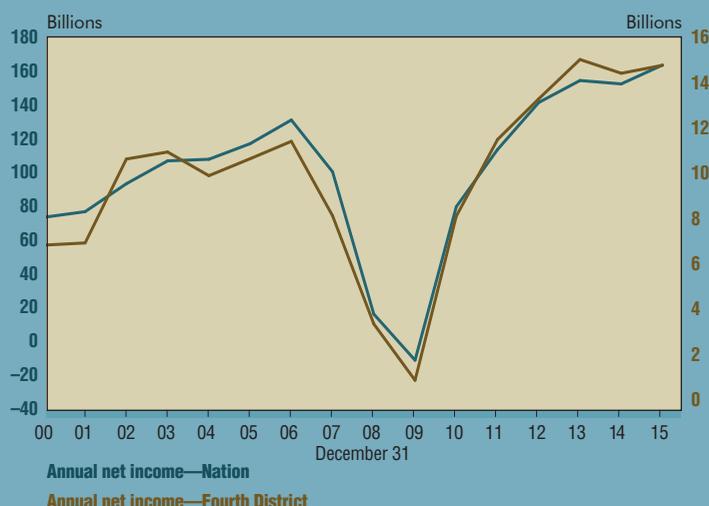


STATE OF BANKING, 2016

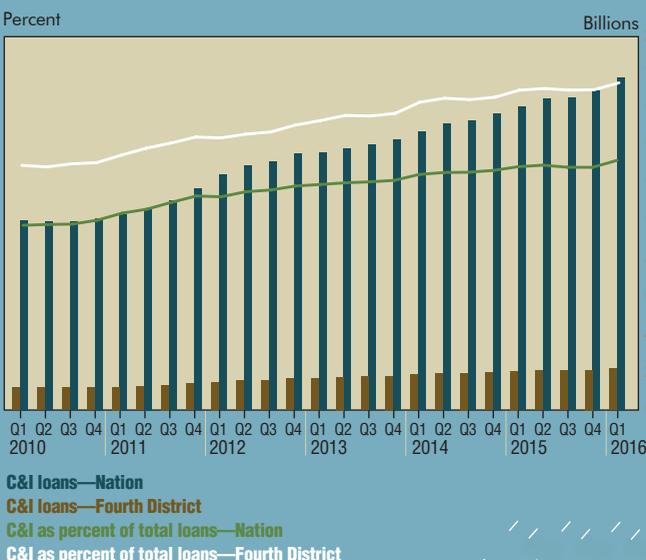
Though some banking metrics moved positively in 2015, the industry is challenged, and there are signs that bankers expect some trouble.

Though the headwinds for banks are numerous—modest loan demand, the costs of increased regulation, compressed net interest margins, and cybersecurity risks, to name a few—banks' profits still rose in 2015.

Bank year-end profits increased nationwide and in the Fourth Federal Reserve District every year from 2009 to 2013, pulled back slightly in 2014, and have since rebounded.



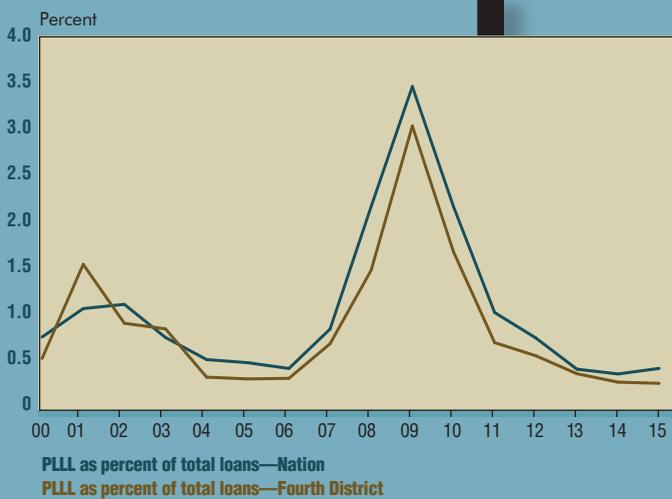
Commercial and industrial loans outstanding has increased each quarter since at least the one that ended June 30, 2011, both nationwide and in the Fourth District.*



Loan demand reportedly has been modest in recent years, but certain lending categories such as commercial real estate and commercial and industrial have posted growth in recent quarters.

Loans made to the challenged energy sector are an area of focus for bank examiners and are the core reason bankers are setting aside more funds to cover projected losses. Still, for banks in both the nation and the Fourth District,* provisions as a percentage of total loans are still roughly half what they were at year-end 2007, the beginning of the financial crisis.

As a percentage of total loans, provisions for loan and lease losses increased for the nation as of year-end 2015 after falling since 2009. For the Fourth District,* declines in provisions have shown signs of slowing.



Institutions have dramatically increased liquid assets as a result of regulation requiring more liquidity on bank books.

The amount of cash and held-to-maturity securities, namely, US Treasuries, that banks hold has grown enormously in the past decade.

	12.31.2005	12.31.2010	12.31.2015	10-year change
Highly liquid assets** FOURTH DISTRICT	35,777,577,000	45,492,868,000	148,977,087,000	316.40%
Highly liquid assets** NATION	561,712,055,000	1,095,866,798,000	2,538,496,397,000	351.92%

**Highly liquid assets are composed of cash and held-to-maturity securities that include US Treasuries.

FEDERAL RESERVE BANK of CLEVELAND

*The Fourth Federal Reserve District comprises Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky.

To read the entire State of Banking report, visit ow.ly/3iDV300tVFm

Source: Call Report data.

Credit: Brandon Ritchie, banking and financial markets analyst; Michelle Park Lazette, writer; Ellen Seguin, graphic designer.