schedule RC-R of that same report, then the absolute value of the amount you reported on Line 9A of Schedule RC-R should be ADDED here. If the amount reported on Line 9A of Schedule RC-R of the FDIC Call Report for your institution is positive, and you have entered a "1" on line 3.a of Schedule RC-R of that same report, then the absolute value of the amount you reported on Line 9A of Schedule RC-R should be SUBTRACTED here.