

Semiannual Risk Perspective

From the National Risk Committee

Office of the Comptroller of the Currency
Washington, D.C.
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About This Report

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (collectively, banks) and licenses, regulates, and supervises the federal branches and agencies of foreign banks. The OCC supervises these banks to ensure they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly and comply with applicable laws and regulations.

The OCC's National Risk Committee (NRC) monitors the condition of the federal banking system and emerging threats to the system's safety and soundness. NRC members include senior agency officials who supervise banks of all sizes, as well as officials from the law, policy, accounting, and economics departments. The NRC meets quarterly and issues guidance to examiners that provides perspective on industry trends and highlights issues requiring attention.

The OCC's *Semiannual Risk Perspective* addresses key issues facing banks, focusing on those that pose threats to the safety and soundness of banks and their compliance with applicable laws and regulations. This report presents data in four main areas: the operating environment, bank performance, trends in key risks, and regulatory actions.

The OCC publishes the report twice a year, drawing on midyear and year-end data. The fall 2016 report reflects bank financial data as of June 30, 2016.

The OCC welcomes feedback on this report by e-mail: NRCReport@occ.treas.gov.

Executive Summary

The financial performance of the federal banking system was relatively stable in the first six months of 2016 compared with the same period in 2015. While total revenue increased 2 percent year-over-year on higher net interest income, net income declined 3.5 percent year-over-year due to an increase in provision expenses. Profitability as measured by return on equity (ROE), was slightly lower than 2015 and still well below pre-recession levels at large banks—those with total assets greater than \$10 billion. The ROE at small banks—those with total assets less than \$10 billion—exceeded 10 percent, driven mostly by stronger revenue gains as well as slower growth in provision expenses than in 2015. Broad loan growth continued for small and large banks, with commercial and industrial (C&I), commercial real estate (CRE), and residential real estate loans as the primary drivers.

This report highlights key risk issues facing the federal banking system. While these key issues are similar to those in the spring 2016 report with strategic, credit, operational, and compliance risk remaining top concerns, there were two significant changes. The report adds governance over sales practices as a key risk issue and changes the characterization of leveraged lending from a key risk to an issue warranting continued monitoring. The NRC continues to monitor these supervisory priorities closely and implement appropriate actions to address risk concerns. This report provides more detail on the key risk issues underlying the following matters:

- Strategic planning remains important as banks adopt innovative products, services, and processes in response to the evolving demands for financial services and the entrance of new competitors, such as out-of-market banks and financial technology firms (fintech firms).
- Continued incremental easing in underwriting standards is a concern as banks strive to achieve loan growth and to maintain or grow market share. Easing of underwriting standards in commercial, CRE, and auto lending presents increasing credit risk.
- Rapid CRE loan growth over the past year and recent underwriting reviews raise concern over the quality of CRE risk management, particularly managing concentrations.
- Operational risk remains a concern as banks deal with changing cybersecurity threats, increased reliance on third-party relationships, and address the need for sound governance over sales practices.
- Some banks continue to face challenges in complying with Bank Secrecy Act (BSA) requirements as money laundering and terrorism financing methods evolve.
- Change management processes are posing a challenge as banks allocate resources to implement processes and controls for multiple new or amended regulations including the integrated mortgage disclosures under the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) and the new requirements under the amended regulation implementing the Military Lending Act (MLA).

The NRC is also monitoring other risks that warrant awareness among bankers and examiners. These risks may develop into broader system-wide issues and may already have raised concern at certain banks. The risks include the following:

- Consumer compliance risk management in some banks has not kept pace with the increasing complexity of the regulatory and risk environment.
- The United Kingdom's referendum result in favor of leaving the European Union may pose operational and strategic risks to some U.S. banks as those banks reassess staffing and legal entity structures, booking models, and manage risk associated with the implementation of organizational change.

- Low energy prices have contributed to a broader economic and credit quality impact in regions dependent on oil and gas exploration and production.
- Weak underwriting and erosion of covenant protection remain supervisory concerns in leveraged lending.

Key Risk Themes

Strategic risk remains high for many banks, as management teams consider business model changes and search for sustainable ways to generate target rates of return in a persistent low interest rate environment.

- Strategic risk continues to be concentrated in smaller banks searching for revenue and market niches. Strategic risk is also evident in larger banks as they adjust and respond to regulatory threshold requirements. Forward-looking management teams are seeking to differentiate their banks by focusing on long-term strategies that produce balanced growth in core businesses and markets while maintaining satisfactory liquidity, loss reserves, earnings, and capital positions.
- Strategic planning remains important as banks adopt innovative products, services, and processes in response to the evolving demands for financial services and the entrance of new competitors, such as out-of-market banks and fintech firms. Banks involved in responsible innovation use new or improved financial products, services, and processes to meet the needs of consumers, businesses, and communities in a manner that is consistent with sound risk management and is aligned with banks' overall business strategies.¹ Failure to innovate to meet evolving needs or financial services may place a bank at a competitive disadvantage.
- Merger and acquisition activity is expected to continue as banks seek to enhance shareholder or franchise value, gain economies of scale, enhance market penetration, and improve cost efficiencies. This activity may increase risks to banks' ability to maintain appropriate management information systems, operational platforms, control structures, and risk management frameworks. This increased risk highlights the importance of robust due diligence processes that focus not only on an evaluation of risk assets, but also on operational and compliance processes and inherent risks.
- Bank net interest margins remain under pressure due primarily to the low interest rate environment. While some banks have experienced improvement in the net interest margin with stronger loan growth, others are struggling to earn a positive spread over operating expenses. It is important for banks to consider the strategic implications of a lower interest rate environment for a longer time period.
- A persistent low and flat interest rate environment continues to pressure some banks and asset managers to reach for yield by extending asset duration, taking additional credit risk, and looking for new revenue channels.
- Some asset managers have sought yield through direct investments in alternative and structured products, and others have obtained yield by increasing clients' holdings of assets with greater duration, credit, and liquidity risk exposures.

Competitive pressures and continued growing credit risk appetites have driven easing in underwriting standards and increased credit risk for some loan portfolios.

- Banks continue to ease underwriting practices across a variety of commercial and retail credit products given their desire to boost loan volume and respond to competition from bank and nonbank lenders. The easing in commercial loan underwriting is consistent with easing observed in

¹ *Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective*, March 2016.

the latter half of 2015. The level of risk is increasing, however, due to increased risk layering, rising loan policy exceptions, increasing loan-to-value (LTV) ratios, and weaker covenant protection.

- Supervisory reviews have identified concerns regarding the quality of underwriting, concentration risk management, and weaknesses in stress testing for CRE lending. These concerns are amplified by strong growth in CRE portfolios over the past three years. Strong CRE growth is evident in all sizes of banks, but CRE concentration build-up is primarily in smaller banks.
- Credit underwriting standards have also eased in most retail lending product types as noted in the 2016 OCC *Survey of Credit Underwriting Practices*, the *Senior Loan Officer Opinion Survey on Bank Lending Practices*, published by the Board of Governors of the Federal Reserve System (Federal Reserve Board), and other external data sources. The most prominent product for easing has been in auto lending. Low delinquency and loss levels coupled with high competition may lead to further easing as the credit cycle matures; these metrics will eventually bottom out, however, and begin to increase as more aggressively underwritten loans begin to season.
- Oil- and gas-related loan portfolios experienced significant deterioration over the past 12 months as the sustained decline in oil prices severely affected borrower cash flows and liquidity. The volume of classified and special mention oil- and gas-related loans stabilized in the second quarter of 2016, but examiners and lenders continue to closely monitor these portfolios.
- Recent supervisory activities have identified weaknesses in allowance for loan and lease losses methodologies at some banks, with examiners identifying lack of appropriate consideration of strong loan growth, rising concentrations of credit, and increasing risk appetite and tolerance for underwriting exceptions. These weaknesses illustrate the importance of documenting the qualitative factors, which have increased in relevance due to several years of relatively benign losses.

Operational risk is high as banks adapt business models, transform technology and operating processes, and respond to increasing cybersecurity threats.

- Sophisticated cybersecurity threats continue to pose high inherent risks to an interconnected financial services marketplace. Timely and thorough software patch and update management, as well as strong end-user training, can help banks avoid phishing attacks and mitigate risks.
- Several recent well-publicized events of exploitation of personal information and communications demonstrate the need for continued vigilance, and smarter cyber practices that include strong authentication as well as current end-point software and malware detection. Additionally, these events demonstrate the increasing ability and willingness of malicious actors to infiltrate systems and expose information or deny access to information and systems.
- Recent cyber attacks against interbank networks and wholesale payment systems have demonstrated a range of capabilities that focus on weak cyber practices and poor internal controls.
- The number, nature, and complexity of domestic and foreign third-party relationships continue to expand, increasing risk management challenges and possible third-party concentration risk.
- Control breakdowns over the governance of retail product sales practices can erode trust in the banking system. Effective systems to detect and address fraud and possible unfair or deceptive practices in a timely manner, including effective complaint management systems, are critical.
- Business operating models are under increasing pressure as banks seek to launch new products and services directly or through third parties. Banks are attempting to control expenses by leveraging technology, reducing staff, outsourcing critical activities, reengineering business processes, and partnering with firms unfamiliar with the bank regulatory environment. These firms can include marketplace lenders, payments systems providers, and other fintech companies. It is important for banks to focus on timely adapting risk management and control processes to these changes in business strategy.

- Central counterparties, which are increasingly used to clear financial transactions, can reduce bilateral credit risk and promote transparency and robust risk management practices. An increase in the volume and types of centrally cleared transactions, however, also increases the concentration of operational and other risks, requiring commensurate risk management by the central counterparties, and potentially affecting the risk profiles of clearing members. Foreign central counterparty membership may introduce additional risks from differences in rules, requirements, and authorities.

Compliance risk remains high as banks continue to manage money laundering risks subject to resource constraints in an increasingly complex risk environment and implement changes to policies and procedures to comply with amended consumer protection requirements.

- Bank Secrecy Act and Anti-Money Laundering (BSA/AML) risks remain high. Technology developments and innovation designed to improve operational efficiency or to enhance product and service offerings by increasing access to financial services and convenience to customers may create vulnerabilities that can be exploited by criminals. Timely identification of these vulnerabilities, and the design and application of effective controls to mitigate resulting risks, continue to present challenges for some banks.
- Constraints on resources and ability to apply and maintain the level and quality of expertise needed to successfully implement BSA/AML controls increase the scale of vulnerabilities created by technology development and innovation. Changes in bank business models and the number of nonbank financial institution participants that enter the traditional banking services market add complexity to the risk environment in which banks operate.
- Bank decisions to terminate customer relationships resulting from risk reevaluations continue to pose the risk that certain customer segments or transactions may move out of the formal financial system where they can be monitored and reported to law enforcement authorities. There is also the continued risk that potentially higher-risk customer relationships that are terminated by a bank may migrate to other banks that are less experienced in managing complex money laundering risks.²
- Change management challenges continue as banks work to implement new and revised consumer protection rules under TILA, RESPA, and MLA. The amended MLA regulatory requirements for which compliance was required by October 3, 2016, for certain types of lending to active duty military personnel and their dependents. Implementation of the amended MLA may pose compliance and operational challenges for banks. Banks continue to face similar change management challenges in achieving full compliance with the integrated mortgage disclosure requirements. These requirements apply to loan applications for most closed-end consumer credit transactions secured by real property received on or after October 3, 2015, as well as with other recent amendments to consumer lending rules under TILA and RESPA.
- The use of third-party relationships to conduct all or a portion of consumer credit-related product development, implementation, and fulfillment, including MLA and integrated mortgage disclosure requirements, can increase compliance risks. It is important for banks to have strong due diligence processes and ongoing monitoring of key third parties.
- Fair lending risks may increase when banks engage third parties to conduct some or all of the loan application or underwriting processes, or to help banks make decisions regarding terms or pricing. Variations in loan approval and denial and pricing decisions may create increased exposure for fair lending issues and require increased monitoring. Indirect auto lending—an area of significant fair lending risk—continued to grow rapidly in volume for many banks with simultaneous changes in underwriting standards.

² [OCC Bulletin 2016-32](#), “Risk Management Guidance on Periodic Risk Reevaluation of Foreign Correspondent Bank,” October 5, 2016.

OCC Risk Perspective: Outlook by OCC Operating Unit

The outlook for the OCC's Large Bank Supervision and Midsize and Community Bank Supervision operating units remains broadly the same as described in the spring 2016 report. Compliance, governance, and operational risk issues remain leading risk issues at large banks while strategic, credit, and compliance risk remain the leading issues at midsize and community banks.

Large Bank Supervision

Key risks facing large banks, which contribute to strategic and reputation risks, among other risks, include the following:

- Compliance risk management, especially in the area of BSA/AML and implementation of new regulations under TILA, RESPA, and MLA, because of
 - controls at some banks not keeping pace with higher-risk services and customer relationships.
 - new mortgage-related compliance regulations under TILA and RESPA, which require effective change management strategies around the entire underwriting process.
 - new MLA regulatory requirements.
- Possible corporate governance weaknesses, involving the oversight of sales practices.
- Cybersecurity and fraud from the increasing volume and sophistication of cyber threats and information technology vulnerabilities.
- Enterprise risk management governance of third-party risk management practices.

Midsize and Community Bank Supervision

Key risks facing midsize and community banks, which contribute to strategic and reputation risks, among other risks, include the following:

- Strategic planning and governance risk continues to pose a challenge as banks implement plans for adapting business models to respond to changing loan demand, low interest rates, and intense competitive pressures, including from nonbanks.
- Commercial and retail credit underwriting standards have eased over the past several years as banks strive to increase or maintain loan volumes in an increasingly competitive environment.
- CRE concentrations have increased given the strong growth in CRE over the past three years.
- BSA/AML compliance is increasingly challenging as banks adapt risk management systems to keep pace with evolving risks and increasing complexity of the risk environment.
- Consumer compliance risk management systems may not have kept pace with evolving risks and increasing complexity of the risk environment. The implementation of the integrated mortgage disclosure requirements and the amended MLA regulatory requirements pose challenges to bank systems, policies and procedures, disclosures, and staff training.
- Cyber resiliency is increasingly important as threats from malware and cyber extortion become more complex, and many banks are reliant on third parties to provide critical banking functions.

OCC Supervisory Priorities for the Next 12 Months

The OCC's supervision priorities reflect its risk-based approach. Key risks facing individual banks differ, but the priorities expressed in this section generally reflect the areas of greatest emphasis for the OCC's Large Bank Supervision, Midsize and Community Bank Supervision, and Compliance and Community Affairs operating units.

Large Bank Supervision

The OCC develops and executes a supervisory strategy for each large bank. The strategies prioritize risks and address the OCC's supervisory objectives. The top risk priorities for the next 12 months include the following:

- **Matters requiring attention and enforcement actions:** Ensuring effective, timely, and consistent follow up on matters requiring attention (MRA) and enforcement actions. This includes assessing, verifying, and validating that requirements for MRAs and enforcement actions are met, that concerns are addressed, and that MRAs and enforcement actions are closed or terminated in a timely manner.
- **Operational risk:** Reviewing banks' programs for assessing the evolving cyber threat environment and banks' cyber resilience. Also, assessing information security and data protection, model risk management, governance over sales practices, and third-party risk management.³ OCC examiners evaluate bank managements' plans to respond to increasing operational risk resulting from the introduction of new or revised business products, processes, delivery channels, or third-party relationships.
- **BSA/AML:** Assessing the effectiveness of bank BSA/AML programs and controls to address evolving money-laundering schemes, the rapid pace of technological change, and overall money laundering and terrorist financing risks. In addition, examiners will be alert to bank BSA/AML strategies that may inadvertently impair financial inclusion and should discuss the potential impact of such strategies with bank management to determine whether alternate approaches could be employed.
- **Compliance:** Developing and executing plans for assessing compliance with new regulatory requirements, including those related to capital, liquidity, trading activities, residential mortgages, and risk retention. OCC examiners will assess a bank's change management processes for implementing new platforms, technologies, and processes required by significant changes to regulatory requirements. These regulatory changes include the new integrated mortgage disclosure requirements and the amended MLA requirements, Flood Disaster Protection Act (FDPA), and Home Mortgage Disclosure Act (HMDA).
- **Credit underwriting:** Reviewing commercial and retail credit underwriting practices, especially for leveraged loans, auto loans, loans to nondepository financial institutions, and CRE loan sectors that have experienced higher growth and weakening underwriting standards. Examiners will continue to assess banks' efforts to mitigate risk for home equity lines of credit approaching end-of-draw periods.⁴
- **Stress testing:** Assessing the spillover effect of continued low oil prices and evaluating banks' practices for stress testing affected loans as part of credit stress testing.
- **Allowance for loan and lease losses (ALLL):** Assessing appropriateness of the ALLL, especially the documentation and support for the qualitative factors, given the growing concentrations, easing in underwriting standards, and increased risk layering. In addition, examiners will evaluate banks' plans to prepare for the implementation of the current expected credit loss standard.
- **Horizontal risk assessments:** Conducting horizontal risk assessments of sales practices, shared national credits, Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 stress testing, recovery planning, information technology risk management, operational risk management, and compliance risk management. Also, participating in any agency-directed or NRC-facilitated

³ [OCC Bulletin 2013-29](#), "Third-Party Relationships: Risk Management Guidance," October 30, 2013.

⁴ [OCC Bulletin 2014-29](#), "Risk Management of Home Equity Lines of Credit Approaching the End-of-Draw Periods: Interagency Guidance," July 1, 2014.

horizontal risk assessments.

Midsize and Community Bank Supervision

The OCC develops, and executes, supervisory strategies for each community and midsize bank. The strategies prioritize risks and address the agency's supervisory objectives. The top priorities for the next 12 months remain broadly unchanged from the spring 2016 report and include the following:

- **Strategic risk:** Evaluating business models as banks make decisions to adopt new strategies, products, and services to meet economic and competitive pressures, including strategies focused on mergers, acquisitions, and partnerships.
- **Credit underwriting:** Evaluating underwriting practices on new or renewed loans for easing in structure and terms, increased risk layering, and potential fair lending implications. Reviews will focus on new products, areas of highest growth, or portfolios that represent concentrations, such as C&I, CRE, and auto loans.
- **Stress testing:** Assessing the spillover effect of continued low oil prices and evaluating the banks' practices for stress testing affected loan portfolios as part of credit stress testing.
- **ALLL:** Assessing appropriateness of the ALLL, especially the documentation and support for the qualitative factors given the increased credit risk from growing concentrations, easing in underwriting standards, and increased risk layering. In addition, examiners will evaluate banks' plans to prepare for the implementation of the current expected credit loss standard.
- **Operational risk:** Assessing information security, data protection, and third-party risk management. This activity includes reviewing banks' programs for assessing the evolving cyber threat environment and banks' cyber resilience. Examiners will continue to use the Cybersecurity Assessment Tool for banks not examined in FY 2016 and follow up on any gaps identified in FY 2016. OCC examiners will evaluate bank managements' plans to respond to increasing operational risk resulting from the introduction of new or revised business products, processes, delivery channels, or third-party relationships.
- **BSA/AML:** Continuing to ensure that banks have effective BSA/AML programs and controls to address changing customer profiles, evolving money-laundering schemes, the rapid pace of technological change, the implications of risk reevaluation, and the overall risk that money laundering and terrorist financing activities create.
- **Compliance:** Evaluating adequacy of compliance risk management and assessing banks' effectiveness in identifying and responding to compliance risks posed by new products, services, or terms. OCC examiners will assess banks' change management processes for implementing new platforms, technologies, and processes required by significant changes to regulatory requirements, which include the rules that implement the MLA, FDPA, and HMDA, as well as compliance with the integrated mortgage disclosure requirements under TILA and RESPA.
- **Interest rate risk:** Evaluating management of interest rate risk, including the ability to accurately identify and quantify interest rate risk in assets and liabilities under varying model scenarios. This evaluation includes assessing the potential effect of rising interest rates on deposit stability and increased competitive pressures for retail deposits as a result of banks preparing for implementation of the liquidity coverage ratio requirements.
- **Horizontal risk assessment:** Participating in agency-directed horizontal risk assessments facilitated by the NRC or Midsize and Community Bank Supervision.

Compliance and Community Affairs

In March 2016, the OCC established a new operating unit, Compliance and Community Affairs. The primary responsibilities for Compliance and Community Affairs include overseeing agency

compliance strategies and examination activities for banks through coordination with other supervision operating units. Compliance and Community Affairs will focus on the following during FY 2017:

- **BSA/AML:** Ensuring banks have designed and implemented effective BSA/AML programs and controls to address continued risks from traditional money laundering schemes and evolving vulnerabilities resulting from the rapid pace of technological change, emerging payment solutions, and terrorist financing.
- **New regulations and changes to existing regulations:** Ensuring that banks have adopted policies addressing and are implementing, new regulations, as well as changes to existing regulations that became effective in 2015-2016.
 - **Integrated Mortgage Disclosure Rules:** Assessing compliance with the new requirements and forms for mortgage disclosures—the Loan Estimate and Closing Disclosure—effective October 3, 2015, using the FFIEC Interagency Examination Procedures, including compliance management systems, operational changes, and oversight of third parties.
 - **National Flood Insurance Program (NFIP):** Assessing banks’ policies, procedures, and processes to determine compliance with the NFIP requirements, including obtaining and maintaining flood insurance.
 - **MLA:** Evaluating any credit products subject to the MLA. The Department of Defense amended its MLA regulation to cover the same types of consumer credit covered under the Truth in Lending Act (TILA) regulations, with several statutory exceptions, a substantial expansion from the previous coverage limited to certain closed-end payday loans, vehicle title loans, and tax refund anticipation loans. The compliance date for most covered credit products was October 2016, and credit card accounts have a compliance date of October 3, 2017.
- **Fair lending:** Reviewing credit products and services offered by banks to evaluate the quantity of fair lending risk they present, and assessing the bank’s quality of fair lending risk management. Examination activities and transaction testing will focus on products and services identified as higher risk or inappropriately managed risk. Higher risk products or services include substantial or increasing volume of riskier underwriting or pricing practices that could result in consumer harm.
- **Horizontal risk analysis:** Participating in agency- or NRC-directed horizontal initiatives related to compliance issues.

Technology Service Providers

The OCC conducts examinations of services provided by significant technology service providers based on authorities granted by the Bank Service Company Act, 12 USC 1867. These examinations typically are conducted in coordination with the Federal Reserve Board, Federal Deposit Insurance Corporation, and other banking agencies with similar authorities. The scope of examinations of services provided by the largest service providers focuses on key technology and operational controls communicated in the *FFIEC Information Technology Examination Handbook* and other risk management functions including the following:

- **Cybersecurity:** Assessing service providers’ risk management structures for managing cybersecurity, assessing the level of cyber resilience of the service providers, and assessing other control functions communicated in FFIEC cybersecurity guidance statements and the FFIEC Cybersecurity Assessment Tool as part of the examination process.
- **Enterprise risk management:** Assessing the effectiveness of providers’ organizational structure and governance within service and product lines and evaluating the strength of audit and risk management functions for the services provided to banks.
- **Third-party risk management:** Assessing service providers’ risk management and governance structures for the engagement of third parties critical to delivering the services to banks. Assessing

contract management processes, evaluating processes for monitoring and oversight of third-party operations, and assessing controls for third-party connectivity and transport of information.

- **Change management processes:** Assessing the following:
 - Standards and controls for implementing new systems and operations procedures for new products, product updates, or new processes provided to banks.
 - Standards for testing system changes, promoting changes to production, and reversing corrupted or failed changes.
 - Processes for incorporating new regulatory requirements for client financial institutions.
 - If applicable, processes for integrating acquisitions by the service providers.
- **Product- and service-specific risks:** Identifying products and services offered to banks, and identifying specialized products and services for which the service provider manages the risk management and controls. In the latter case, this activity includes an assessment of the examination strategy for the service providers, using specialized examination skills and resources.

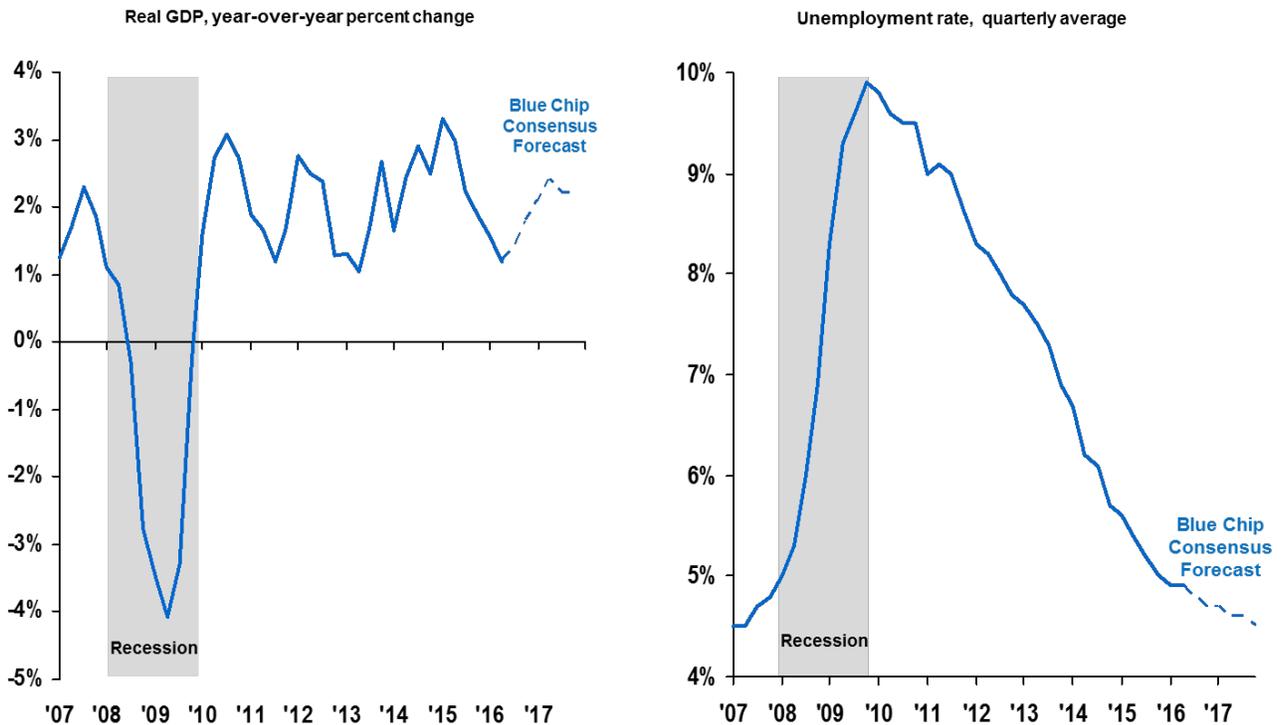
Part I: Operating Environment

Solid job gains continue to spur consumer spending and U.S. economic growth. Except for mining and manufacturing, job growth is widespread across industries. Regionally, job and economic growth are weakest in energy-dependent areas and strongest in the Southeast and tech-dependent areas. With the economy fast approaching full employment, inflation-adjusted wages are growing for all demographic groups and most categories of workers. The improving job market has boosted consumer confidence which, along with still low gasoline prices and healthy household balance sheets, has supported retail sales. Nevertheless, weak investment spending by businesses remains a drag on the economy. The deceleration in gross domestic product (GDP) growth, coupled with further uncertainty over international growth prospects, is slowing the rise in interest rates. This slowing will likely delay any potential benefit to banks from higher asset yields.

U.S. Economic Expansion to Continue Through 2017

Real GDP increased 1.2 percent between the second quarter of 2015 and the second quarter of 2016 (see figure 1). Despite a slowdown in U.S. growth in the first half of 2016, economic fundamentals, including consumer and government spending, suggest moderate expansion in 2016. The unemployment rate fell to 4.9 percent in the second quarter of 2016, with total employment up 2 percent from a year ago. The consensus of private sector forecasters is for the economic expansion to continue through 2017.⁵

Figure 1: GDP and Unemployment Trends



Source: Bureau of Economic Analysis, Bureau of Labor Statistics/Haver Analytics, Blue Chip Indicators (September 2016)

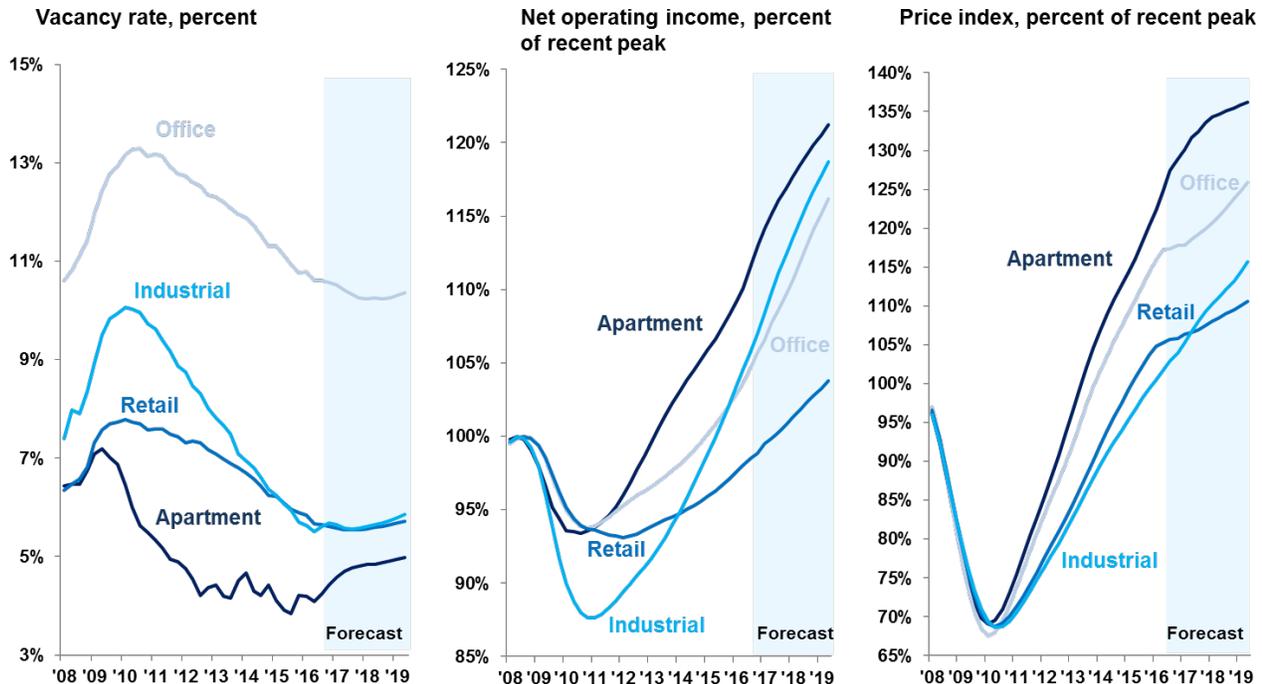
⁵ Blue Chip Economic Forecast.

CRE Outlook Is Mixed

Apartments are in a more advanced stage of the vacancy rate cycle than other commercial property types (see figure 2) and are forecast to experience rising vacancy rates sooner than other property types. Because new apartment construction, most of which has been in the luxury end of the market, is expected to outpace demand, the national apartment vacancy rate is expected to increase by nearly 1 percent over the next three years. Markets with the most new construction will likely see apartment vacancy rates rise by more than 1 percent and will experience slower rent and net operating income growth. Construction of other types of commercial properties has been, and is likely to remain, more limited. Consequently, the national vacancy rates for office, industrial, and retail space declined steadily in the past two years and, unlike the vacancy rates for apartments, are expected to decline further, or flatten out, in the next three years.

The pace of growth in CRE property values is forecast to slow.⁶ In the past two years, strong market fundamentals and low interest rates made CRE a relatively attractive investment, especially for foreign investors with limited prospects in their home markets. In response, investors rapidly bid up property prices, particularly in major U.S. markets most attractive to foreign investors. In the next three years, as apartment vacancies rise and the improvement in other property types slows, there will be less upward pressure on CRE prices. Prices may also soften more in markets where luxury apartments are pushing the bounds of affordability. Additionally, an unexpected rise in interest rates will raise borrowing costs for both domestic and foreign investors and could dampen the pace of price growth for all commercial properties.

Figure 2: CRE Performance Measures



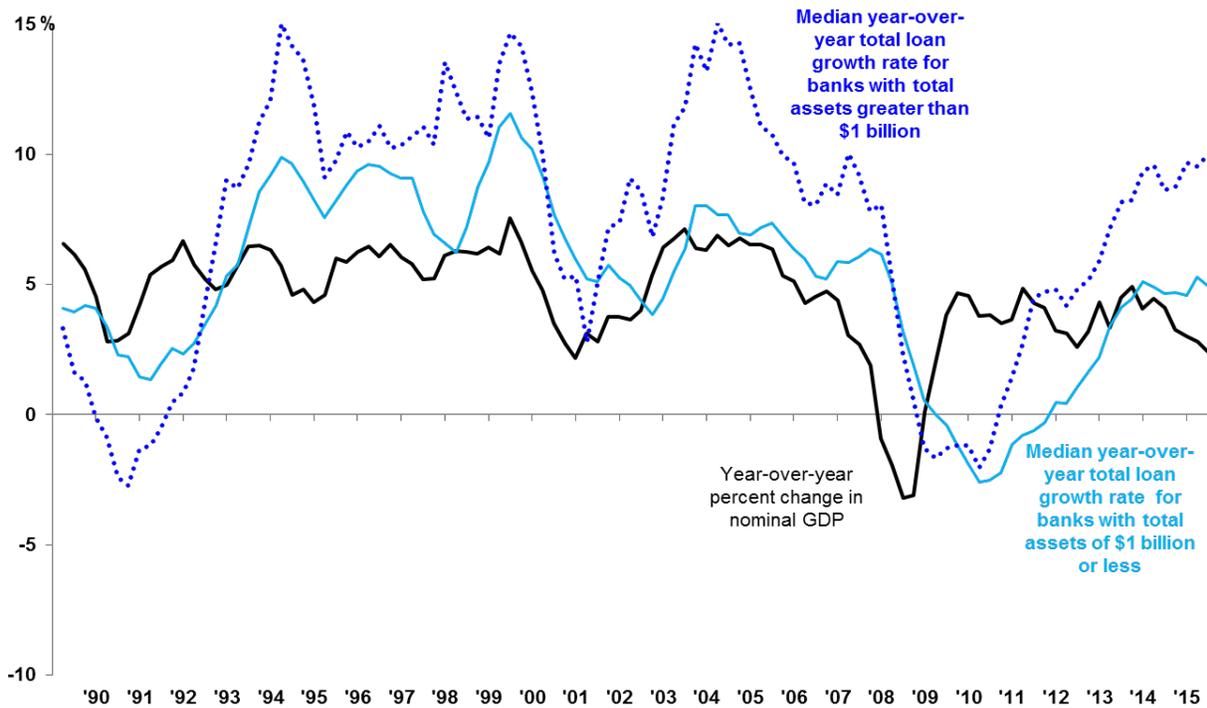
Source: CoStar Group; second quarter 2016 baseline forecast for 54 tier 1 markets

⁶ CoStar Group provides information, analytics, and online marketplaces to the CRE industry.

Slowing GDP Growth May Foreshadow an Eventual Weakening in Lending

Economic growth since 2010 has remained subdued relative to previous expansions and has recently decelerated. The direction of year-ago loan growth generally follows that of nominal GDP with at most a few quarters lag. But in the past two years, loan growth has continued (and even accelerated for larger banks) as the pace of nominal GDP growth slowed (see figure 3). Although this lagging response may be an artifact of an initially sluggish lending recovery after the financial crisis, recent loan growth momentum may be hard to maintain—especially should the slowdown in GDP growth persist. This lag could be a challenge for bank revenues since higher loan volume has been a positive offset to the dampening effect of thinning margins.

Figure 3: Trend in Loan Growth and Nominal GDP Growth



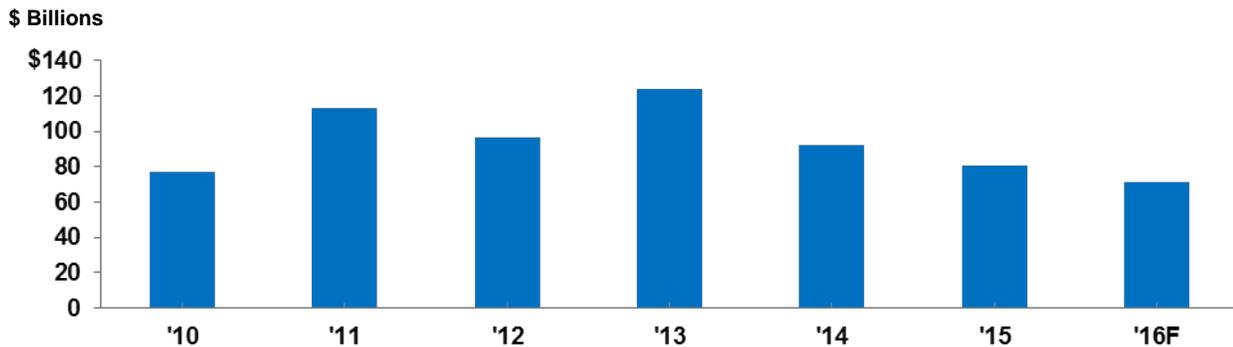
Source: Integrated Banking Information System (OCC)

Note: Data are quarterly from the first quarter of 1990 through the second quarter of 2016.

Farm Income Expected to Continue Declining Trend in 2016

The U.S. Department of Agriculture is projecting total net farm income will decrease by 12 percent in 2016 from 2015 (see figure 4). The decline is widespread across a broad range of agricultural products. Factors behind the income decline include lower commodity prices due to increased grain, livestock, and dairy product inventories coupled with reduced U.S. exports and the increasing value of the U.S. dollar. This projection follows declines in farm income in 2014 of 25 percent and in 2015 of 13 percent. Most producers have been able to compensate for cash flow shortfalls with internal liquidity or refinancing supported by farmland and other asset equity. The most seriously affected farmers have been producers who rent land, given their more limited ability to collateralize borrowings. Rents remain high although land prices have declined in most areas.

Figure 4: Net Farm Income Reported by Department of Agriculture



Source: U.S. Department of Agriculture (August 30, 2016)

Part II: Bank Performance**Revenue Growth Offset by Higher Provision Expense****Smaller Banks Led Profitability Increase in First Half of 2016**

Banks with less than \$10 billion in assets reported higher net income through the first six months of 2016 when compared with the same period in 2015. Over the same time, banks with more than \$10 billion in assets experienced a 3.2 percent decline in net income due to an increase in provision expense (see table 1). Banks with total assets between \$1 billion and \$10 billion and those with assets less than \$1 billion reported increases in net income of 4.5 percent and 6.3 percent, respectively, due to higher net interest income. Revenue growth across banks of all sizes was driven primarily by increased net interest income from stronger total loan growth.

Table 1: Trends in Bank Net Income

	Assets greater than \$10 billion		Assets between \$1 billion and \$10 billion		Assets less than \$1 billion	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Total assets in billions	9,993.9	10,532.2	403.7	433.5	271.7	283.7
Year-to-date revenues in \$ billions						
Net interest income	132.0	138.0	6.2	6.7	4.4	4.6
Noninterest income	84.9	83.2	2.9	3.0	2.8	2.9
Realized securities gains and losses	1.4	1.5	0.1	0.1	0.0	0.1
Year-to-date expenses in \$ billions						
Provisioning	12.0	17.8	0.3	0.4	0.1	0.2
Noninterest expense	128.2	128.2	5.8	6.2	5.0	5.3
Income taxes	24.6	24.7	0.9	1.0	0.5	0.5
Net income	53.4	51.7	2.2	2.3	1.6	1.7

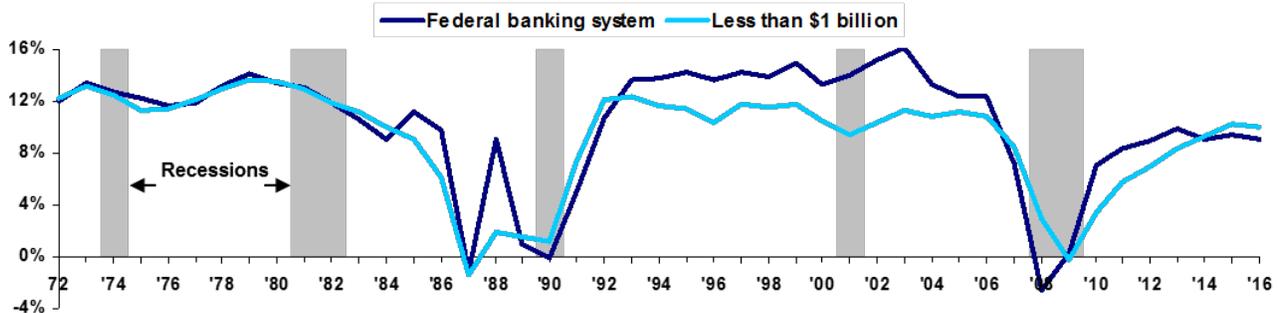
Source: Integrated Banking Information System (OCC)

Note: Data as of year-end, merger-adjusted, and held constant for banks in operation from the first quarter of 2010 to the second quarter of 2016.

Return on Equity Strongest in Small Banks

System-wide ROE of 9.1 percent for the first six months of 2016 was slightly below the same period in 2015 (see figure 5). ROE across the federal banking system has been gradually improving, with half of banks seeing an ROE improvement over the past year. In the first six months of 2016, ROE at banks with less than \$1 billion in total assets surpassed the system ROE and returned close to its pre-recession level.

Figure 5: Trends in ROE



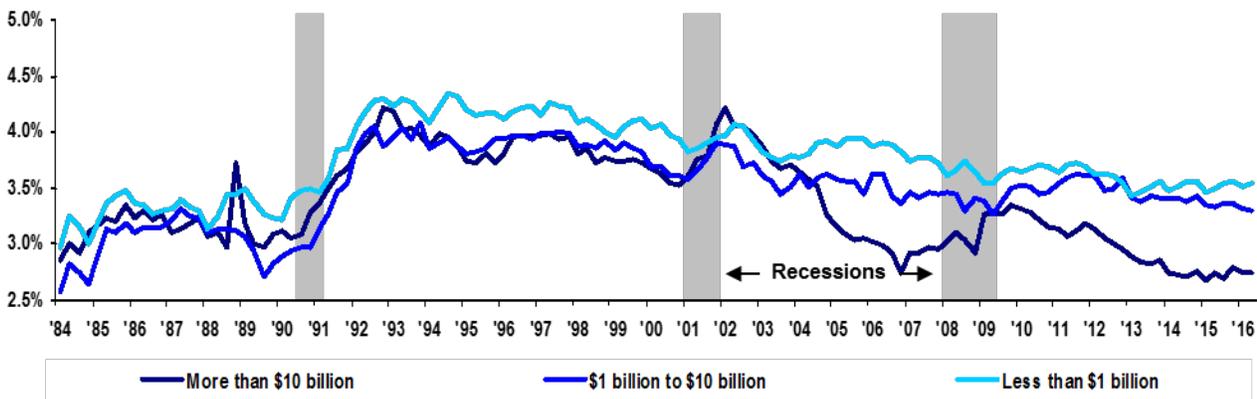
Source: Integrated Banking Information System (OCC)

Note: Annual data through year-end 2015. June 2016 year-to-date annualized. 2008 results are sum of quarterly net income and include estimates from Y-9 to restore income eliminated due to purchase accounting treatment of Countrywide (2Q:08), WaMu (3Q:08), Wachovia, National City, and Downey (4Q:08). Thrift data not available prior to 1984.

Net Interest Margins Remain Stable but Historically Low

While banks boosted revenues because of higher net interest income, margins remain historically low (see figure 6). Banks increased net interest income due to increased loan volume led by banks with total assets less than \$1 billion. Slightly more than half of banks have seen an increase in net interest margin compared with a year ago.

Figure 6: Net Interest Margin as a Percentage of Earning Assets



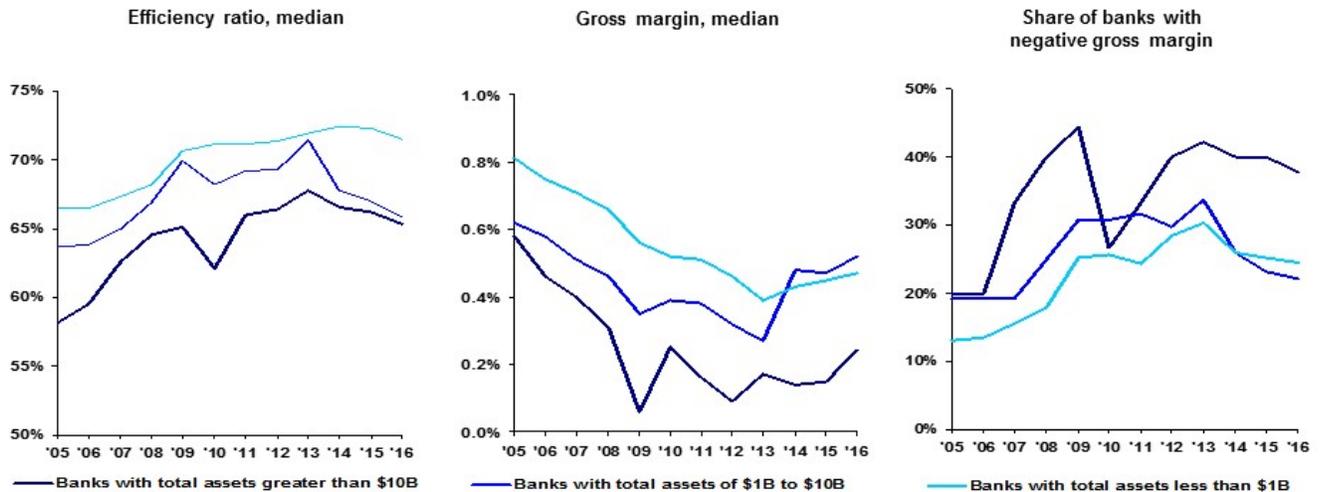
Source: Integrated Banking Information System (OCC)

Note: Quarterly data through the second quarter of 2016. Data excludes credit card and trust banks.

Prolonged Low Interest Rates Diminish Prospects for Margin Improvement

While net interest margins have stabilized, the prolonged low interest rate environment and rising noninterest expense continue to pressure earnings for many banks. Median efficiency and gross margin ratios show improvement as banks benefit from increased loan volume (see figure 7). However, more than 20 percent of banks with total assets of \$10 billion or less report noninterest expense greater than net interest income. Smaller banks are less likely to have the diversified revenue sources of larger banks and therefore may be subject to greater earnings pressure. This pressure likely will increase strategic risk the longer the low interest rate environment continues.

Figure 7: Trends in Efficiency and Gross Margin Ratios for National Banks



Source: Integrated Banking Information System (OCC)

Note: Annual data for national banks excluding credit card and trust banks. June 2016 year-to-date annualized. Merger adjusted for institutions in continuous operation between 4Q:05 and 2Q:16 with size class assigned as of 2Q:16. Efficiency ratio is noninterest expense as share of the sum of net interest income and noninterest income. Gross margin is net interest income less noninterest expense as share of average assets.

Part III: Trends in Key Risks

A. Operational Risk Remains Elevated

Operational risk in banks is elevated due to

- an interconnected and interdependent financial services marketplace exposed to increasingly sophisticated and evolving cyber threats that require constant awareness and appropriate resources to identify and mitigate the associated risks.
- new platforms and technology, which are enabling greater anonymity to cyber criminals and other groups to launder money and raise funds to pay for physical and cyber attacks, pose substantial challenges for compliance with the BSA/AML laws and regulations.
- the ongoing competitive challenges facing many banks that are seeking revenue from new products, services, and markets, which often may involve unfamiliar risks, expanded reliance on third-party relationships, updated or new systems and technology platforms, and require different, new, or stronger oversight and controls. The competitive challenge can contribute to erosion in risk management systems and internal controls in an effort to gain profitability.

Severity of Cyber Threats Is Increasing

Cyber espionage and attacks targeting large quantities of personally identifiable information and proprietary intellectual property continue to increase and are being leveraged for financial gain and extortion. Malicious actors have demonstrated an increased willingness to take more aggressive action to expose or deny access to personal information.

Cyber criminals use a variety of evolving tactics, including ransomware, denial of service, and theft of sensitive business and customer information in extortion schemes. Given the success of extortion campaigns, there has been an increase in cyber criminals to conduct such campaigns. Some offer ransomware as a service for those with limited technical ability. In other instances, those with technical ability are releasing ransomware variants with little or no testing, and faults in the software can cause organizations to lose data. Successful attacks can disrupt a bank's operations and ability to provide services. The FFIEC and law enforcement have published guidance and alerts on ransomware.

Companies that provide information technology products and services, including those that allow remote management, automation, and security, are increasingly being targeted for cyber crime and espionage. When exploited, these third parties have a backdoor into businesses' operations. This trend coincides with many of the mega breaches that have occurred throughout the year. Millions of compromised credentials have been sold online and used to gain access to sensitive accounts when e-mails and passwords are reused.

Recent public reports indicate that sophisticated hacking tools have been discovered and made available on the internet. These tools allow attackers to penetrate older versions of firewalls and other network devices. The U.S. Computer Emergency Readiness Team issued an advisory to notify the public of this risk and recommendations to remediate the risk. These reports emphasize the need for banks to implement sound systems development life cycle practices. The advisory underscores the need for banks to periodically ensure that their systems are running the latest versions of software and supported hardware from their vendors. Unsupported software and hardware often contain vulnerabilities that may leave banks vulnerable to breaches. Strong authentication and management of privileged user access must also be taken into consideration when developing a layered security approach.

Banks and other businesses are continuing to be attacked through business e-mail compromise. Business e-mail compromise is a sophisticated scheme that initially involved criminals forging payment requests for legitimate vendors and directing the funds to the cyber criminal's account. For example, public reports indicate that business e-mail compromise schemes are evolving to include digital impersonation of chief executive officers. These criminals then e-mail internal accounting and human resources offices and request copies of employee W-2 information to facilitate additional fraud and identity theft. This topology illustrates the importance of strong awareness programs and controls for executives and other privileged users who are capable of moving funds, controlling network access and operations, or making key decisions.

Reliance on Third-Party Service Providers Increasing

Many banks have increasingly leveraged and become dependent on third-party service providers to support key operations within their institutions. Over time, consolidation has increased in significant service providers similar to the consolidation that has occurred in the financial industry. This consolidation has increased banks' reliance on a smaller group of organizations.

In addition to concentrations related to the number of banks serviced, examiners have identified instances of concentration of third party providers for specialized services, such as merchant card processing, denial of service mitigation, or trust accounting systems. These concentrations can create single points of failure for certain lines of business or operational functions for a large segment of the banking industry and necessitates appropriate oversight.

B. Compliance Risk Remains High

Technology Offerings and Traditional Criminal Methods Result in High BSA/AML Compliance Risk

BSA/AML compliance risk remains high based on existing and emerging technologies that, while continuing to enhance delivery platforms for bank products, create new vulnerabilities that increase potential bank exposure to money laundering risk, particularly when these technological developments enable greater anonymity. More traditional criminal methods, such as trade-based money laundering, bulk cash smuggling using armored car services, and the use of funnel accounts, have become the preferred methods for criminal enterprises to move illicit proceeds across the U.S. border. Existing and emerging technologies, as well as the criminal typologies that evolve and leverage these innovations, continue to contribute to the complexity of the risk environment in which banks operate.

For some banks, the inability to meet challenges related to BSA/AML compliance has resulted in enforcement actions and increased reputation risk over the past several years. Penalties and remediation costs from such actions may affect financial condition and profitability, while the inability to take timely corrective action may continue to limit effective risk management outcomes. These effects, in turn, can limit a bank's ability to execute strategic plans, leverage technology, or undertake other innovations to expand product and service offerings.

Risk reevaluation has resulted in limitations on foreign correspondent bank account activity or the termination of these relationships. Higher-risk foreign correspondent banking customers whose account relationships have been terminated by a bank may move to other banks with less experience or resources to manage the associated money laundering risks. This displacement also may have potentially negative effects on financial inclusion internationally or may encourage the movement of

transactions out of the formal financial system where they can be appropriately monitored and reported for potential suspicious activity.

The OCC has published guidance that reiterates the expectation that banks conduct periodic risk reevaluations for portfolios that contain foreign correspondent accounts.⁷ Banks should base decisions to terminate foreign correspondent account relationships on analysis of the risks presented by individual foreign correspondent account relationships and the banks' ability to manage those risks. The OCC's guidance also shared a range of best practices for banks to consider when conducting these periodic reevaluations and making account retention or termination decisions.

Amendments to MLA Regulation and Integrated Mortgage Disclosure Rule Pose Change Management Challenges

MLA

For most types of covered consumer credit, compliance with the amended MLA regulation was required by October 3, 2016. As promulgated by the U.S. Department of Defense, the regulation affects all banks that extend consumer credit to members of the U.S. armed forces on active duty and their dependents (collectively, covered borrowers). The compliance date for credit card accounts is October 3, 2017, unless the Secretary of Defense provides an additional extension of up to one year. The Defense Department estimates that 238 million transactions each year will be subject to the disclosure requirements of the regulation.⁸

The amended regulation expands coverage of the MLA requirements to all consumer credit covered under the TILA and Regulation Z (12 CFR 1026), except for residential mortgages (including purchases, initial construction, refinances, home equity loans and lines of credit, and reverse mortgages) and purchase money loans secured by motor vehicles or personal property. The regulation prohibits a military annual percentage rate (MAPR) greater than 36 percent and limits certain practices and loan terms in connection with extensions of consumer credit to covered borrowers. Additionally, the regulation requires creditors to provide certain written and oral disclosures to covered borrowers.

Prudent change management is imperative to implement new regulatory requirements. The OCC expects banks to ensure that their processes and systems are sufficient to identify covered borrowers and loan products, accurately calculate the MAPR, provide required disclosures, and incorporate other required limitations and protections. Many banks rely on software, automated tools, disclosure forms, and third-party relationships to process loan applications, create and distribute disclosures, underwrite loans, and close loans. The OCC expects banks to manage their third-party relationships to appropriately address operational, reputation, and compliance risks associated with the regulatory amendments.

Truth in Lending and Real Estate Settlement Procedures Act Integrated Disclosure/ Know Before You Owe Rule

New mortgage disclosure forms—the Loan Estimate and the Closing Disclosure—have been required for most mortgage loans secured by real property since October 3, 2015. To comply with the new integrated rules, individual banks and the mortgage industry as a whole have needed to make

⁷ [OCC Bulletin 2016-32](#), "Risk Management Guidance on Periodic Risk Reevaluation of Foreign Correspondent Banking," October 5, 2016.

⁸ 80 Fed. Reg. 43560, 43595 (2015).

significant systems and operational changes. Implementation required extensive coordination with third parties, and there were numerous reports of issues relating to third-party readiness. Many banks also have dedicated substantial resources to understanding the rules, adapting systems, and training personnel. Full implementation of the rules, however, continues to pose operational and compliance risks and challenges. In recognition of the scope and scale of changes needed to achieve effective compliance, the OCC’s fiscal year 2017 examination strategies incorporate assessing compliance with the rules using the FFIEC Interagency Examination Procedures, as the adequacy of banks’ compliance management systems, and overall compliance efforts.

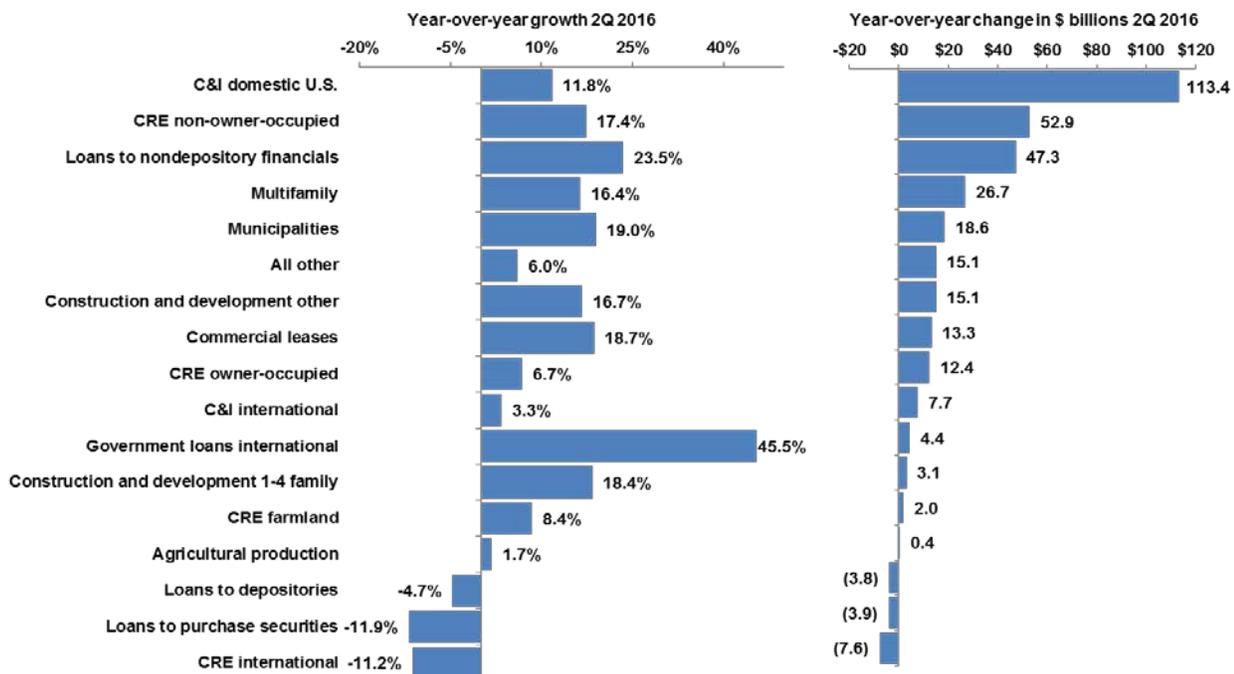
C. Loan Growth, Concentrations, and Eased Underwriting Standards Drive Increasing Credit Risk

Commercial Loan Growth Led by C&I, Nondepository Financials, and Real Estate

Total commercial loan commitments, including standby letters of credit, increased at a slower pace in the first half of 2016 with a 7.4 percent year-over-year increase. Funded commercial commitments (loans) increased 11.3 percent year-over-year. Funded growth was concentrated in domestic C&I loans (11.8 percent), loans to non-owner-occupied commercial mortgages (17.4 percent), nondepository financial institutions (23.5 percent), and multifamily loans (16.4 percent) (see figure 8). Loan growth was also strong for single family housing construction and other construction and land development, which increased 18.4 percent and 16.7 percent, respectively, compared with a year ago.

In the past three years, loans to nondepository financial institutions have increased by more than 150 percent and are now the fourth largest commercial loan category reported in the quarterly Consolidated Reports of Condition and Income (call report), compared with being the 11th largest at mid-2012. Loans to municipal governments are another area of strong growth, up by 19.0 percent in 2016 and by more than 56 percent in the past three years.

Figure 8: Funded Commercial Loan Commitments and Year-Over-Year Growth



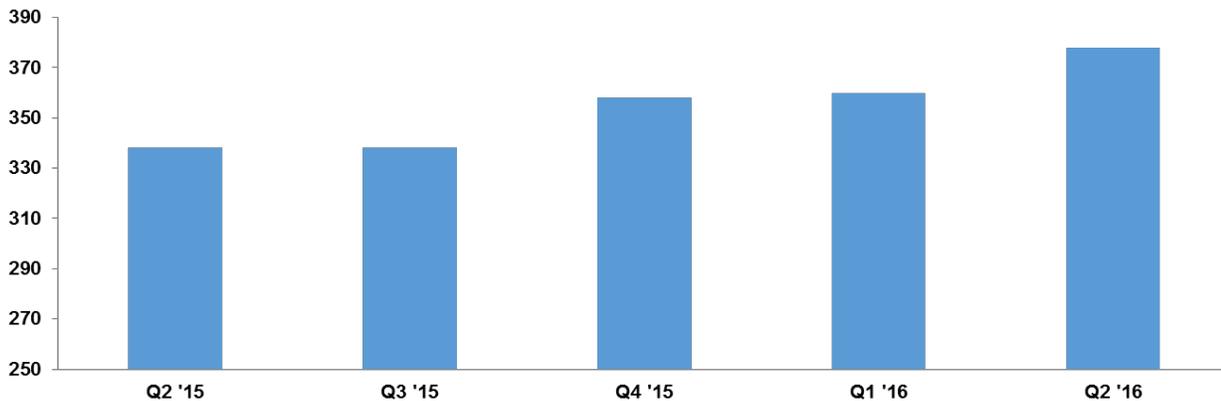
Source: Integrated Banking Information System (OCC)

CRE Loan Growth Raises Importance of Concentration Risk Management

CRE loans increased more than 16 percent in the four quarters ending June 30, 2016, as banks exhibited a strong risk appetite for this type of lending. As of June 30, 2016, many banks saw robust growth in their CRE portfolios, as defined by the interagency CRE guidance,⁹ with 378 banks (up by 40, or 12 percent, from a year ago) having at least 25 percent of capital in CRE and experiencing three-year growth rates of 50 percent or more (see figure 9). With the continuation of favorable market fundamentals, the OCC expects additional growth in the remainder of 2016. Moreover, growth in some banks has been accompanied by weaker underwriting standards and examiner-identified weaknesses in concentration risk management practices.

In response to the significant growth and risk management concerns, the OCC joined the other federal banking regulators in issuing a statement on prudent CRE lending in December 2015.¹⁰ The interagency statement reminds financial institutions of existing regulatory guidance for CRE lending activity through economic cycles, noting the need to implement prudent CRE risk management practices and to maintain capital levels commensurate with the level and nature of an institution's concentration risk. In addition, OCC supervision units are including CRE examinations in their 2016 and 2017 supervisory strategies for banks with significant CRE concentrations and growth.

Figure 9: Number of Banks With 25 Percent of Capital in CRE and Three-Year Growth Rate of 50 Percent or More



Source: Integrated Banking Information System (OCC)

Note: Data are quarterly from the second quarter of 2015 through the second quarter of 2016.

Examiners Report Continued Easing in Underwriting Standards

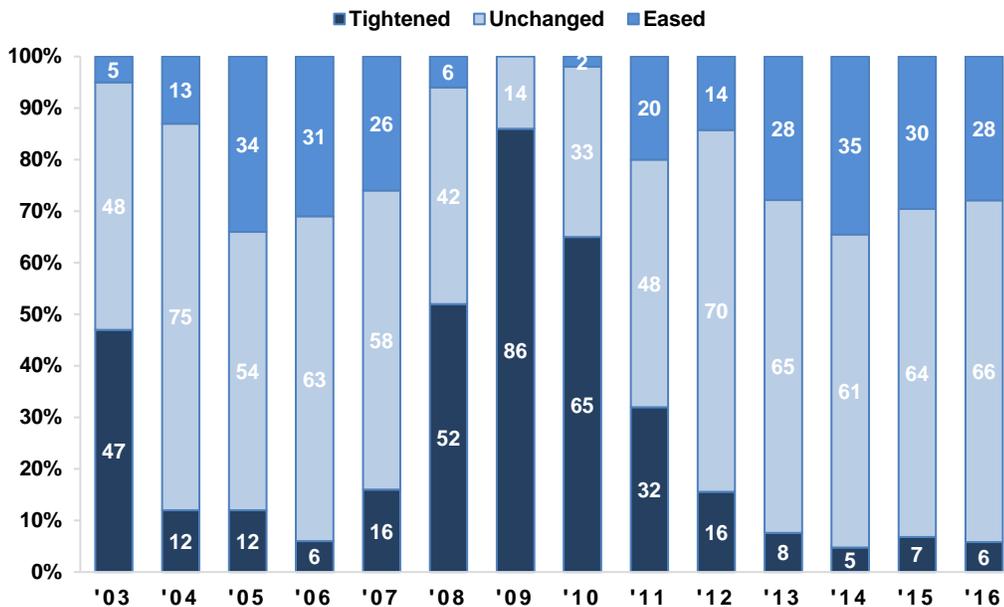
The results of the *2016 Survey of Credit Underwriting Practices* show underwriting practices have incrementally eased over the past year, the fourth consecutive year for which examiners identified more easing than tightening. Underwriting eased in 28 percent of banks offering commercial loan products (see figure 10) and in 28 percent offering retail loan products (see figure 11). This easing compares with easing of 30 percent and 27 percent, respectively, for these categories in 2015.

⁹ [OCC Bulletin 2006-46](#), “Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices,” December 6, 2006, defines CRE as the sum of non-owner-occupied nonresidential loans secured by CRE, construction, and land development loans, loans secured by multifamily residential property, and C&I loans with a CRE purpose not secured by real estate.

¹⁰ [OCC Bulletin 2015-51](#), “Real Estate Lending: Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending,” December 18, 2015.

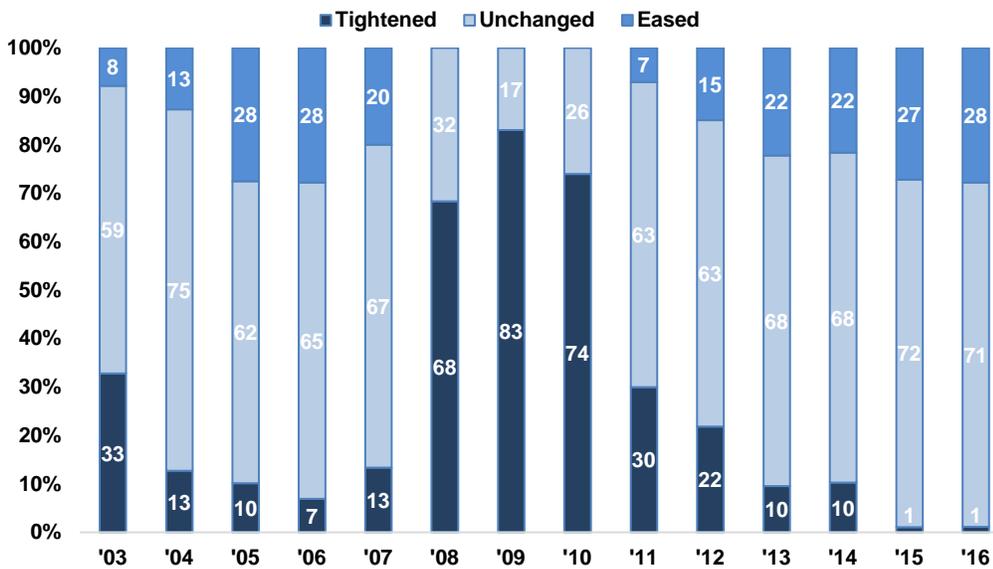
Examiners reported that the leading reasons for easing underwriting practices since the 2015 survey are increased competition, higher credit risk appetites, and perceived improvements in general economic conditions. Commercial easing occurred most often in pricing, guarantor requirements, and loan covenants. The largest increases in commercial easing were in guarantor requirements, up from 34 percent of banks to 42 percent, and loan covenants, up from 14 percent to 40 percent. For retail products, easing occurred most often in collateral requirements, loan size, and debt-to-income requirements, with the biggest increases in collateral requirements and loan size factors.

Figure 10: Trends of Underwriting Practices for Common Commercial Products



Source: OCC 2016 Survey of Credit Underwriting Practices

Figure 11: Trends of Underwriting Practices for Retail Credit Products

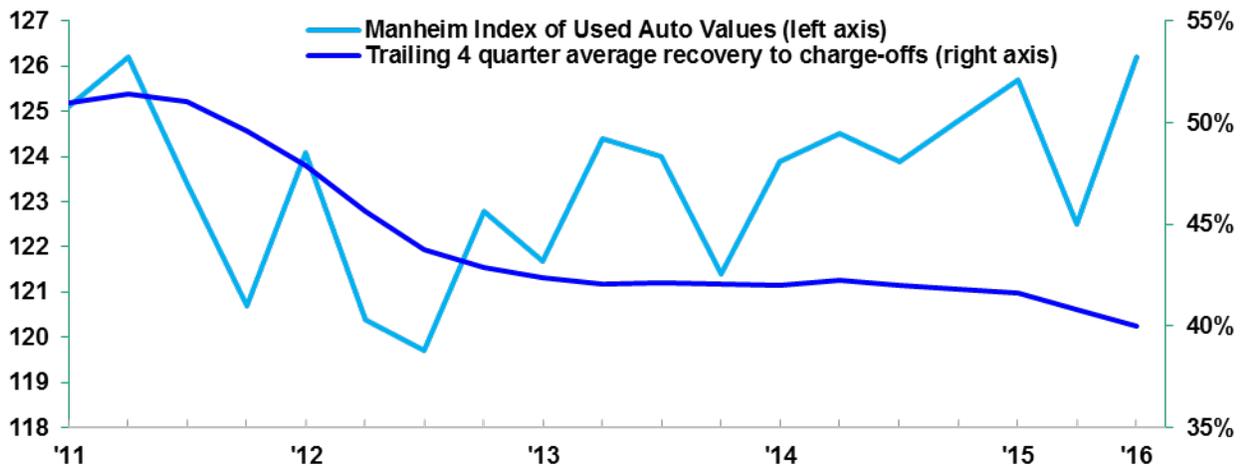


Source: OCC 2016 Survey of Credit Underwriting Practices

Loss Severities in Auto Lending Are Increasing

Auto lending risk has been increasing for several quarters because of notable and unprecedented growth across all types of lenders. In the last two quarters, delinquencies on auto loans have begun to increase and net losses have also reflected non-seasonal increases. As banks competed for market share, some banks responded with less stringent underwriting standards for direct and indirect auto loans. In addition to the eased underwriting standards, lenders also substantially layered risks (granted longer terms combined with higher advance rates resulting in higher LTV ratios). These factors increased the credit risk in auto loan portfolios, as well as creating potential fair lending and consumer compliance concerns. This embedded risk is now being reflected in lower recoveries at charge-off (higher loss severities) for both bank loans and securitized auto loans despite relative stability in used auto values (see figure 12). Bank risk management practices and the ALLL should reflect the elevated risk profile and higher probable credit loss severities. Supervisory work in some banks has identified risk management practices that have not kept pace with the growth and increased risk in these portfolios.

Figure 12: Trends in Automobile Loan Recovery Rates and Used Auto Values



Source: Integrated Banking Information System (OCC)

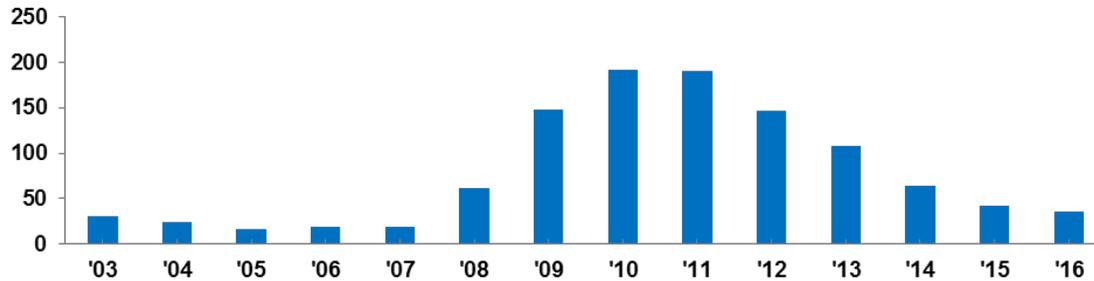
Note: Data are quarterly from the fourth quarter of 2011 through the second quarter of 2016.

Part IV: Regulatory Actions

Number of Banks Rated 4 or 5 Continues to Decline

The number of OCC-supervised banks rated 4 or 5 declined by 14 percent in the first six months of 2016 after peaking in 2010 and 2011, but it remains above levels immediately preceding the recession (see figure 13). This decline is attributable to positive trends in the overall condition and risk management practices of OCC-supervised banks and because of mergers and acquisition activity.

Figure 13: Number of Banks Rated 4 or 5



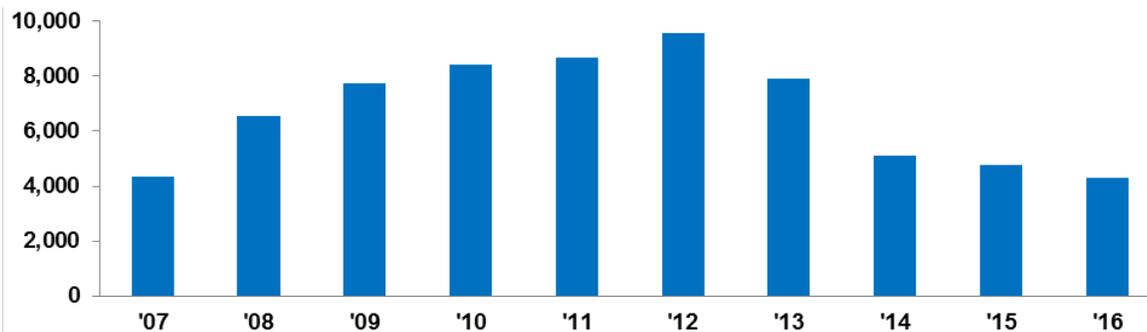
Source: OCC.

Note: Data for 2016 is as of June 30. All other data are as of year-end.

Outstanding MRA Concerns Decline Slightly

The OCC communicates supervisory concerns to a bank's board of directors and management in the form of MRAs. Supervisory concerns include practices that deviate from safe and sound banking practices or sound risk management principles.¹¹ Such deviations, if not addressed appropriately, could affect a bank's earnings, capital, risk profile, compliance, or reputation and could lead to enforcement actions. The number of outstanding MRAs peaked in 2012 and has declined through the first half of 2016 (see figure 14).

Figure 14: Number of MRA Concerns Outstanding



Source: OCC

Note: Data for 2016 is as of June 30. All other data are as of year-end.

As of June 30, 2016, the top five MRA categories based on examination area for community and midsize banks were credit (30 percent), bank information technology (25 percent), enterprise governance (16 percent), BSA/AML (10 percent), and capital markets (6 percent). For large banks, the top five MRA categories based on examination area were credit (26 percent), BSA/AML (15 percent),

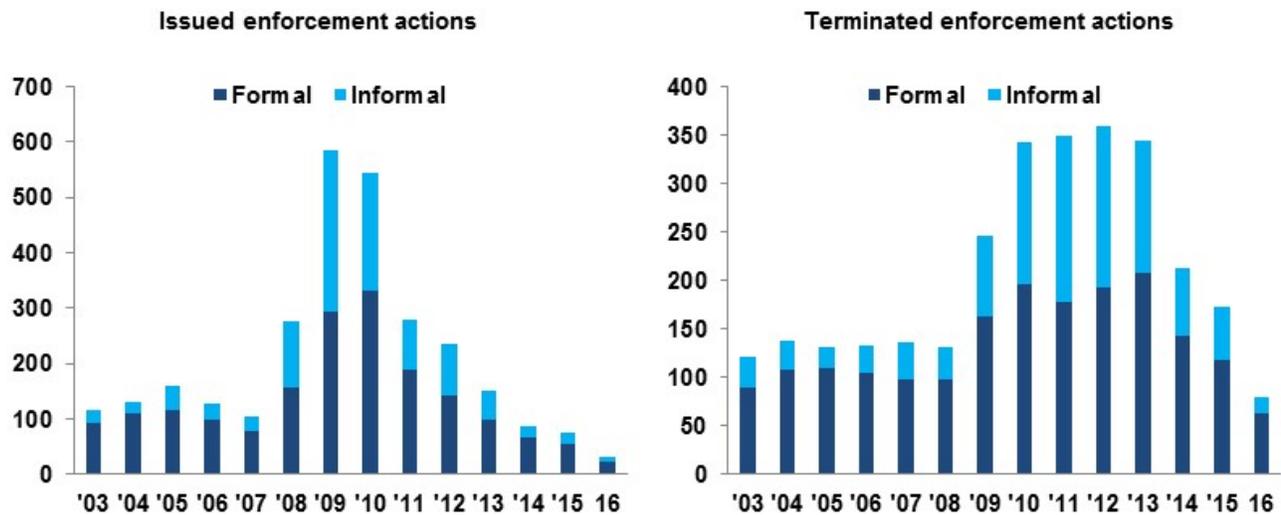
¹¹ [OCC Bulletin 2014-52](#), "Matters Requiring Attention: Updated Guidance," October 30, 2014.

capital markets (13 percent), enterprise governance (10 percent), and bank information technology (10 percent).

Enforcement Actions Against Banks Continue to Decline

The OCC uses enforcement actions (EA) to address more acute problems or weaknesses requiring corrective measures. Informal EAs include commitment letters, memorandums of understanding, and approved safety and soundness plans. Formal EAs are disclosed to the public and include cease-and-desist orders, capital directives, and formal agreements. Generally, the OCC may take formal EAs for violations of law, rules, or regulations; unsafe or unsound practices; violations of final orders, conditions imposed in writing, or a written agreement entered into with the OCC. The number of EAs issued by the OCC against banks has steadily declined since 2012 (see figure 15), reflecting overall improvement in banks’ financial conditions and risk management practices. Even so, compliance or operational failures have resulted in a number of recent EAs. These remedial EAs addressed a lack of appropriate governance, oversight, and risk management systems and controls. As with new issuances, the number of terminated (resolved) EAs has declined since 2012.

Figure 15: OCC Enforcement Actions Against Banks



Source: OCC

Source: OCC

Note: Data for 2016 are as of June 30. All other data are as of year-end.

Note: Data for 2016 are as of June 30. All other data are as of year-end.

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