2022 ANNUAL REPORT

Office of the Comptroller of the Currency

ABOUT THIS REPORT

The fiscal year (FY) *2022 Annual Report* provides Congress with an overview of the condition of the federal banking system,[1] discusses the OCC's strategic priorities and initiatives, and shares the agency's financial management and condition.

[1] Unless otherwise noted, all references to 2022 in this report refer to the fiscal year ending September 30, 2022.

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About **the OCC**

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations (FSA) and licenses, regulates, and supervises federal branches and agencies of foreign banking organizations.[2] The agency also examines services provided by certain third parties.[3] It administers the organization and structure of the federal banking system by implementing and enforcing federal banking laws. The OCC maintains a supervisory and regulatory framework that ensures the safety and soundness of the federal banking system and encourages banks to innovate and adapt to meet the evolving financial needs of consumers, businesses, and communities nationwide. It uses a risk-based supervision process focused on evaluating banks' risk management, identifying material and emerging concerns, and requiring banks to take corrective action when warranted. Headquartered in Washington, D.C., the OCC has offices in 53 cities nationwide.

President Abraham Lincoln signed the National Currency Act on February 25, 1863, creating the OCC and the federal banking system. In June 1864, the law was revised, and in 1874 it was renamed the National Bank Act. The law remains the authority under which the OCC and national banks operate. The Home Owners' Loan Act of 1933 provides the basis for the operation and regulation of FSAs. With the passage of the International Banking Act of 1978, foreign banking organizations could opt to conduct banking operations in the United States through a federal branch or agency.

The President, with the advice and consent of the U.S. Senate, appoints the Comptroller of the Currency to head the agency for a five-year term. The Comptroller serves as a director of the Federal Deposit Insurance Corporation (FDIC) and as a member of the Financial Stability Oversight Council (FSOC), the Federal Financial Institutions Examination Council (FFIEC), and the Financial Literacy and Education Commission.

Our Mission

To ensure that national banks and FSAs operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

Our Vision

The OCC is the leading prudential supervisor that

- adds value through proactive and risk-based supervision;
- is sought after as a source of knowledge and expertise; and
- promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.

Our Core Values

- Integrity
- Expertise
- Collaboration

[2] This report refers to all entities under OCC supervision collectively as "banks" unless it is necessary to distinguish among them.
[3] The OCC examines certain third-party services provided to banks based on authorities provided by the Bank Service Company Act, 12 USC 1867(c), and the Home Owners' Loan Act, 12 USC 1464(d)(7)(D). The examinations are often coordinated with other federal banking agencies.

Figure 1: OCC at a Glance

3,508 OCC EMPLOYEES

64.5% ARE BANK EXAMINERS

Percentage of Examiners Assigned to

29.2%
LARGE BANK SUPERVISION

58.8%
MIDSIZE AND COMMUNITY BANK SUPERVISION

12%
OTHER LINES OF BUSINESS

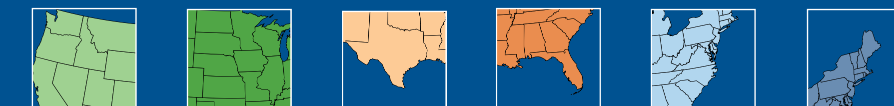
Note: Employee Data as of June 30, 2022

97%
PERCENT OF REVENUE FROM ASSESSMENTS

$1.1537 BILLION
BUDGET AUTHORITY

53
CITIES WITH OFFICES

Click a region for more information



West Region | Midwest Region | South Region | Southeast Region | East Region | Northeast Region

Acting Comptroller of the Currency
Michael J. Hsu

Comptroller's **Viewpoint**

Consistent with the OCC mission, the ultimate objective for the OCC and the federal banking system is to foster and safeguard trust: trust between financial providers and their consumers, trust between regulators and supervised institutions, trust that banks will not exploit working Americans and the vulnerable, and trust among financial regulators that we can work together to solve problems that we can't solve alone.

Banking rests on this trust. My key priorities at the helm of the OCC—guarding against complacency, addressing inequality, adapting to digitalization, and managing climate risk—reflect what I see as the key long-term threats to trust in banking.

GUARDING AGAINST COMPLACENCY

While the federal banking system remains healthy, we run the risk of getting lulled into a state of overconfidence. Complacency often starts with small trade-offs, which may ultimately threaten the safety, soundness, and fairness of the banking system.

The U.S. financial system today is substantially more protected from instability because of the extraordinary efforts of Congress, the federal banking agencies, the FSOC, and banks themselves. However, threats remain.

Risk Environment

Empowering risk managers and enforcing discipline in risk-taking will enable banks to better navigate the rate environment and lower the chances of unwelcome surprises. Actions today to cover high-impact tail risks can temper the need to go full "risk-off" tomorrow, ensuring that the banking industry can remain a source of strength to the economy, as it has throughout the pandemic and recent market turbulence.[4]

Inflation and the increasing interest rate environment, among other things, pose increasing risk to banks. Banks continue to navigate the operational and market-related effects of the pandemic and substantial government stimulus. Additionally, cyber threats are elevated and continue to evolve, with an observed increase in attacks on the financial services industry. Remaining diligent in the face of these risks helps to maintain trust in the federal banking system.

Maintaining Cybersecurity Vigilance

The increasing interconnectedness and complexity of today's operating environment and continued cybersecurity threats pose a growing safety and soundness risk to banks and the broader financial sector if not properly managed. It is important that banks invest in building a secure and resilient infrastructure, maintain effective cybersecurity controls, and collaborate through public/private partnerships, such as the coordinated efforts of the Financial and Banking Information Infrastructure Committee and Financial Services Sector Coordinating Council, to strengthen the defense of the financial sector.[5]

Banks should also consider the role that third-party service providers and the overall supply chain play in the resilience of the financial sector. The OCC's bank supervision operating plan released in October 2021 highlights cybersecurity as a key area of focus for the agency's supervisory strategy across banks and critical service providers, working closely with our interagency counterparts. [6]

The OCC, along with our federal banking agency partners, implemented a final rule establishing computer-security incident notification requirements for banking organizations and their service providers this fiscal year. This rule requires banks to provide the OCC with timely notification of computer-security incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the viability of banks' operations, customers' ability to access their deposit and other accounts, or the stability of the financial sector.[7] The notification requirement will help promote early awareness of emerging threats to banks and the financial sector, allows for better assessment of potential impacts, and supports responses across the financial sector and institutions of all sizes.

The annual *Cybersecurity and Financial System Resilience Report* provides Congress with an overview of measures that the OCC takes to strengthen cybersecurity with respect to the agency's functions as a regulator. Functions include the supervision and regulation of financial institutions and, when appropriate, services provided to banks by certain third parties.

[4] See OCC News Release 2022-54, "Acting Comptroller Discusses Risk Management."
[5] See OCC News Release 2022-94, "Acting Comptroller Discusses Cybersecurity Risks to Financial Sector."
[6] See OCC News Release 2021-106, "OCC Releases Bank Supervision Operating Plan for Fiscal Year 2022."
[7] See OCC Bulletin 2021-55, "Computer-Security Incident Notification: Final Rule."

The OCC also recognizes that we, too, are exposed to cyber threats. We took steps o ensure that our offices have effective cybersecurity controls that meet both federal and industry standards. Our annual *Cybersecurity and Financial System Resilience Report*, issued in July, provides Congress with an overview of measures that the OCC takes to strengthen cybersecurity with respect to the agency's functions as a regulator.[8]

LIBOR

In October 2021, the OCC and other federal banking agencies, in conjunction with the state bank and state credit union regulators, issued a statement to emphasize the importance of an orderly transition away from the London Interbank Offered Rate (LIBOR). The statement highlighted that the failure to adequately prepare for LIBOR's discontinuance could undermine financial stability.[9] The federal banking agencies separately warned that a disorderly transition away from LIBOR, including the use of LIBOR after December 31, 2021, could create safety and soundness and consumer protection risks.[10]

REDUCING INEQUALITY IN BANKING

Reducing inequality in banking is important to safeguarding trust. Banks can play an important role in closing the wealth gap. The OCC's twin mission of ensuring that banks provide fair access to financial services and treat customers fairly speaks to these challenges.

During this past year, we worked on a proposal to modernize the Community Reinvestment Act (CRA) regulatory framework, made strides to improve access to banking services for minority and low- to moderate-income communities, worked on a plan that advances property appraisal and valuation equity, and expanded our work to address key barriers to financial inclusion. These steps move us in the right direction toward a level playing field and building trust in the system.

Community Reinvestment Act

To facilitate the ongoing interagency work to modernize the CRA regulatory framework and promote consistency for all insured depository institutions, the OCC joined the

(From left to right) Sarah Rosen Wartell, President of the Urban Institute, moderated a June 3, 2022, panel featuring Acting Comptroller Hsu; Lael Brainard, Vice Chair of the Board of Governors of the Federal Reserve System; and Martin J. Gruenberg, Acting Chairman of the FDIC Board of Directors, at the Urban Institute. The panelists discussed proposed updates to regulations implementing the CRA.

[8] See www.occ.gov, "Cybersecurity and Financial System Resilience Report."
[9] See OCC Bulletin 2021-48, "Joint Statement on Managing the LIBOR Transition."
[10] See OCC Bulletin 2020-104, "Libor Transition: Joint Statement on the U.S. Dollar LIBOR Transition."

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Comptroller's Viewpoint

other federal banking agencies in May 2022 to issue a joint notice of proposed rulemaking (NPR) to strengthen and modernize regulations implementing the CRA and better achieve the purposes of the law.[11] We received feedback and are reviewing those comments.

This notice of proposed rulemaking came after the OCC issued a final rule to rescind the OCC's 2020 CRA rule and replace it with one based on the rules adopted jointly by the federal banking agencies in 1995, as amended.[12]

CDFIs and MDIs

Community development financial institutions (CDFI) and minority depository institutions (MDI) are critically important to providing mortgage credit, small business lending, and other banking services to minority and low-to moderate-income communities.

In May, the OCC chartered a woman-owned and -led bank, the first de novo MDI national bank in 15 years.[13] I am committed to helping revitalize MDIs and CDFIs, and the OCC is taking a variety of actions on our own and in coordination with others.

Acting Comptroller Hsu (right) attended the opening of Agility Bank in May. Agility Bank is the first de novo MDI national bank in 15 years. Pictured holding the charter certificate is bank founder Lauren Sparks.

The joint NPR to modernize the CRA includes provisions that would support activities undertaken in cooperation with MDIs and U.S. Department of the Treasury-certified CDFIs.[14] The NPR also provides additional qualitative consideration for banks' investments in and other support for MDIs and Treasury Department-certified CDFIs.

We revised the OCC's policy statement on MDIs in July to update and streamline descriptions of policies, procedures, and programs.[15] MDIs are on the front lines serving low-income, minority, rural, and other underserved communities. They are a critical source of credit to support the financial needs and economic vitality of their communities. The OCC has a long history of recognizing the value of these institutions, and we will continue our efforts to ensure they remain a bedrock of financial access and inclusion.

In July, we also renewed the charter of the Minority Depository Institutions Advisory Committee, which assists the OCC in assessing the needs and challenges facing MDIs.[16] The OCC places great importance on the input we receive from committee members. These institutions are critical resources and key drivers of economic growth for individuals and businesses in the diverse communities they serve.

Property Appraisal and Valuation Equity Task Force

Racial and ethnic biases have no place in the property appraisal process. The OCC has been an active member of the interagency Property Appraisal and Valuation Equity (PAVE) Task Force since its inception to address such bias.

[11] See OCC News Release 2022-47, "Agencies Issue Joint Proposal to Strengthen and Modernize Community Reinvestment Act Regulations."
[12] See OCC News Release 2021-133, "OCC Issues Final Rule to Rescind its 2020 Community Reinvestment Act Rule."
[13] See OCC News Release 2022-59, "Acting Comptroller of the Currency Presents Bank Charter to Minority Depository Institution."
[14] See OCC Bulletin 2022-14, "Community Reinvestment Act: Interagency Notice of Proposed Rulemaking to Implement the CRA."
[15] See OCC News Release 2022-92, "OCC Updates Policy Statement on Minority Depository Institutions."
[16] See OCC News Release 2022-85, "OCC's Minority Depository Institutions Advisory Committee Charter Renewed."

This task force developed a plan that advances property appraisal and valuation equity to help close the racial wealth gap and address mis-valuations for families and communities of color.

In March, I issued a statement that the OCC is committed to carrying out the actions recommended by the PAVE task force to help ensure greater federal oversight and effective monitoring for discrimination in appraisals and technology-based valuations of residential property.[17] We will use our supervisory authority to advance racial equity consistent with our mission to ensure our regulated institutions provide fair access to financial services and treat customers fairly.

Project REACh

Project REACh, which stands for the Roundtable for Economic Access and Change, is an innovative OCC-sponsored initiative to address key barriers to financial inclusion. Through Project REACh, the OCC convenes leaders from banking, business, technology, and national civil rights organizations to reduce specific barriers that prevent full, equal, and fair participation in the nation's economy. Project REACh's work is divided into four national workstreams addressing affordable homeownership, inclusion for credit invisibles, revitalization of MDIs, and access to capital for small and minority-owned businesses. Adding on to previous REACh initiatives, the OCC launched new local REACh initiatives in the last year in the greater Detroit, Dallas, and Milwaukee communities to provide regional forums to support financial inclusion for hardworking Americans.[18]

The OCC hosted a Project REACh symposium July 12, 2022, at OCC headquarters in Washington, D.C. Pictured are the participants on the event's Building Opportunities for Entrepreneurship and Small Businesses panel. From left to right, they are Jevaughn Sterling, Executive Vice President and Regional Commercial Banking Manager for Amegy Bank; Ramit Arora, President and Co-Founder of Biz2Credit; Marisa Calderon, Chief of Community Finance and Mobility for the National Community Reinvestment Coalition; Randi Zeller, Director of Small Business Services for Mobility Capital Finance; Mary Miklethun, Senior Vice President of Business Banking Segmentation and Analytics at U.S. Bank; and Andrew Moss, Director for External Outreach and Minority Affairs and the National Director for Project REACh at the OCC.

[17] See OCC News Release 2022-28, "Acting Comptroller Issues Statement on Action Plan to Advance Property Appraisal and Valuation Equity."

To mark the second anniversary of Project REACh, we hosted a financial inclusion symposium in July at the OCC's headquarters in Washington, D.C.[19] Participants discussed actionable strategies to build measurable initiatives to increase economic and community development financing within economically disadvantaged communities. Attendees represented OCC leadership, civil rights organizations, financial institutions, community development practitioners, and other key stakeholders focused on reducing economic challenges affecting minority communities.

With Project REACh entering its third year, I am pleased with participants' enduring commitment to improving financial inclusion for minority communities and the most vulnerable. The OCC is proud to convene a broad range of stakeholders, who are working together to reduce barriers preventing the American dream from being accessible to all.

Financial Health

Developing better tools to assess and monitor financial health has the potential to help banks and other financial institutions better serve their diverse consumers and communities. A financial health lens focused on individuals and communities, rather than solely on products or services, should enable a more sophisticated and effective approach to balancing the financial empowerment and protection of consumers.

In March, I hosted a visit with Her Majesty Queen Máxima of the Netherlands, the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, to promote financial inclusion.[20] I discussed the OCC's role in promoting financial health for consumers, noting that financial technology companies, or fintechs,

The OCC's Financial Health: Vital Signs series features discussions with Acting Comptroller of the Currency Michael J. Hsu (right) and academic, community, and industry leaders on issues affecting the financial health of consumers. The quarterly discussion series, which launched in 2022, was livestreamed and open to the public. The first event was held April 28 and featured discussions on minority ownership of cryptocurrency with John Hope Bryant, the founder, CEO, and Chairman of Operation Hope (left), and Professor Tonya Evans of Penn State Dickinson Law (center).

[18] See OCC news releases 2022-17, "Acting Comptroller of the Currency Launches Project REACh Efforts in Detroit," 2022-30, "Acting Comptroller of the Currency Launches Project REACh Efforts in Dallas," and 2022-39, "Acting Comptroller of the Currency Launches Project REACh Efforts in Milwaukee."
[19] See OCC News Release 2022-81, "OCC Marks Project REACh Anniversary with Financial Inclusion Symposium."
[20] See OCC News Release 2022-27, "Acting Comptroller Discusses Financial Health with UN Secretary-General's Special Advocate H.M. Queen Máxima of The Netherlands."

present both risks and opportunities with regards to consumers' financial health. The OCC looks forward to learning from and collaborating with others as we continue to pursue the shared opportunity to make financial health a more prominent objective.

In April, the OCC hosted a discussion focused on the tension within communities of color regarding the risks and opportunities of cryptocurrency and digital assets. It was the first discussion in our new Financial Health: Vital Signs initiative.[21] For this discussion, I was joined by John Hope Bryant, CEO and Chairman of Operation Hope, whose work focuses on financial literacy, and Professor Tonya Evans of Penn State Dickinson Law, who has extensive knowledge of blockchain technology.

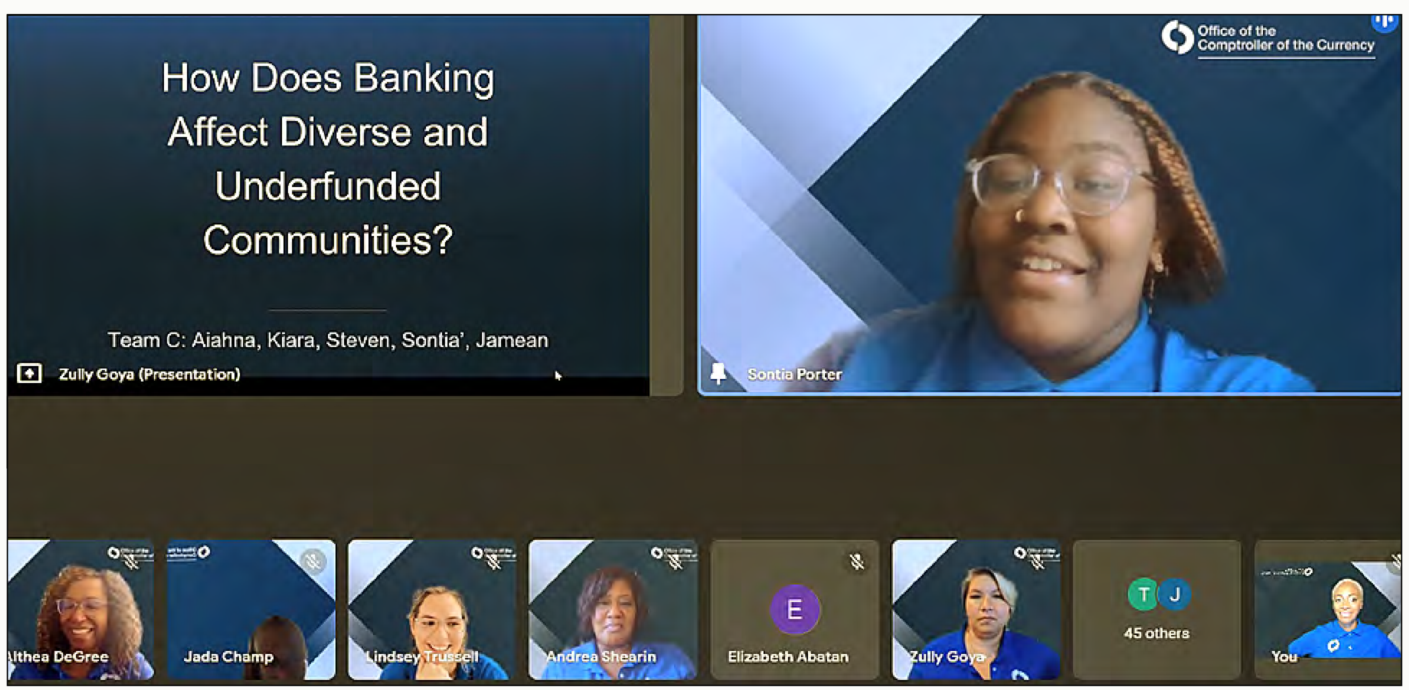
Continuing this narrative, in May, I co-hosted a summit in Atlanta on cryptocurrency and digital assets with the financial education group Operation Hope. A wide range of panelists exchanged diverse viewpoints and discussed the durability and risks of digital assets, as well as the role and potential for regulation to enable responsible innovation and protect consumers.

These discussions and explorations were guided by a focus on the financial health of consumers and communities. In July, as a member of the Financial Literacy and Education Commission, I emphasized the importance of financial education and reviewed OCC efforts to advance financial health.[22] Use of a financial health lens has the potential to transform financial services. In September, I spoke about the policy and potential of financial health at the EMERGE Financial Health 2022 event in Los Angeles. I discussed the importance of banks considering how their products and services can support consumers' financial empowerment and health.

High School Scholars Internship Program

For the fourth consecutive year, the OCC hosted its High School Scholars Internship Program to increase diverse and inclusive development opportunities for the future workforce. The paid summer internship provides students and graduates of Washington, D.C., high schools with valuable and challenging professional experience in the financial services regulatory sector. This year, the program also included high school interns who were placed at the Federal Housing Finance Agency, National Credit Union Administration, and U.S. Securities and Exchange Commission.

Additionally, the OCC has provided minority college and graduate students with paid internships for more than a decade through the agency's participation in the National Diversity Internship Program.



Sontia Porter, an intern with the OCC's High School Scholars Internship Program, introduced a capstone presentation about how banking affects diverse and underfunded communities. Interns' parents and OCC staff attended in support.

Expanding Diversity and Inclusion in the OCC's Workforce

Reflecting the diversity of the communities we serve is an important part of safeguarding trust in the federal banking system. Fostering an inclusive workforce speaks to the OCC's values and drives better outcomes by broadening our perspective and mitigating risk of groupthink.

At the OCC, we are working to strengthen and broaden opportunities for members from underrepresented communities to build connections, lead, and network. Our eight employee network groups support employees by highlighting workforce issues and through a variety of events, programs, newsletters, and meetings.[23] OCC employees are establishing a ninth group: Native American Tribes & Indigenous Voices (NATIVe). This new group will foster and support the recruitment, development, and retention of Native Americans and Indigenous Peoples at the OCC and promote awareness and understanding of issues involving culture and sovereignty.

The OCC took two public initiatives this year to expand diversity and inclusion in the OCC workforce: joining the Military Spouse Employment Partnership and concluding a multiyear Hispanic barrier analysis. Both efforts were sponsored by the OCC's Office of Minority and Women Inclusion with input from the employee network groups.

The U.S. Department of Defense's Military Spouse Employment Partnership is a targeted recruitment and retention initiative to help OCC employees and applicants who are military spouses navigate their OCC careers while supporting their family's military obligations. The OCC was pleased to be accepted in July into the partnership as part of the 2022 class, joining nearly 600 other federal and civilian employers.[24]

The Hispanic barrier analysis stemmed from a Treasury Department initiative that came out after the Office of Personnel Management and the Equal Employment Opportunity Commission explicitly recognized the persistently low representation of Hispanic and Latino employees in the federal workforce. The analysis provided an objective assessment of barriers to Hispanic representation in the OCC workforce and devised actionable steps to address outstanding issues. We've started to implement steps toward eradicating identified barriers to maintaining an inclusive culture. As work on the Hispanic barrier analysis continues, we will monitor progress over the next 12–18 months.

ADAPTING TO DIGITALIZATION

Like many industries, banking is being digitized. Today, a range of fintechs provide a wide range of financial services—including services related to crypto-assets—with the convenience of technology outside of the bank regulatory perimeter. With gaps in supervision, risks can build out of the sight and reach of regulators.

[21] See OCC News Release 2022-42, "OCC Launches Discussion Series on Financial Health."
[22] See OCC News Release 2022-83, "Acting Comptroller Discusses Importance of Financial Health for Consumers."

[23] The eight employee network groups are the Coalition of African-American Regulatory Employees (CARE), the Differently Abled Workforce Network (DAWN), Generational Crossroads, the Hispanic Organization for Leadership and Advancement (HOLA), the Network of Asian Pacific Americans (NAPA), PRIDE, The Women's Network (TWN), and the Veterans Employee Network (V.E.N.).
[24] See OCC News Release 2022-131, "OCC Joins Military Spouse Employment Partnership."

Digitalization

The digitalization trend has been under way for some time but has accelerated in recent years. The COVID-19 pandemic sped up consumer-facing technologies such as mobile and application-based banking, electronic bill payment, remote deposit capture, and online loan applications. But digitalization is more than just converting data to digital form. It involves a move toward comprehensive use of digital technologies to compete and support evolving customer needs and expectations, especially with regards to online and mobile banking.

Acting Comptroller Hsu (right) discussed digital assets, stablecoins, and bank/fintech partnerships during a fireside chat with Aaron Klein (left), with the Brookings Institution at the Philadelphia Federal Reserve Bank's Sixth Annual Fintech Conference August 4, 2022.

Such technology has a large impact and warrants our attention. The OCC requires fintechs seeking a bank charter to be subject to the same requirements as all banks, and we are engaging with our peer agencies to develop a coordinated approach to modernizing the federal regulatory perimeter.[25]

The "de-integration" of banking services now taking place has its roots in technology, data, and operations and is affecting all banks. Technological advances can offer greater efficiencies for banks and their customers but the benefits of those efficiencies are lost if the bank lacks an effective risk management framework.[26]

Addressing the associated risk requires continual learning about its evolving scope. This year, the OCC solicited academic- and policy-focused research on the effect of fintech entities and nonbanks on banking and the markets or lending, deposit-taking, and payment services.[27] The OCC invited selected authors to present to OCC staff and invited guests to OCC headquarters in Washington, D.C.

Crypto-assets

This year's dislocations in crypto markets and the associated failures of crypto firms have highlighted several key risks, which reinforce for banks and supervisors the importance of taking a careful and cautious approach to crypto activities and engagement with crypto-related firms. Specifically, crypto industry risk management practices lack maturity, stablecoins may be unstable, and contagion risk is high within the crypto industry.

To keep up with the rapid pace of growth in crypto-assets in 2021 and the first quarter of 2022, the OCC, the Federal Reserve, and the FDIC conducted a series of interagency policy initiatives focused on crypto-assets.[28] The initiatives focused on quickly advancing and building on the agencies' combined knowledge and understanding related to banking organizations' potential involvement in crypto-asset-related activities.

The lessons we learned from this interagency work reinforced the careful, deliberative, and cautious approach the OCC has taken to supervising crypto-asset activities in the federal banking system. In November 2021, we issued an interpretive letter that clarified banks should not engage in certain crypto activities until they demonstrate that the activities can be conducted in a safe and sound manner.[29] This approach helped mitigate the risk of contagion from crypto losses and bankruptcies to the federal banking system.

Artificial Intelligence

Artificial intelligence is another area the OCC is closely monitoring due to its potential to affect safety and soundness, consumer protections, the effectiveness of compliance functions, and fairness in access to financial services. The OCC provided testimony in May 2022 to the House Committee on Financial Services Task Force on Artificial Intelligence and will continue to update supervisory guidance, examination programs, and examiner training to respond to artificial intelligence's growing use.[30]

ADDRESSING CLIMATE-RELATED FINANCIAL RISK

The OCC's focus on climate-related financial risk is firmly rooted in our mandate to ensure that banks operate in a safe and sound manner. Our role is not to tell bankers whom to bank or not to bank. We are committed to staying in our safety and soundness lane, which means focusing on banks' risk management of climate-related financial risks and not on setting industrial policy.

Climate-related financial risks pose novel challenges to traditional risk management. We have taken several steps to build our expertise and capacity to meet those challenges. Shortly after my appointment, the OCC joined the Network for the Greening of the Financial System (NGFS) and established a Climate Risk Officer position at the agency to focus on these issues.[31]

In December 2021, the OCC issued for comment principles for climate-related financial risk management for large banks.[32] The draft principles focus on the climate-related risk management capabilities of large banks, that is, those with at least $100 billion in consolidated assets. Our focus on large banks is intentional, as the risks are most complex and material in these banks. We continue to consider the comments, working with our interagency colleagues to determine the next steps in this area.

Community banks have expressed concern about the scope of our climate-related risk efforts. I have met with community bankers, traveling across the country to hear from them directly about their communities and experiences handling acute weather events. I believe that earning their trust on this issue is vitally important. As such, I am committed to continued dialogue and constructive engagement with all stakeholders, including community bankers, as we build our climate risk management expertise.

CONCLUSION

The mission of the agency—to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations—is a special one. The themes, priorities, and actions highlighted in this report are all anchored and driven by our focus on fulfilling this mission.

Every five years, the OCC updates its strategic plan. In September, we adopted a strategic plan for fiscal years 2023–2027. The plan builds off

[25] See OCC News Release 2022-4, "OCC Conditionally Approves SoFi Bank, National Association."
[26] See OCC News Release 2022-106, "Acting Comptroller Discusses Safeguarding Trust in Banking."
[27] See OCC News Release 2022-91, "OCC Solicits Research on Implications of Financial Technology for Banking."
[28] See OCC Bulletin 2021-56, "Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps."

[29] See OCC News Release 2021-121, "OCC Clarifies Bank Authority to Engage in Certain Cryptocurrency Activities and Authority of OCC to Charter National Trust Banks."
[30] See OCC News Release 2022-52, "Deputy Comptroller Testifies on Artificial Intelligence."
[31] See OCC News Release 2021-78, "OCC Announces Climate Change Risk Officer, Membership in the NGFS."
[32] See OCC News Release 2021-138, "OCC Seeks Feedback on Principles for Climate-Related Financial Risk Management for Large Banks."

of the themes and priorities highlighted in this report, but takes a longer-term view on trends, risks, and opportunities facing the banking industry. As highlighted in the strategic plan, to be effective in the longer term, the OCC and its workforce aim to achieve strategic goals under the following ideals:

- Agility and Learning—the OCC learns and adapts effectively.
- Credibility and Trust—the OCC is highly credible and consistently trusted.
- Leadership—the OCC leads on supervision as the banking system evolves.

The OCC's *Strategic Plan for Fiscal Years 2023–2027* serves as a road map for the next five years and pushes the agency to look beyond familiar habits and day-to-day work to meet the key challenges of the future.

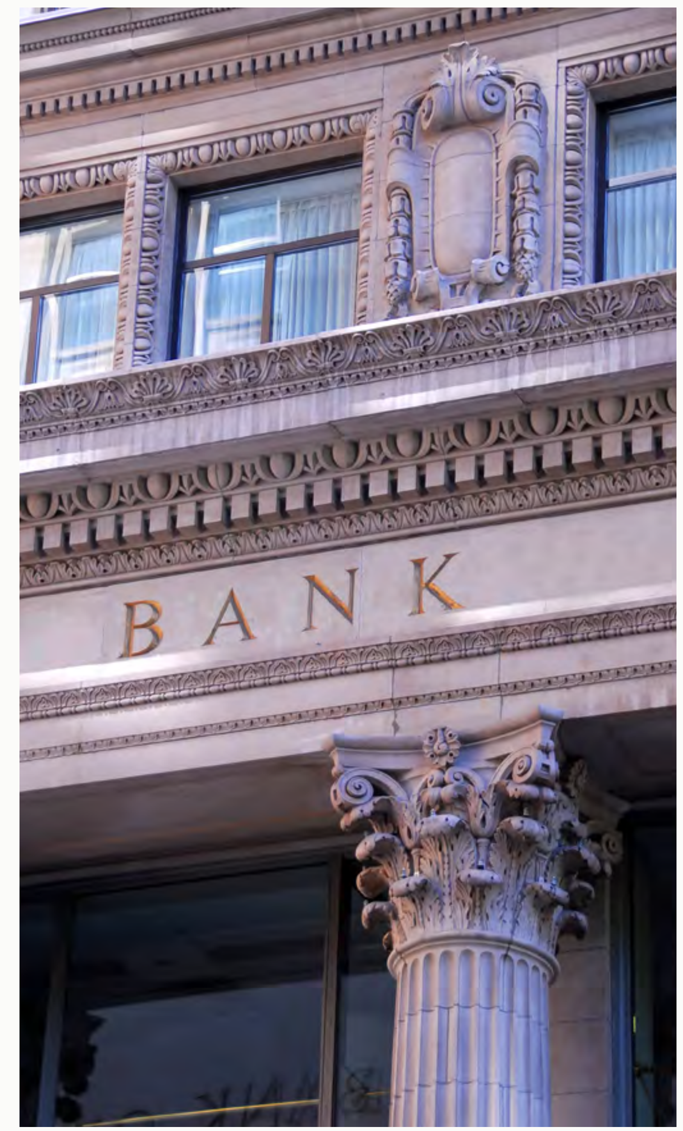
The plan aims to strengthen trust in the OCC by the public and banks, bolster the value of the OCC charter, and enable us to meet our mission far into the future.

Every day that I come into the office, I walk past our mission statement, lit up elegantly, yet formidably on the wall of our main entrance at the OCC's headquarters. Each time I do, I feel humbled, motivated, and grateful to be leading an agency with such a clear and consequential focus and with such experienced staff. Leadership changes are a natural part of every dynamic organization. We said farewell to three members of our Executive Committee this year: Blake Paulson, Kathy Murphy, and Sydney Menefee. The OCC benefitted from their strong leadership. In their places, we welcomed Jay Gallagher, Minh-Hai Tran-Lam, and Beverly Cole as new leaders to the OCC Executive Committee. We are blessed to have a deep bench to foster and safeguard trust in the federal banking system for years to come.

Michael J. Hsu
Acting Comptroller of the Currency

Condition of the **Federal Banking System**

The condition of the federal banking system remains resilient in large part due to the substantial monetary and fiscal support that was injected into the U.S. economy to support households and businesses.



Bank returns bounced back sharply in 2021, and asset quality remained stable as a result of the strong economic rebound and rapid improvement in the U.S. labor market. Longer-term implications of the quick K-shaped recovery, however, became more apparent as supply and demand imbalances, supply chain disruptions, and higher consumer price growth proved to be longer lasting. Russia's invasion of Ukraine in early 2022 introduced broad implications for commodity prices, inflation, and the Federal Reserve's approach to interest rates and combating sustained higher price growth. For U.S. banks, although the direct exposure to Russia and Ukraine is limited, indirect risks are broad, and enforcement of sanctions imposed by various countries will likely strain banks' compliance resources.

The OCC is committed to proactive and risk-based supervision of climate-related financial risks facing banks. The OCC views climate-related financial risks as raising significant risk management issues due to their impact on bank safety and soundness and financial stability.

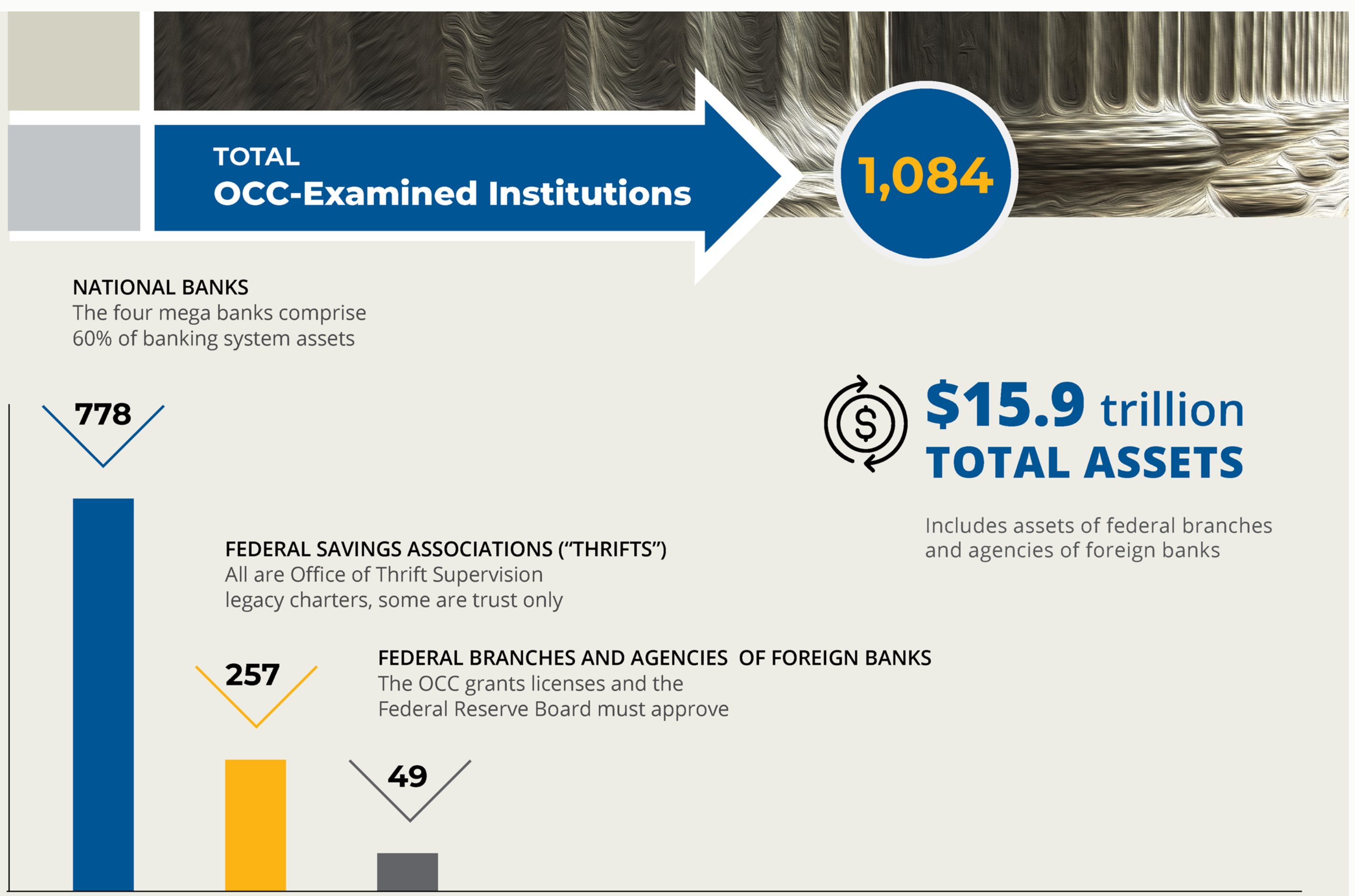
This section highlights the following factors contributing to the federal banking system's condition:

- Composition
- Capital and liquidity
- Financial performance
- Loan performance
- Risk perspective

COMPOSITION

As of September 30, 2022, the federal banking system comprises 1,084 banks operating in the United States. These banks range from small community banks[33] to the largest, most globally active U.S. banks. Of these banks, 776 have less than $1 billion in assets, while 55 have more than $10 billion. In total, the banks within the federal banking system, excluding federal branches and agencies of foreign banks, hold $15.2 trillion of all assets of U.S. commercial banks (64 percent of the total assets held by all U.S. commercial banks). The federal banking system holds more than 74.5 percent of credit card balances in the country. The value of fiduciary assets held by OCC-supervised banks is $10.7 trillion, and the value of custody assets held by these banks is $55.3 trillion (44 percent of all fiduciary and custody assets in insured U.S. banks and savings associations, and uninsured national trust banks). The number and value of first-lien residential mortgages reported in the *OCC Mortgage Metrics Report for the Second Quarter of 2022* is 12.2 million loans totaling $2.7 trillion, which is 22 percent of all first-lien residential mortgages outstanding in the United States. Through these products and services, most American families have one or more relationships with an OCC-supervised bank.

Figure 2: Federal Banking System at a Glance



Source: OCC

Data as of September 30, 2022

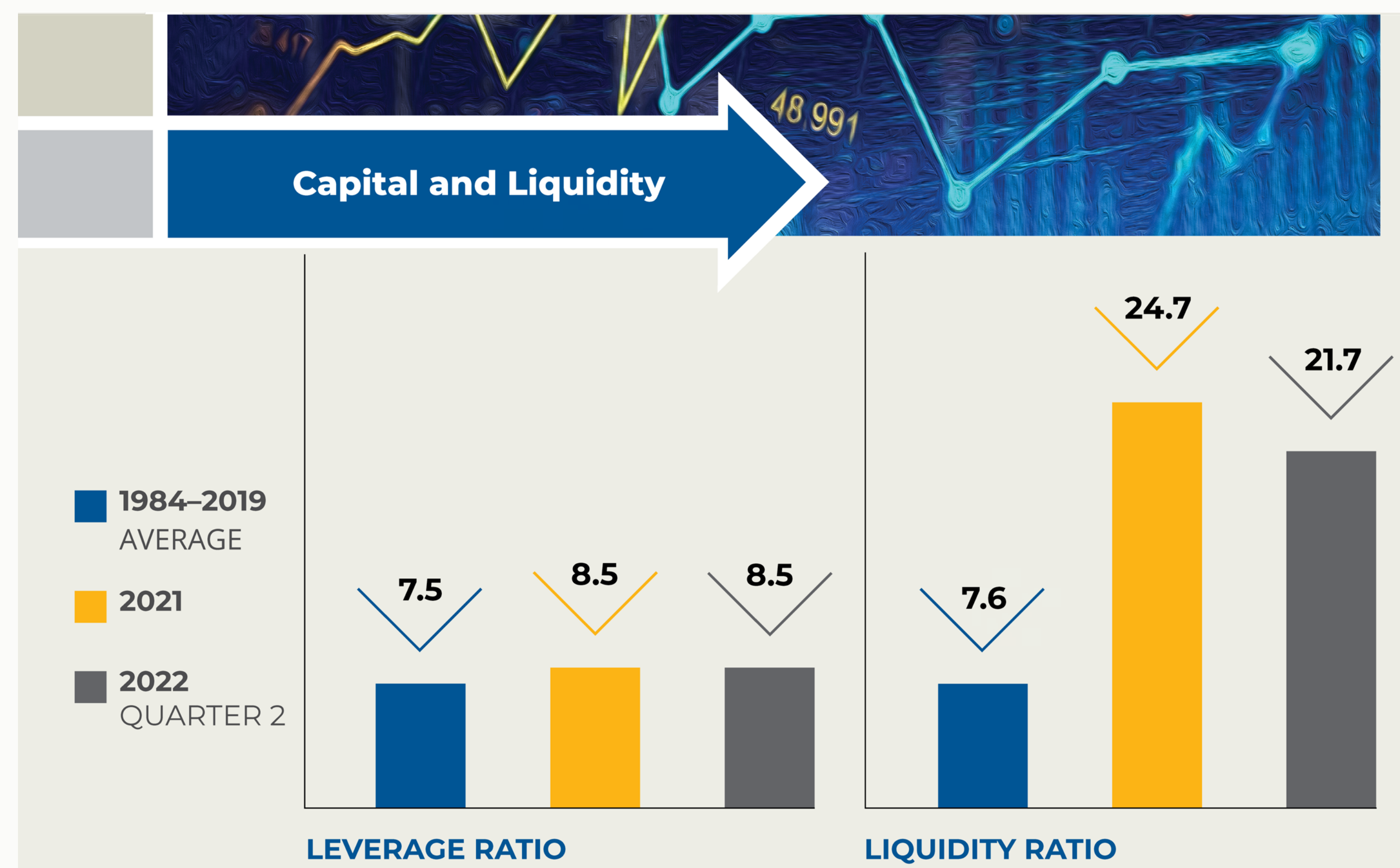
[33] For purposes of this report, community banks are national banks and FSAs with less than $1 billion in total assets and exclude trust and credit card institutions.

CAPITAL AND LIQUIDITY

Amid continued economic uncertainty in the first half of 2022, brought on by the COVID pandemic-led supply and demand imbalances and ongoing geopolitical uncertainty, the federal banking system remains well capitalized and with ample liquidity as of June 2022, and banks used that strength to support their customers and the national economy. The tier 1 leverage ratio increased over the past decade because of higher capital levels and enhanced supervisory expectations. As of the first half of 2022, banks remained well capitalized, above their pre-pandemic long-term average, at 8.5 percent of average total assets.

The federal banking system's liquidity ratio declined for the first time since the onset of the pandemic but remains at a very high level. Bank liquidity levels[34] were sound before the pandemic because of policy developments and an emphasis on stronger risk management since the end of the global financial crisis. Due to an influx of deposits from unprecedented fiscal and monetary stimulus, cash balances increased by over $1 trillion by year-end 2021, and the share of liquid assets peaked at almost 25 percent. Although the share of liquid assets declined in the first half of 2022 due to the normalization in the Federal Reserve's monetary policy, it remains very high at 21.7 percent as shown in figure 3.

Figure 3: Capital and Liquidity



Source: OCC

[34] Liquid assets are defined as cash, net Federal Reserve funds, and U.S Treasury securities.

FINANCIAL PERFORMANCE

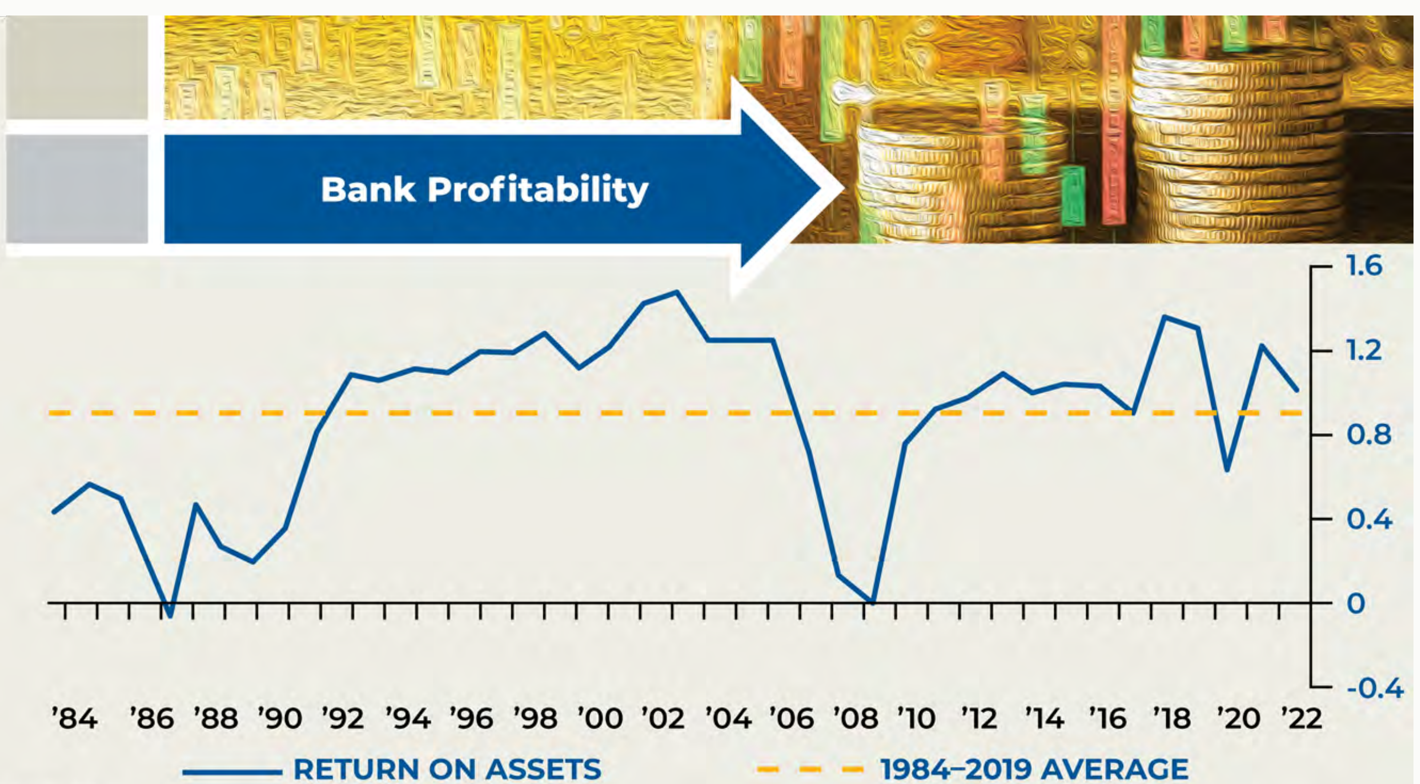
Following a sharp rebound in the prior year, system profitability declined to 1 percent of average assets by June 2022, down from 1.3 percent in the prior year (see figure 4 for OCC-supervised bank profitability).

Even though spread revenues increased in the first half of 2022 from increasing interest rates, profitability declined from elevated levels as provisions turned positive. Many of the temporary, pandemic-related boosts to income—such as fees associated with the Paycheck Protection Program, gains on sales of loans, and chiefly, provisioning—are normalizing or phasing out, which has placed a drag on net income for all banks.

Noninterest expense, which has been under pressure from rising labor costs since early in the pandemic, also continued to increase in 2022 through both direct costs, such as salaries and employee benefits, and indirect personnel costs, such as data processing and consulting and advisory fees that banks report as "Other noninterest expense." Tight labor market conditions as well as elevated consumer inflation expectations[35] have placed upward pressure on salaries and benefits, as increased costs are passed on to the consumer, and consumers in turn demand higher wages to keep up with rising price growth. In all, this led net income to decline for the system in the first half of the year but from elevated levels.

The outlook for 2023, given the rising rate environment, economic growth slowing sharply, and strong loan demand, remains reliant on the Federal Reserve's ability to curb inflation and banks managing expenses and bank funding costs.

Figure 4: Bank Profitability



Source: OCC

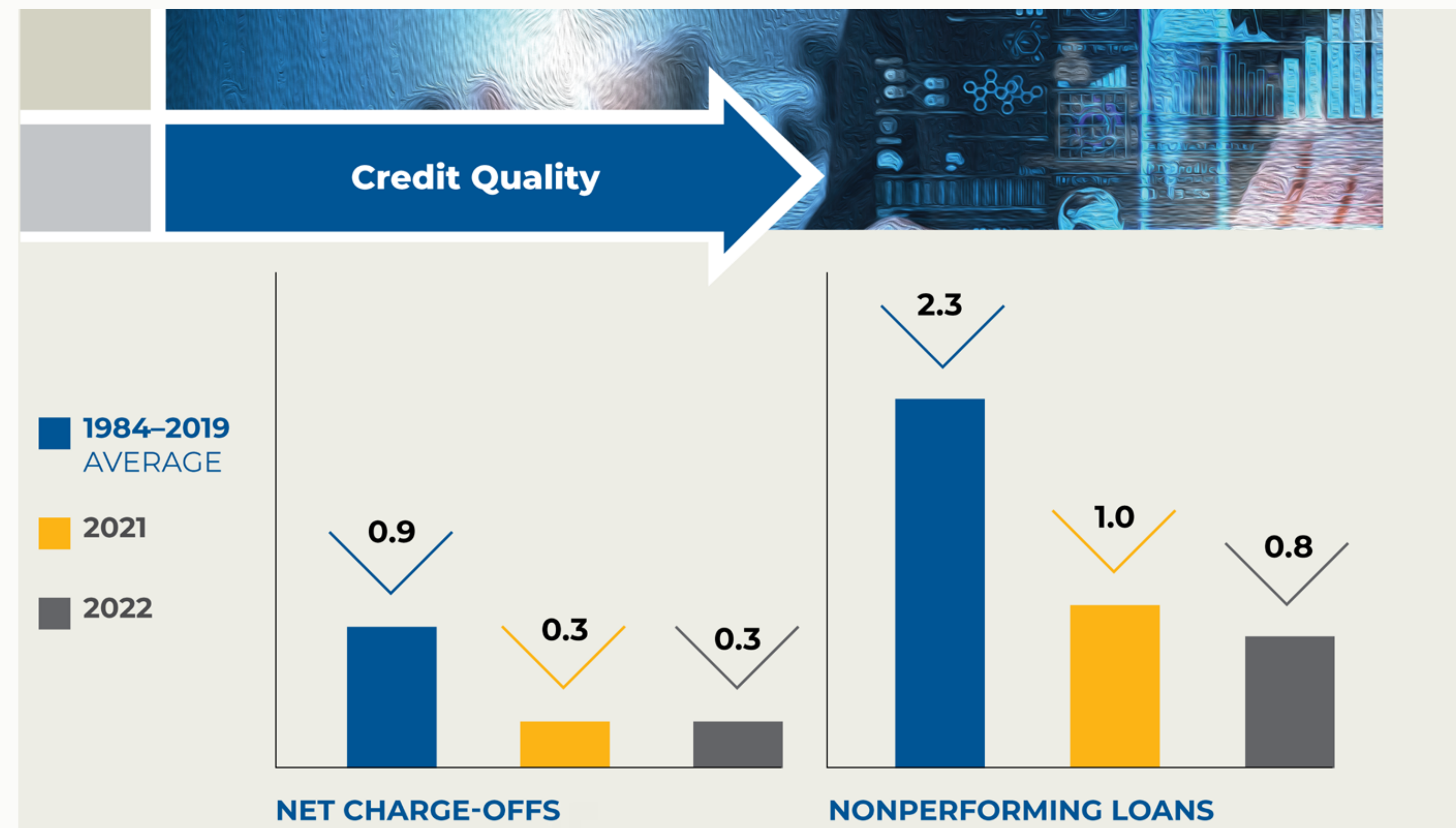
[35] See "Survey of Consumer Expectations," Federal Reserve Bank of New York, accessed September 30, 2022.

LOAN PERFORMANCE

Credit quality ratios improved through the second quarter of 2022 for the federal banking system and remain significantly better than the long-term averages, as shown in figure 5. Forbearance measures enacted under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, however, were still in effect through the June reporting period. The rate of nonperforming loans decreased by 20 basis points to 0.83 percent in the first half of 2022.[36]

Net charge-offs as a share of total loans also inched down to 0.26 percent in June 2022.[37] The decline in the overall charge-off rate in the first half of 2022 was driven primarily by a decline in commercial and industrial and consumer loan losses. See figure 5 for OCC-supervised banks' aggregate credit quality.

Figure 5: Credit Quality



Source: OCC

[36] Nonperforming loans are the share of total loans that are 90 or more days past due or on nonaccrual status.
[37] Net charge-offs are the share of total loan balances charged off as a loss, net of recoveries.

RISK PERSPECTIVE

Banking is a business of managing risk, and a bank's risk identification, assessment, monitoring, and management affect the condition of the federal banking system as well as the bank's individual performance. The OCC's supervision focuses on evaluating banks' ability to identify, measure, monitor, and control risks. The OCC monitors the condition of the federal banking system, identifies and assesses key supervision risks, and acts to respond to those risks. The OCC communicates its assessment of risks in the federal banking system in its *Semiannual Risk Perspective*.

These are some of the key risks facing the federal banking system:

- Operational risk is elevated as cyber threats are elevated and continue to evolve, with an observed increase in attacks on the financial services industry.
- Compliance risk remains elevated. Banks are navigating the complexity of sanctions imposed in response to the Russian invasion of Ukraine and significant regulatory changes.
- Overall credit risk remains moderate and problem loan levels remain manageable as loan portfolios have been resilient, and widespread credit deterioration has not materialized.
- Across key risk areas, banks are experiencing challenges retaining and replacing staff, especially those with specialized experience, due to increasing turnover. During this period of increasing volatility, these staffing challenges present increased risks.

Supervision

The OCC governs its bank supervision program through two key committees: the Committee on Bank Supervision (CBS) and the National Risk Committee. The CBS ensures coordination of supervisory activities, policies, and programs and consistency with the OCC's strategic plan and objectives. The National Risk Committee identifies and assesses existing and emerging risks to the industry and coordinates the agency's supervision and policy issues in addressing those risks.

This section covers

- the OCC's supervision priorities for FY 2022.
- Midsize and Community Bank Supervision (MCBS) realignment.
- community bank supervision priorities.
- MDIs.
- published rules, guidance, and other materials.
- licensing activities.
- enforcement actions.

SUPERVISION PRIORITIES

The OCC published its supervisory priorities in its *Fiscal Year 2022 Bank Supervision Operating Plan* to provide the foundation for policy initiatives and supervisory strategies, as applied to individual banks and third-party services subject to OCC examination. The 2022 plan focused on these topics:

- Strategic and operational planning to ensure banks maintain stable financial positions.
- Credit risk management, allowances for loan and lease losses, and allowances for credit losses.
- Cybersecurity and operational resilience.
- Oversight of third parties and related concentrations.
- Bank Secrecy Act/anti-money laundering (BSA/AML) compliance management.
- Consumer compliance management systems and fair lending risk.
- Community Reinvestment Act performance.
- The impact of a low-rate environment and the transition to alternative reference rates given the cessation of LIBOR.
- Payment systems products and services.
- Fintech partnerships for potential cryptocurrency-related activities and other services.
- Climate change risk management.

In addition to activities at individual banks, the OCC conducts horizontal supervisory initiatives for key risks to facilitate coordination and assessment of issues across the banking industry. Following up on the operating plan, the OCC provided updates about risks to the federal banking system and supervisory priorities through its *Semiannual Risk Perspective*, bulletins, news releases, the *Comptroller's Handbook*, speeches, outreach events, and discussions with bank management and boards of directors.

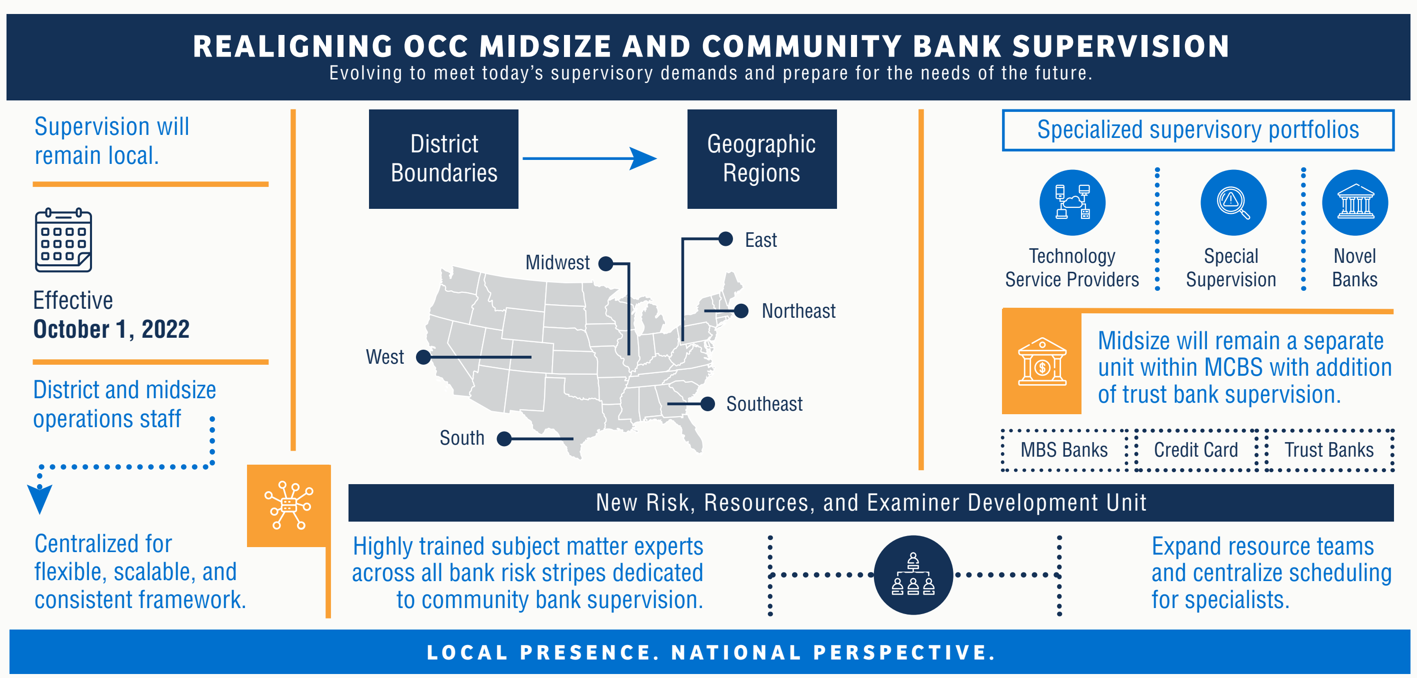
MIDSIZE AND COMMUNITY BANK SUPERVISION REALIGNMENT

The OCC realigned MCBS effective October 1, 2022. These changes were the result of a year-long effort to assess the current operating environment and aim to enable the OCC to continue providing high-quality, risk-based supervision at each OCC-supervised bank, now and into the future.

Local assistant deputy comptrollers and their authority for supervisory decision making did not change, nor did banks' direct access to subject matter experts and risk specialists. The following changes occurred:

- Changed from district boundaries to geographic regions: The four district offices (Central, Northeastern, Southern, Western) were replaced with six geographic regions (East, Midwest, Northeast, South, Southeast, and West).
- Established two new specialized supervisory portfolios (Technology Service Providers and Novel Banks) under a single MCBS Deputy Comptroller. This will enable visibility into peer groups and improve communications, expand outreach, and provide the OCC better insight into emerging supervisory risks and issues at these institutions.
- Centralized supervision of trust banks under a single Deputy Comptroller. Trust charters have a unique business model, and centralized supervision promotes more consistent and transparent supervision.
- Established a new Risk, Resources, and Examiner Development unit comprised of risk officers, lead experts, financial analysts, and specialist examiners under an existing MCBS Deputy Comptroller. This unit includes the OCC's subject matter experts across all bank risk stripes dedicated to community bank supervision. This change expands resource teams and centralizes scheduling for specialists.
- Centralized community and midsize operations to streamline internal communications, provide training and developmental opportunities for staff, and promote consistency by developing standard processes across MCBS.

National Bank Examiner John Chang, an OCC recruiter in Cincinnati, staffed the OCC booth at The Ohio State University Finance Fair September 6, 2022, as part of the annual fall assistant national bank examiner (ANBE) recruiting campaign. The OCC conducts two ANBE recruiting campaigns each year to recruit about 150 new entry-level bank examiners, who begin their careers in Midsize and Community Bank Supervision.



COMMUNITY BANK PRIORITIES

The OCC supervises almost 900 community institutions with diverse business models. Realigning MCBS is one of several steps the OCC is taking to preserve this diversity. In addition to reducing assessment fees for community banks and working to streamline the licensing process for new banks, the agency is also updating its approach to risk-based supervision to best focus examination resources. The OCC has committed to being diligent in clearly differentiating regulatory expectations for banks based on their size and complexity. Recognizing that digitalization presents unique challenges and opportunities for smaller banks, the OCC continues to offer support by facilitating arrangements among community banks that pool resources and leverage expertise to address the need for scale in adopting new financial technologies.

MINORITY DEPOSITORY INSTITUTIONS

The OCC administers an MDI program to provide technical assistance and other support to OCC-supervised MDIs, promoting and preserving these banks consistent with requirements set forth in law. The OCC took the following actions in support of this program this year:

- Updated the OCC's 2013 policy statement for MDIs describing OCC policies and programs to preserve and support MDIs.
- Renewed the charter of the OCC's Minority Depository Institutions Advisory Committee.

THE OCC SUPPORTS MINORITY DEPOSITORY INSTITUTIONS

The OCC defines an MDI to include a national bank or federal savings association that is at least 51% owned by one or more minority individuals, women, or other socially and economically disadvantaged individuals.

PROJECT REACh

- The OCC's Roundtable for Economic Access and Change (Project REACh) convenes leaders from banking, business, technology, and national civil rights organizations to reduce specific barriers that prevent full, equal, and fair participation in the nation's economy.
- The OCC created the Project REACh Pledge to Strengthen MDIs for larger banks that commit to strengthening MDIs through investment, technical assistance, business opportunities, executive training, and other resources. Signatory banks have committed to approximately $500 million in investments to MDIs.
- The Project REACh MDI Workstream addresses the challenges for minority-owned banks to access capital, expand technology capabilities, and modernize infrastructure.

TECHNICAL ASSISTANCE

- OCC experts provide technical assistance through webinars and meetings on a variety of topics including BSA/AML, cybersecurity, ransomware, and strategic planning, as well as matters related to credit, asset management, consumer compliance, capital markets, licensing, legal issues, and other concerns.
- OCC District Community Affairs Officers provide advice and assistance to MDIs in structuring community development investments and initiatives.

MDI COLLABORATIONS

- OCC District Community Affairs Officers facilitate opportunities for relationships between MDIs and non-MDIs that benefit all parties.
- The OCC supports direct or indirect financial and other support to MDIs by non-MDIs. Banks that engage in capital investments, loan participations, and other ventures in cooperation with MDIs may receive positive consideration under the Community Reinvestment Act.
- Collaborations build relationships that can be a source of capital and investment and provide training, exchange programs, and mentorship to participating stakeholders.

ADVISORY MEETINGS AND WORKSHOPS

- OCC experts provide technical assistance through webinars and meetings on a variety of topics including BSA/AML, cybersecurity, ransomware, and strategic planning, as well as matters related to credit, asset management, consumer compliance, capital markets, licensing, legal issues, and other concerns.
- OCC District Community Affairs Officers provide advice and assistance to MDIs in structuring community development investments and initiatives.

- Hosted virtual public meetings of the committee in April and September on steps the OCC may take to ensure the continued health and viability of MDIs.
- Presented a charter to Agility Bank, N.A., in Houston, the first new MDI national bank in 15 years.

PUBLISHED RULES AND GUIDANCE

The OCC published or proposed six rules in FY 2022, mostly regarding procedural issues and CRA modernization. See table 1. The agency also published supervisory and examiner guidance on topics including the following:

- Cryptocurrency and trust activities
- Draft principles on climate-related financial risk for large banks
- Compliance with CRA and BSA requirements
- Banks' response to LIBOR cessation
- Economic trends and analysis

In addition to guidance, the OCC published periodic reports providing information and analysis on trends in various financial markets and economic sectors for a wider audience, including members of Congress. See table 2.

Table 1: Rules Published During FY 2022

Topic	Action	Reference
Bank operations	Joint rule to establish computer-security incident notification requirements for banks and their service providers, and bulletin providing OCC points of contact for notification	OCC bulletins 2021-55 and 2022-8
CRA	Rule to rescind the June 2020 CRA rule and replace it with a rule based on the rules adopted jointly by the federal banking agencies in 1995, as amended	OCC Bulletin 2021-61
CRA	Joint proposed rule to strengthen and modernize the CRA regulatory framework	OCC Bulletin 2022-14
OCC operations	Joint proposed rule to recognize the use of electronic communications in all aspects of administrative hearings and increase the efficiency and fairness of administrative adjudications	OCC Bulletin 2022-12
OCC operations	Rule amending the OCC's suspicious activity report regulations to harmonize the OCC's legal authority to issue exemptions with Financial Crimes Enforcement Network authority	OCC Bulletin 2022-13
OCC operations	Rule updating the physical mailing address of the OCC Customer Assistance Group	OCC Bulletin 2022-15

Table 2: Guidance and Publications Issued During FY 2022

Topic	Publication	Reference
Bank management and operations	Reminder to banks that they are prohibited from making most equity investments in venture capital funds	OCC Bulletin 2021-54
Bank management and operations	Draft principles for identification and management of climate-related financial risks by banks with more than $100 billion	OCC Bulletin 2021-62
Bank management and operations	Expectations for protecting non-public OCC information on non-OCC-owned or managed video teleconferencing services	OCC Bulletin 2022-21
Bank management and operations	Annual *Cybersecurity and Financial System Resilience Report*	See www.occ.gov
BSA/AML	Notice of four revised sections of the *FFIEC BSA/AML Examination Manual*	OCC Bulletin 2021-59
BSA/AML	Interagency "Bank Secrecy Act/Anti-Money Laundering: Joint Statement on the Risk-Based Approach to Assessing Customer Relationships and Conducting Customer Due Diligence"	OCC Bulletin 2022-18
Capital	Joint statements, FAQs, and a self-assessment tool to encourage and facilitate banks' transition away from LIBOR	OCC bulletins 2021-46 and 2021-48
Capital	Joint statement on the optional community bank leverage ratio framework	OCC Bulletin 2021-66
Consumer compliance	Consumer protection resource "Assistance for Customers of National Banks and Federal Savings Associations"	See www.occ.gov
Consumer compliance	Joint statement on mortgage servicing rules in response to the COVID-19 pandemic and CARES Act	OCC Bulletin 2021-53
Consumer compliance	Interagency statement on special purpose credit programs	OCC Bulletin 2022-3
Consumer compliance	Notice of updated FFIEC "A Guide to HMDA Reporting: Getting It Right!"	OCC Bulletin 2022-10
Consumer compliance	Revised "Interagency Questions and Answers Regarding Flood Insurance"	OCC Bulletin 2022-16
CRA	OCC contact information for notices required by the CRA and Equal Credit Opportunity Act, and for posters under the Fair Housing Act	OCC Bulletin 2021-35
CRA	Guidance on OCC policy and procedures for considering state input on CRA performance of OCC-supervised banks	OCC Bulletin 2022-2
CRA	FAQs regarding CRA final rule to rescind the June 2020 CRA rule	OCC Bulletin 2022-4
CRA	Host state loan-to-deposit ratios that the agencies will use to determine compliance with section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994	OCC Bulletin 2022-17
CRA	*Community Developments Investments,* "Partners in Recovery: Community Reinvestment and Resilience"	OCC News Release 2022-36

Continued Table 2: Guidance and Publications Issued During FY 2022

Topic	Publication	Reference
Credit administration	Interagency "Proposed Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts"	OCC Bulletin 2022-19
Economics	*Economic Snapshot* series reporting data on national and regional trends	See www.occ.gov
Economics	*Moments in History* series: • "The History of Supervisory Expectations for Capital Adequacy: Part I (1863–1983)" • "Shareholder Double Liability and Depositor Losses in Failed National Banks: 1865–1935"	See www.occ.gov
Economics	OCC Working Paper "New Frontiers in Bank Risk: Interbank Debt Contagion and Financial Network Solvency"	See www.occ.gov
Economics	*On Point* series of economic and policy insights from OCC staff: • "Could Higher Prices Boost U.S. Grain Farm Income?" • "Rising Payments May Pressure Consumer Debt Burden and Delinquencies" • "Office Loans in Urban Areas Hold Most Credit Risk" • "Uncertain Business Travel Outlook Increases Credit Risk of Urban Hotel Loans" • "Uncertain Future of Business Travel a Risk for Higher-End Lodging" • "Could Supply Chain Overcorrection Result in Excess Inventories?" • "Supply Chain Stress Pressures Small Firm Profitability" • "Policy Unwind Adds Risk of Sharply Higher Long-Term Bond Yields" • "Is a Wage-Price Spiral Emerging?" • "Banks' Rising Labor Costs Partly Reflect Industry-Specific Factors" • "The Pandemic-Fueled Preference for Single-Family Homes May Endure" • "Deposit Growth Likely Slowing but Abundance of Low-Cost Funding Could Endure Through 2022" • "Home Buyers Remain in Large Metropolitan Statistical Areas Despite COVID-19" • "Industries Recovering Unevenly From the Pandemic" • "Used Vehicle Prices Likely to Stay Elevated Through Next Year" • "Bank Performance Under a High Inflation Scenario"	See www.occ.gov
Examinations	New and updated *Comptroller's Handbook* booklets: • "Commercial Real Estate Lending" • "Home Mortgage Disclosure Act" (interagency) • "Large Bank Supervision" • "Other Real Estate Owned" • "Payment Systems" • "Retail Lending" • "Truth in Lending Act" (interagency)	OCC bulletins 2021-49, 2021-51, 2021-52, 2021-63, 2021-65, 2022-6, and 2022-7
Laws and regulations	Extension of interagency "Revised Statement Regarding Status of Certain Investment Funds and their Portfolio Investments for Purposes of Regulation O and Reporting Requirements under Part 363 of FDIC Regulations"	OCC Bulletin 2021-64

Continued Table 2: Guidance and Publications Issued During FY 2022

Topic	Publication	Reference
Licensing	New and updated *Comptroller's Licensing Manual* booklets: • "Articles of Association, Charter, and Bylaw Amendments" • "Background Investigations" • "Capital and Dividends" • "Charters" • "Conversions to Federal Charter" • "Fiduciary Powers" • "General Policies and Procedures" • "Management Interlocks" • "National Bank Director Waivers" • "Public Notice and Comments" • "Subordinated Debt" • "Subsidiaries and Equity Investments"	OCC bulletins 2021-60, 2022-5, and 2022-11
Periodic reports	Update to the *Bank Accounting Advisory Series*, which reflects accounting standards issued by the Financial Accounting Standards Board on such topics as lessor classification and amortization of premiums on debt securities	OCC Bulletin 2022-20
Periodic reports	Quarterly reports on bank trading and derivative activities to increase awareness of size and character of trading and derivative exposures within the federal banking system	OCC news releases 2021-140, 2022-29, and 2022-71
Periodic reports	Semiannual Risk Perspective analyzing the key issues facing the federal banking system	OCC news releases 2021-127 and 2022-73
Periodic reports	Quarterly OCC *Mortgage Metrics Report* to promote broader understanding of mortgage portfolio performance and modification activity in the federal banking system and support supervision of regulated institutions	OCC news releases 2021-131, 2022-26, and 2022-76
Periodic reports	Semiannual *Interest Rate Risk Statistics Report* of data gathered during examinations of OCC-supervised midsize and community banks	OCC Bulletin 2022-9 and occ.gov Publications page
Periodic reports	Joint annual report on the Shared National Credit Program to review the performance of large loan commitments shared between regulated institutions	OCC News Release 2022-16
Responsible innovation	Joint statement summarizing the interagency "policy sprint" on crypto-assets	OCC Bulletin 2021-56
Responsible innovation	Interpretive Letter 1179, clarifying aspects of prior interpretive letters addressing cryptocurrency and trust activities	OCC Bulletin 2021-57

LICENSING ACTIVITIES

The OCC's licensing activities ensure that banks establish and maintain corporate structures in accordance with the principles of safe and sound banking as predicated by law and regulation. The OCC's Licensing Division works with the agency's legal and supervisory departments to render independent decisions supported by a record of facts and financial, supervisory, and legal analyses. See tables 3 to 6 for a summary of licensing activities.

Table 3: Corporate Application Activity in FY 2022

Application type	Applications received	Approved	Conditionally approved	Denied	Total
Branches	407	402	2	0	404
Capital/sub-debt	39	31	3	0	34
Change in bank control	7	4	1	0	5
Charters	7	1	2	0	3
Charter conversions*	5	3	2	0	5
Federal branches	0	0	0	0	0
Fiduciary powers	1	1	0	0	1
Licensing other	37	24	3	0	27
Mergers	36	30	1	0	31
Relocations	151	152	0	0	152
Reorganizations	35	24	4	0	28
Subsidiaries	13	11	1	0	12
Substantial change in assets	9	3	7	0	10
Mutual to stock conversions	1	0	1	0	1
Total	**748**	**686**	**27**	**0**	**713**

*Conversions to an OCC-regulated bank.

Table 4: Change in Bank Control Act (Notices Processed With Disposition)

Year	Received	Acted on	Not disapproved	Disapproved	Withdrawn
2022	7	5	1	0	1
2021	7	7	7	0	0
2020	13	10	10	0	4
2019	16	10	10	0	0
2018	6	6	6	0	0

Table 5: Licensing Actions and Timeliness for National Banks and FSAs in FY 2022

Licensing action	Target time in days	Number of decisions	Number within target	Percent within target
Branches	45/60	404	401	99.26
Capital/sub-debt	15/45	34	32	94.12
Change in bank control	NA/120	5	5	100
Charters	45/120	3	3	100
Charter conversions	45/120	5	5	100
Federal branches	NA/120	0	0	0
Fiduciary powers	30/60	1	1	100
Licensing other	NA/60	27	24	88.89
Mergers	45/60	31	31	100
Relocations	30/60	152	148	97.37
Reorganizations	45/60	28	27	96.43
Subsidiaries	30/60	12	12	100
Substantial change in assets	NA/60	10	8	80.00
Mutual to stock conversions	NA/60	1	1	100
Total		**713**	**698**	**97.90**

Note: Most of the decisions were made in the district offices and large bank licensing departments under delegated authority. Decisions include approvals, conditional approvals, and denials. NA means not applicable.

Note: Certain filings qualify for "expedited review" and are subject to the shorter time frames listed. The longer time frames are for standard review of more complex applications. The target time frame may be extended if the OCC needs additional information to reach a decision or process a group of related filings as one transaction, or to permit additional time for public comment.

Table 6: Applications Presenting CRA Issues Decided in FY 2022

Bank, city, state	Approval date	Document number
Valley National Bank, Passaic, N.J.	September 1, 2021	CRA decision no. 219
Citizens Bank, National Association, Providence, R.I.	September 28, 2021	CRA decision no. 220
Banc of California, National Association, Santa Ana, Calif.	September 30, 2021	CRA decision no. 221
Bank of America, National Association, Charlotte, N.C.	October 6, 2021	CRA decision no. 222
Bank of America, National Association, Charlotte, N.C.	October 6, 2021	CRA decision no. 223
South State Bank, National Association, Winter Haven, Fla.	October 12, 2021	CRA decision no. 224
Bank of America, National Association, Charlotte, N.C.	October 6, 2021	CRA decision no. 225
Bank of America, National Association, Charlotte, N.C.	January 18, 2022	CRA decision no. 226
Home Bank, National Association, Lafayette, La.	February 4, 2022	CRA decision no. 228
Citizens Bank, National Association, Providence, R.I.	March 24, 2022	CRA decision no. 229

Note: The FY 2021 letters listed were posted to www.occ.gov in FY 2022, hence included in this report.

ENFORCEMENT ACTIONS

The OCC investigates, litigates, and takes enforcement actions to address unsafe or unsound banking practices and failures in compliance, including compliance with certain consumer protection laws. When warranted, the OCC refers potential criminal acts involving bank-affiliated parties to the U.S. Department of Justice and coordinates with other federal agencies on enforcement efforts involving banks.

The number of formal enforcement actions taken against banks has generally declined since 2010, reflecting overall improvement in banks' risk management practices and economic conditions. Table 7 summarizes the OCC's formal enforcement actions published in 2022.

Table 7: OCC Enforcement Actions in Fiscal Year 2022

Type of enforcement action	Number	Amount[a]
12 USC 1829 notifications	15	
Bank civil money penalty	7	$202,234,456[c]
Cease-and-desist order (bank)[b]	5	
Formal agreement (bank)	5	
Notices of charges filed	0	
Personal cease-and-desist order	4	
Personal civil money penalty	19	$783,000
Prompt corrective action directive	0	
Removal/prohibition	14	
Total	**69**	**$203,017,456**

[a] Includes only assessed penalties through September 30, 2022, and does not include remediation to customers that the OCC may have required of the bank.

[b] Includes instances where multiple charters in a company are subject to the same enforcement action.

[c] Penalties are sent to the Treasury Department.

Leadership

Michael J. HSU

Acting Comptroller of the Currency

Michael J. Hsu became Acting Comptroller of the Currency on May 10, 2021. As Acting Comptroller, Mr. Hsu is the administrator of the federal banking system, chief executive officer of the OCC, and a member of the OCC's Executive Committee. The Comptroller also serves as a director of the FDIC and a member of the FSOC and the FFIEC.

Before joining the OCC, Mr. Hsu served as an associate director in the Division of Supervision and Regulation at the Board of Governors of the Federal Reserve System, where he chaired the Large Institution Supervision Coordinating Committee Operating Committee. He cochaired the Federal Reserve's Systemic Risk Integration Forum, served as a member of the Basel Committee Risk and Vulnerabilities Assessment Group, and cosponsored forums promoting interagency coordination with foreign and domestic financial regulatory agencies.

His career has included serving as a financial sector expert at the International Monetary Fund, financial economist at the Treasury Department helping to establish the Troubled Assets Relief Program, and financial economist at the U.S. Securities and Exchange Commission overseeing the largest securities firms. He began his career in 2002 as a staff attorney in the Federal Reserve Board's Legal Division.

Mr. Hsu has a bachelor of arts degree from Brown University, a master of science degree in finance from George Washington University, and a juris doctor degree from New York University School of Law.

The OCC hosted several former leaders at a luncheon September 26, 2022. Present from left to right were Former Acting Comptroller Julie Williams (1998 and 2004–2005), Former Comptroller John Dugan (2005–2010), Former Acting Comptroller Keith Noreika (2017), Former Acting Comptroller Brian Brooks (2020–2021), Former Comptroller Gene Ludwig (1993–1998), Former Acting Comptroller Blake Paulson (2021), Acting Comptroller Michael Hsu, and Former Acting Comptroller John Walsh (2010–2012). Former Comptroller Robert Clarke (1985–1992), on screen, attended virtually.

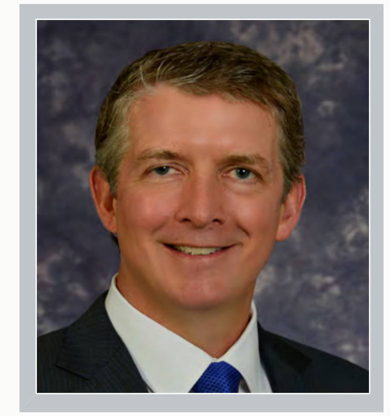
Beverly **COLE**

Midsize and Community Bank Supervision

As the Senior Deputy Comptroller for MCBS, Beverly Cole is responsible for supervising nearly 1,100 banks, as well as nearly 1,400 OCC employees. She is a member of the OCC's Executive Committee and the CBS. She assumed the role of Acting Senior Deputy Comptroller in July 2022 when Senior Deputy Comptroller Sydney Menefee departed the agency. She became Senior Deputy Comptroller in October 2022.

Ms. Cole joined the OCC in 1979 as an assistant national bank examiner in Little Rock, Ark. She left the OCC to work in the banking industry in 1984, rejoining the agency in 1987. She was commissioned as a National Bank Examiner in 1989. She has served at the OCC in a variety of supervisory roles including as Deputy Comptroller for Compliance Supervision and Deputy Comptroller for the Northeastern District.

Ms. Cole graduated from Tougaloo College with a bachelor's degree in economics with an emphasis in business administration. She was cross credentialed as a federal thrift regulator in 2015.



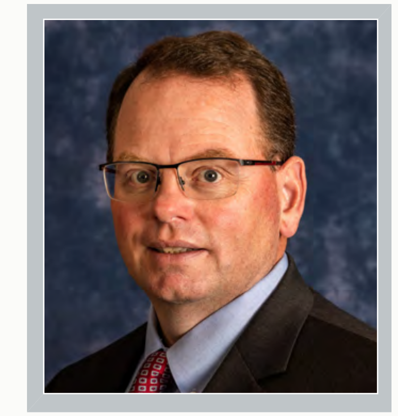
Greg **COLEMAN**

Large Bank Supervision

As the Senior Deputy Comptroller for Large Bank Supervision, Greg Coleman directs nearly 800 employees who supervise the country's largest banks and is a member of the OCC's Executive Committee. He assumed these duties in January 2021.

Mr. Coleman previously served as a Deputy Comptroller for Large Bank Supervision. He has served in a variety of bank supervision roles as an examiner, policy expert, and manager at the OCC, including serving as Examiner-in-Charge of Capital One and E*TRADE. He previously served as director within the Credit and Market Risk Division in the Office of the Chief National Bank Examiner and as the lead for the capital markets team at JPMorgan Chase. He joined the OCC in 1989 as a field examiner and became a commissioned National Bank Examiner in 1994 and cross-certified to examine federal savings associations in 2013.

Mr. Coleman is a chartered financial analyst charter holder and holds a bachelor of science degree in business administration from the University of Nebraska-Lincoln.



Jay **GALLAGHER**

Supervision Risk and Analysis

As Senior Deputy Comptroller for Supervision Risk and Analysis, Jay Gallagher oversees OCC staff responsible for Systemic Risk Identification & Support, Supervision System & Analytical Support, Economic & Policy Analysis, and Economics & Risk Analysis. He is a member of the OCC's Executive Committee and assumed this role in July 2022 when Senior Deputy Comptroller Blake Paulson retired. He became Senior Deputy Comptroller in October 2022.

Before this position, Mr. Gallagher served as Deputy Comptroller for Systemic Risk Identification & Support. Mr. Gallagher previously served as an asset management expert in MCBS. He has been a team leader for asset management, mortgage, and retail credit. Additionally, he has served as a market risk team lead and lead expert for asset management in Large Bank Supervision. In recognition of his expertise and service, Mr. Gallagher was designated a Senior National Bank Examiner in 2019.

Mr. Gallagher graduated with a bachelor's degree from Bloomsburg University in Pennsylvania. He is a U.S. Marine Corps veteran.

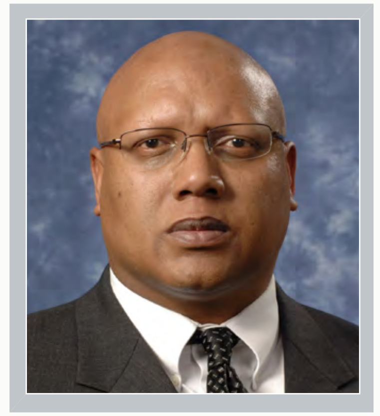
Grovetta N. **GARDINEER**

Bank Supervision Policy

As the Senior Deputy Comptroller for Bank Supervision Policy, Grovetta N. Gardineer directs the formulation of policies and procedures for bank supervision and examination, chairs the agency's CBS, and is a member of the OCC's Executive Committee. She oversees the units for policy related to credit risk, market risk, operational risk, and compliance risk, as well as units responsible for international banking and capital policy, accounting policy, community affairs, and the Office of Innovation. She assumed this role in March 2019.

Previously at the OCC, Ms. Gardineer served as the Senior Deputy Comptroller for Compliance and Community Affairs and Deputy Comptroller for Compliance Risk. Before joining the OCC in 2010,
Ms. Gardineer was the Managing Director for Corporate and International Activities and the Managing Director for Supervision Policy at the Office of Thrift Supervision.

Ms. Gardineer has a bachelor of arts degree in politics from Wake Forest University and a law degree from North Carolina Central University.



Larry L. **HATTIX**

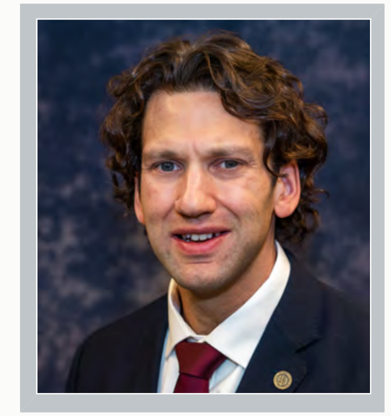
Enterprise Governance and Ombudsman, and Chief Risk Officer

As the Senior Deputy Comptroller for Enterprise Governance and the agency's Ombudsman, Larry L. Hattix oversees the agency's enterprise governance function, the bank and savings association appeals program, and the Customer Assistance Group. As the Chief Risk Officer, he drives an agencywide view of risks and evaluates adherence to the agency's risk appetite statement. He assumed the duties of Chief Risk Officer in 2021. He is a member of the OCC's Executive Committee and represents the agency as a member of the International Network of Financial Services Ombudsman Schemes, which promotes effective dispute resolution, improves international coordination and cooperation, and shares best practices globally.

Mr. Hattix was the OCC Ombudsman from 2008 to 2013 and previously served as Assistant Deputy Comptroller of the Cincinnati field office. He joined the OCC in 1988 as an assistant national bank examiner and obtained his commission as a National Bank Examiner in 1994, with a specialty in consumer and CRA compliance.

Mr. Hattix has a bachelor of science degree in business administration and finance from Carroll University.

2022 ANNUAL REPORT
Leadership



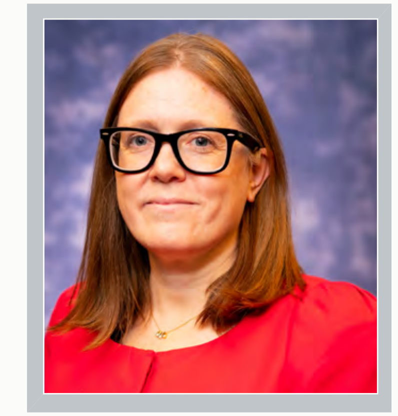
Benjamin W. **MCDONOUGH**

Chief Counsel

As the Senior Deputy Comptroller and Chief Counsel, Benjamin W. McDonough oversees the agency's legal and licensing activities, including legal advisory services to bank supervision and policy, enforcement, litigation, agency administrative matters, legislative initiatives, the chartering of new banks, and changes in structure and activities of existing banks. He serves on the OCC's Executive Committee and provides advice and counsel to the Comptroller of the Currency and senior OCC executives. He assumed this role in June 2021.

Prior to joining the OCC, Mr. McDonough served as Associate General Counsel in the Legal Division at the Board of Governors of the Federal Reserve System. He began his career at the FDIC as an honors attorney.

Mr. McDonough has a bachelor of arts degree from the University of Michigan and a joint juris doctor and master of public policy degree from the University of Michigan Law School and Gerald R. Ford School of Public Policy.



Lauren **OPPENHEIMER**

Chief of Staff

Lauren Oppenheimer is the Senior Deputy Comptroller and Chief of Staff for Acting Comptroller of the Currency Michael J. Hsu.

In this role, Ms. Oppenheimer advances the priorities of the Acting Comptroller and serves as a member of the Executive Committee. She directs the daily operations of the Acting Comptroller's staff and provides administrative oversight to the Office of Minority and Women Inclusion as well as the Office of Climate Risk. She also oversees Public Affairs functions that include Communications, Digital Services, Media Relations, Congressional and Banking Relations, as well as External Outreach and Minority Affairs. She assumed this role in December of 2021.

Prior to joining the OCC, Ms. Oppenheimer was the Director of Legislative and Intergovernmental Affairs at the Department of Commerce. She also previously worked on Capitol Hill in the Senate as the Minority Staff Director for the Senate Banking, Housing, and Urban Affairs Subcommittee on Financial Institutions and Consumer Protection and in the House of Representatives for Members of Congress on the U.S. House Financial Services Committee.

She holds a bachelor's degree from the University of Toronto and a master's degree from the London School of Economics.

Peggy
SHERRY

Office of Management and Chief Financial Officer

As Acting Senior Deputy Comptroller for Management and Chief Financial Officer, Peggy Sherry was responsible for the OCC's departments of Financial Management; Human Capital; Leadership, Executive, and Organizational Development; Administrative Operations; and Information Technology. Before her acting role, she served as the OCC's Chief Financial Officer. She previously was Deputy Chief Financial Officer at the National Credit Union Administration, Deputy Commissioner, Operations Support, at the Internal Revenue Service, and Chief Financial Officer at the Department of Homeland Security. Her public service also includes senior-level finance positions at the U.S. Holocaust Memorial Museum and the U.S. Government Accountability Office. Ms. Sherry is a certified public accountant, a certified government financial manager, and a fellow at the National Academy of Public Administration. She has a master of science degree in accounting and finance from the University of Maryland University College, and a bachelor of science degree from George Mason University.

Minh-Hai Tran-Lam was named as the new Senior Deputy Comptroller for the Office of Management in September and assumed the duties in October. Ms. Sherry returned to her role as Chief Financial Officer.

Joyce
COFIELD

Office of Minority and Women Inclusion

As Executive Director for the Office of Minority and Women Inclusion, Joyce Cofield provides executive direction, sets policy, and oversees agency matters relating to diversity in management, employment, and business activities. She reports to the Comptroller of the Currency. Ms. Cofield assumed her current duties in December 2010.

Since joining the OCC in 2001, Ms. Cofield has served in a variety of leadership roles in human capital, recruitment, and diversity management. Before joining the agency, she held several executive positions in private industry.

Ms. Cofield has a bachelor of science degree in biology from Virginia Union University and a master's degree in industrial microbiology from Boston University.

Financial Management **Discussion and Analysis**

I am pleased to present the OCC's financial statements as an integral part of the 2022 Annual Report. This year, as in prior years, our independent auditor has issued an unmodified opinion on the OCC's financial statements, demonstrating the agency's commitment to sound financial management and internal controls. I would like to extend my sincere appreciation to the OCC professionals across the agency whose hard work and dedication throughout the pandemic and the ongoing transition back to normal operations made this achievement possible.

The OCC is emerging from the pandemic in a strong financial position. We take pride in our responsibility to demonstrate discipline and accountability as stewards of the agency's resources. In FY 2022, the OCC continued to reduce operating costs where possible without compromising the agency's ability to meet mission objectives. Notably, we realized significant rent savings from space efficiency projects. The pandemic also accelerated the agency's increased adoption of communications technology, and we continue to leverage this new way of doing business, which is reflected in reduced travel costs.

The OCC continues to identify ways to operate more efficiently and is passing savings along to banks by lowering assessments. Effective January 1, 2023, the OCC is once again reducing the rates in the General Assessment Fee Schedule. This includes reductions by 40 percent for all banks on their first $200 million in total balance-sheet assets and a 20 percent reduction for all banks on balance-sheet assets above $200 million and up to $20 billion. These reductions in rates are also supported by the agency's overall financial health.

During FY 2022, the OCC Office of Management built a project management office (PMO). The PMO is helping us deliver value to our internal and external stakeholders through the successful management of all phases of projects and programs. This office will remain agile enough to adapt as strategy evolves and enable sharing of principles, methods, tools, and best practices. The PMO has already made considerable progress in ensuring project and program success, and this supports agency performance. To aid practitioners or those interested in project management across the OCC, the PMO recently launched a project management community of practice. This gives peers, thought leaders, and subject matter experts the opportunity to come together to discuss project management practices at the agency.

To keep up with the accelerating pace of change and ensure that the OCC approaches business problems with an innovative mindset, the agency launched the Solutions Lab in FY 2022. The Solutions Lab, which is a part of the OCC's Office of Management, explores and applies the most modern technology to business problems and solicits ideas from employees. The lab bridges the gap between technology and agile solutioning capability and is a way for the OCC to harness the power of our people and technology.

In the new fiscal year, the OCC will continue to manage costs effectively, produce timely and reliable financial information, and maintain a commitment to learning and innovation.

Peggy Sherry

Principal Deputy Comptroller for Management and Chief Financial Officer

FINANCIAL SUMMARY

The OCC received an unmodified audit opinion on its FY 2022 and FY 2021 financial statements. The OCC presents the principal financial statements to report the financial position and results of the agency's operations, pursuant to the requirements of 31 USC 3515(b). The OCC has prepared these statements from its books and records in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB). In addition, the OCC prepares financial reports to monitor and control budgetary resources using the same books and records.

The OCC's financial statements consist of the Balance Sheets, the Statements of Net Cost, the Statements of Changes in Net Position, the Statements of Budgetary Resources, and the Statements of Custodial Activity. The OCC presents the financial statements and notes on a comparative basis, providing financial information for FY 2022 and FY 2021.

The Statements of Budgetary Resources provide information about how budgetary resources were made available to the OCC for the year. These statements present the status of these resources and the net outlays of budgetary resources at the end of the year.

Table 8 illustrates the OCC's key components of financial condition, and the subsequent narrative sections address the OCC's financial activities in FY 2022 and FY 2021.

Table 8: Key Components of Financial Condition, as of September 30, 2022 and 2021 (Dollars in Thousands)

Costs[a]	FY 2022	FY 2021	$ Increase/ (decrease)	% Increase/ (decrease)
Total financing sources	$34,082	$33,352	$730	2.2%
Less: net cost	$(99,036)	$(34,532)	$64,504	186.8%
Net change of cumulative results of operations	$133,118	$67,884	$65,234	96.1%
Net position[b]				
Assets				
Fund Balance With Treasury	$15,111	$17,821	$(2,710)	(15.2%)
Investments	$2,245,322	$2,108,252	$137,071	6.5%
General property, plant, and equipment, net	$54,655	$53,967	$688	1.3%
Accounts receivable and other	$2,963	$8,818	$(5,856)	(66.4%)
Total assets	$2,318,051	$2,188,858	$129,193	5.9%
Liabilities				
Accounts payable and other accrued liabilities	$38,701	$41,685	$(2,984)	(7.2%)
Accrued payroll and benefits	$128,330	$114,572	$13,758	12.0%
Deferred revenue	$293,609	$282,092	$11,517	4.1%
Other actuarial liabilities	$81,746	$107,962	$(26,216)	(24.3%)
Total liabilities	$542,386	$546,311	$(3,925)	(0.7%)
Net position	$1,775,665	$1,642,547	$133,118	8.1%
Total liabilities and net position	$2,318,051	$2,188,858	$129,193	5.9%

Source: OCC financial system data.

[a] Statements of Net Cost and Statements of Changes in Net Position.

[b] Balance Sheets.

COST OF OPERATIONS

The OCC's net cost of operations is reported in the Statements of Net Cost and the Statements of Changes in Net Position. The OCC uses an activity-based time reporting system to allocate costs among the agency's programs. Costs are further divided into those resulting from transactions between the OCC and other federal entities (intragovernmental) and those between the OCC and nonfederal entities (with the public). The Statements of Net Cost present the full cost of operating the OCC's three major programs—supervise, regulate, and charter banks.

Total program costs for FY 2022 of $1,134.7 million reflected an increase of $20.8 million, or 1.9 percent, from $1,113.9 million reported in FY 2021. The slight year-over-year rise is primarily attributable to increases in contractual services and travel. These were partially offset by decreases in rent, utilities, communication, and depreciation.

REVENUES

The OCC's operations are funded primarily by assessments and other fees paid by banks, interest received on investments in nonmarketable U.S. Treasury securities, and other income.

Total FY 2022 revenue of $1,205.0 million reflects a $60.3 million, or 5.3 percent, increase from FY 2021 revenue of $1,144.7 million. Bank assets used in the September 30, 2022, semiannual assessment were $15.9 trillion, an increase of 3.3 percent, from $15.4 trillion a year earlier. The OCC's increase in assessment revenue is due to the rise in bank assets held within the national banking system.

Interest revenue totaled $22.4 million in FY 2022, an increase of $1.4 million, or 6.7 percent, from the $21.0 million reported in FY 2021. The year-to-year change of $1.4 million is primarily due to an increase in overnight interest income because of higher average overnight rates. Other income includes revenue received from rental property and reimbursable activities with separate entities. Table 9 shows the OCC's funding sources for FY 2022 and FY 2021.

ASSETS

The OCC's assets include both "entity" and "non-entity" assets. The OCC uses entity assets, which belong to the agency, to fund operations. As of September 30, 2022, total assets were $2,318.1 million, an increase of $129.2 million, or 5.9 percent, from the total assets of $2,188.9 million reported on September 30, 2021.

Non-entity assets are assets that the OCC holds on behalf of another federal agency. The OCC's non-entity assets presented as accounts receivable are civil money penalties (CMP) due to the federal government through court-enforced legal actions.

INVESTMENTS

The OCC primarily invests available funds in nonmarketable U.S. Treasury securities issued through the U.S. Department of the Treasury's Bureau of the Fiscal Service consistent with the provisions of 12 USC 481 and 12 USC 192. The agency also maintains a limited amount of funds invested with the public in support of contingency planning. The OCC manages risk by diversifying its portfolio holdings through laddering security maturities over a period not to exceed five years. Laddering in this manner facilitates the ability to reinvest in short- and long-term U.S. Treasury securities while maintaining sufficient cash

Table 9: Funding Sources (Dollars in Millions)

Source	FY 2022	FY 2021	Change ($)	Change (%)
Assessments	$1,163.7	$1,104.3	$59.4	5.4%
Interest revenue	$22.4	$21.0	$1.4	6.7%
Other income	$18.9	$19.4	$(0.5)	(2.6%)
Total revenue	**$1,205.0**	**$1,144.7**	**$60.3**	**5.3%**

for daily operating expenses. The OCC has the positive intent and ability to hold all U.S. Treasury securities to maturity and does not maintain any available for sale or trading securities.

On September 30, 2022, the amortized book value of intragovernmental investments and related accrued interest was $2,225.2 million, compared with $2,103.3 million the previous year. The difference of $122.0. million, or 5.8 percent, reflects an increase in invested funds as a result of operating surpluses. The market value of the OCC's intragovernmental investment portfolio in FY 2022 was $120.0 million lower than book value, compared with FY 2021, when the market value was $14.8 million higher than book value. This change is primarily attributable to the considerable rise in interest rates in September of FY 2022—when interest rates increase, the market value of the agency's longer-term securities decreases.

The OCC's intragovernmental investment portfolio is composed of overnight and longer-term securities. The portion of the portfolio comprising longer-term investments as of September 30, 2022, and September 30, 2021, was $1,628.0 million, or 72.6 percent, and $1,528.0 million, or 73.1 percent, respectively. The weighted average maturity of the portfolio, including overnights, remained the same year over year at 2.00 years as of September 30, 2022. The lack of change in the weighted average maturity demonstrates the laddering stability in the OCC's longer-term investment holdings.

The OCC's intragovernmental portfolio earned an annual yield of 1.2 percent in FY 2022, compared with 1.3 percent in FY 2021. The OCC calculates annual portfolio yield by dividing the total interest earned during the year by the average ending monthly book value of investments.

The OCC's investments with the public consist of funds held in a money market mutual fund with a state-chartered Federal Reserve-supervised bank. The agency's investments with the public as of September 30, 2022, and September 30, 2021, were $20.1 million and $5.0 million, respectively. The increase reflects the agency's contingency planning strategy.

LIABILITIES

The OCC's liabilities represent the resources due to others or held for future recognition and are composed largely of deferred revenue, accrued annual leave, accrued payroll and benefits, and other actuarial liabilities. Deferred revenue represents the unearned portion of semiannual assessments.

As of September 30, 2022, total liabilities were $542.4 million, a net decrease of $3.9 million, or 0.7 percent, from total liabilities of $546.3 million on September 30, 2021. This change is largely due to an increase in deferred revenue in FY 2022 resulting from a $553.3 billion increase in bank assets compared to FY 2021.

NET POSITION

The OCC's net position of $1,775.6 million as of September 30, 2022, an increase of $133.1 million, or 8.1 percent, over the $1,642.5 million reported for FY 2021, represents the cumulative net excess of the OCC's revenues over the cost of operations. The net position is presented on both the Balance Sheets and the Statements of Changes in Net Position.

The OCC allocates a significant portion of the net position to its financial reserves. Financial reserves are integral to the effective stewardship of the OCC's resources, and the OCC has a disciplined process for reviewing its reserve balances and allocating funds appropriately to support its ability to accomplish the agency's mission. The OCC's financial reserves are available to reduce the impact on the OCC's operations in the event of a significant fluctuation in revenues or expenses. The OCC also sets aside funds for ongoing operations.

As of September 30, 2022, the OCC's financial reserves were $1,636.7 million. This represents an increase of 7.3 percent from the end of FY 2021, when that amount was $1,525.3 million. These reserves are essential to a prudent and reasonable financial management strategy.

Financial Statements

OFFICE OF THE COMPTROLLER OF THE CURRENCY
BALANCE SHEETS

AS OF SEPTEMBER 30, 2022 AND 2021

(Dollars in Thousands)	FY 2022	FY 2021
Assets		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$15,111	$17,821
Investments, net (Note 3)	2,225,201	2,103,252
Accounts receivable (Note 4)	1,974	2,600
Other assets	33	5
Total intragovernmental	**$2,242,319**	**$2,123,678**
With the public:		
Investments, net (Note 3)	20,121	5,000
Accounts receivable, net (Note 4)	889	6,148
General property, plant, and equipment, net (Note 5)	54,655	53,967
Other assets	67	65
Total with the public	**$75,732**	**$65,180**
Total assets	**$2,318,051**	**$2,188,858**
Liabilities		
Intragovernmental:		
Accounts payable and other accrued liabilities	12,525	13,163
Total intragovernmental	**$12,525**	**$13,163**
With the public:		
Accounts payable	3,448	7,152
Accrued payroll and benefits	58,096	51,231
Accrued annual leave	70,234	63,341
Capital lease liabilities	651	1,283
Other accrued liabilities	22,077	20,087
Deferred revenue	293,609	282,092
Other actuarial liabilities (Note 7)	81,746	107,962
Total with the public	**$529,861**	**$533,148**
Total liabilities	**$542,386**	**$546,311**
Net position (Note 8)	**1,775,665**	**1,642,547**
Total liabilities and net position	**$2,318,051**	**$2,188,858**

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE COMPTROLLER OF THE CURRENCY STATEMENTS OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Thousands)	FY 2022	FY 2021
Program costs:		
Supervise		
Intragovernmental	$168,052	$164,372
With the public	829,625	816,190
Subtotal—supervise	**$997,677**	**$980,562**
Regulate		
Intragovernmental	18,220	16,744
With the public	94,142	88,638
Subtotal—regulate	**$112,362**	**$105,382**
Charter		
Intragovernmental	4,191	4,700
With the public	20,460	23,235
Subtotal—charter	**24,651**	**27,935**
Total program costs	**$1,134,690**	**$1,113,879**
Less earned revenues not attributed to programs	(1,204,999)	(1,144,716)
Net program costs before gain/loss from changes in assumptions	**$(70,309)**	**$(30,837)**
Actuarial (gain)/loss (Note 7)	(28,727)	(3,695)
Net cost of operations (Note 9)	**$(99,036)**	**$(34,532)**

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE COMPTROLLER OF THE CURRENCY STATEMENTS OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Thousands)	FY 2022	FY 2021
Cumulative results of operations:		
Beginning balance	$1,642,547	$1,574,663
Transfer in without reimbursement	0	0
Imputed financing (Note 10)	34,082	33,352
Net cost of operations	99,036	34,523
Net change in cumulative results of operations	133,118	67,884
Cumulative Results of Operations	**$1,775,665**	**$1,642,547**
Net Position	**$1,775,665**	**$1,642,547**

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE COMPTROLLER OF THE CURRENCY STATEMENTS OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Thousands)	FY 2022	FY 2021
Budgetary resources:		
Unobligated balance from prior year budget authority, net	$1,737,973	$1,664,755
Spending authority from offsetting collections	1,223,510	1,166,073
Total budgetary resources	**$2,961,483**	**$2,830,828**
Status of budgetary resources:		
New obligations and upward adjustments (total)	$1,127,612	$1,111,979
Unobligated balance, end of year:		
Exempt from apportionment, unexpired accounts	1,833,871	1,718,849
Unexpired unobligated balance, end of year	1,833,871	1,718,849
Expired unobligated balance, end of year	0	0
Unobligated balance, end of year (total)	1,833,871	1,718,849
Total status of budgetary resources	**$2,961,483**	**$2,830,828**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	(122,617)	(115,039)
Agency outlays, net	**$(122,617)**	**$(115,039)**

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE COMPTROLLER OF THE CURRENCY STATEMENTS OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Thousands)	FY 2022	FY 2021
Revenue activity:		
Sources of cash collections		
Fines and penalties (Note 14)	$193,093	$1,063,984
Accrual adjustment	$(1,163)	$317
Total custodial revenue	**$191,930**	**$1,064,301**
Disposition of custodial revenue:		
Transferred to Treasury	$193,093	$1,063,984
(Increase)/decrease in amounts yet to be transferred	$(1,163)	$317
Total disposition for custodial revenue	**$191,930**	**$1,064,301**
Net custodial activity	**$0**	**$0**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1—Significant Accounting Policies

Reporting Entity

The OCC was created as a bureau within the Treasury Department by an act of Congress in 1863. The mission of the OCC was to establish and regulate a system of federally chartered national banks. The National Currency Act of 1863, rewritten and reenacted as the National Bank Act of 1864, authorized the OCC to supervise national banks and regulate their lending and investment activities. With the passage of Dodd–Frank on July 21, 2010, the OCC assumed the responsibility for the supervision of FSAs and rulemaking authority for all savings associations.

To achieve its goals and objectives, the OCC organizes its activities under three major programs: supervise, regulate, and charter banks. These three programs support the agency's overall mission by ensuring that banks 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 examined its operations and has prepared these statements and notes in compliance with the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 47, "Reporting Entity." The OCC determined that it does not have a relationship with any entity that would require reporting as a related party as of September 30, 2022.

Basis of Accounting and Presentation

The OCC's financial statements are prepared from the agency's accounting records in conformity with GAAP as set forth by the FASAB. The OCC's financial statements are presented in accordance with the reporting guidance established by the OMB in Circular No. A-136, "Financial Reporting Requirements." Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

In addition, the OCC applies financial accounting and reporting standards pursuant to SFFAS No. 34, "The Hierarchy of Generally Accepted Accounting Principles."

The financial statements reflect both the accrual and the budgetary bases of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to cash receipt or payment. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases records obligations before the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

Use of estimates: In accordance with GAAP, the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Such estimates and assumptions could change as more information becomes known, which could affect the amounts reported and disclosed herein.

Entity and non-entity assets: Entity assets are those that the OCC has the authority to use in its operations and include the assessments that the OCC collects semiannually from the banks it supervises to fund its operations. The OCC also collects CMPs as part of its operations. It records these as non-entity assets since the OCC is responsible for transferring these funds to the General Fund of the Treasury. These non-entity assets are not fiduciary, as fiduciary funds are those that the federal government holds on behalf of nonfederal individuals or entities that have an ownership interest. (For more information, see Note 4.)

Intragovernmental and with the public: Throughout these financial statements, assets, liabilities, earned revenues, and costs have been classified according to the entity responsible for these transactions. Intragovernmental assets, liabilities, and earned revenues are derived from activity with other federal entities. All other assets, liabilities, and revenues result from activities with parties outside the federal government. Intragovernmental costs are payments or expense accruals to other federal entities.

Funds from dedicated collections: These funds are financed by specifically identified revenue that is provided to the government by nonfederal sources and reported by the OCC in accordance with SFFAS No. 43, "Funds From Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds." These funds are required by statute to be used for designated activities or purposes and must be accounted for separately from the federal government's Treasury General Fund. Typically, an agency reports these funds separately, but because all OCC funds are considered funds from dedicated collections, all net position amounts are recorded and classified as such.

Revenues and Other Financing Sources

The OCC derives its revenue primarily from assessments and other fees paid by banks, from income on investments in nonmarketable U.S. Treasury securities, and from rental property and reimbursable activities with other entities. The OCC does not receive congressional appropriations to fund its operations. Therefore, the OCC has no unexpended appropriations.

The OCC's semiannual bank assessments are collected in the middle of each six-month assessment cycle. At the time of collection, the OCC records deferred revenue on its balance sheet as a liability for the assessments that the agency has not yet earned. The OCC recognizes deferred revenue as revenue as the supervisory services are delivered over the following three months.

Federal statute stipulates that the OCC's funds are neither government funds nor appropriated monies (12 USC 481). They are maintained primarily in a U.S. government trust fund and remain available to cover the cost of the OCC's operations in accordance with policies established by the Comptroller of the Currency.

Fund Balance With Treasury

The Treasury Department processes the OCC's cash receipts and disbursements. The OCC's Statements of Budgetary Resources reflect the status of the agency's Fund Balance With Treasury (FBWT). (For more information, see Note 2.)

Investments, Net

The OCC has statutory authority to make investments. The OCC reports its net investments, both intragovernmental and with the public, on an amortized cost basis and related accrued interest. Premiums and discounts are amortized over the term of the investment using the effective interest method.

Consistent with the provisions of 12 USC 481 and 12 USC 192, the OCC invests (1) available funds held by the U.S. Treasury in nonmarketable U.S. Treasury securities that are not offered to the marketplace and cannot be bought and sold on exchange markets (intragovernmental investments); and (2) beginning in FY 2020, available funds held outside the Treasury in marketable U.S. Treasury securities, which are offered to the marketplace and can be bought and sold on securities exchange markets (with the public investments).

Intragovernmental investments, net: The OCC invests available funds held by the U.S. Treasury in U.S. Government Account Series Treasury securities, which include bills, notes, and one-day certificates. U.S. Government Account Series Treasury securities are available to federal agencies that have specific authority to invest in these special, nonmarketable U.S. Treasury securities. The OCC has the positive intent and ability to hold all U.S. Treasury securities to maturity in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 320, "Investments—Debt and Equity Securities." (For more information, see Note 3.)

With the public investments, net: The OCC also invests available funds held outside the Treasury in a money market mutual fund that operates as a "government money market fund" as defined in Rule 2a-7 under the Investment Company Act of 1940, as amended. It is the OCC's policy to invest in held-to-maturity securities. The fair value of these investments is based on the fair value measurement hierarchy classification, Level 1, in accordance with ASC Topic 820, "Fair Value Measurement." Level 1 reflects the unadjusted quoted prices in active markets for identical assets that the OCC is able to access at the measurement date. (For more information, see Note 3.)

Accounts Receivable, Net

In accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," the OCC updates the allowance for loss on accounts receivable with the public periodically to reflect the most current estimate of accounts that probably will be uncollectible. The OCC considers multiple factors when calculating the allowance, including how long the debt has been outstanding and what kind of debt it is. Once the allowance is calculated, the OCC uses it to reduce accounts receivable from the public. The OCC does not recognize any allowance for loss on intragovernmental accounts receivable. (For more information, see Note 4.)

General Property, Plant, and Equipment, Net

General property, plant, and equipment (PP&E) and internal-use software are accounted for in accordance with SFFAS No. 6, "Accounting for Property, Plant, and Equipment," and SFFAS No. 10, "Accounting for Internal Use Software." General PP&E purchases and additions are stated at cost.

General PP&E purchased at a cost greater than or equal to the established capitalization thresholds are capitalized at cost and depreciated or amortized, as applicable. Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of major leasehold improvements, which are amortized on a straight-line basis over the lesser of the terms of the related leases or the estimated useful lives. Land, minor leasehold improvements, and internal-use software in development are not depreciated or amortized. Major alterations and renovations, including leasehold and land improvements, are capitalized, while maintenance and repair costs are expensed as incurred. All other general PP&E are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives.

Allowable internal-use software costs are capitalized and amortized once the software is placed in service. The OCC expenses purchases and software development costs that do not meet the capitalization criteria, when received or incurred.

The OCC tests for impairment in accordance with SFFAS No. 44, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use," and removes general PP&E from its asset accounts in the period of disposal, retirement, or removal from service. Any difference between the book value of general PP&E and amounts realized is recognized as a gain or loss in the same period that the asset is removed. (For more information, see Note 5.)

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Liabilities

The OCC records liabilities for amounts that are likely to be paid because of events that have occurred as of the relevant balance sheet dates. The OCC's liabilities consist of routine operating accounts payable, accrued payroll and benefits, deferred revenue, and other liabilities. The OCC's liabilities represent the amounts owed or accrued under contractual or other arrangements governing the transactions, including operating expenses incurred but not paid. The OCC accounts for liabilities in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government."

Accounts payable: Accounts payable represent short-term liabilities to vendors and other entities. Interest penalties are paid when payments are late as prescribed by the Prompt Payment Act (31 USC 39). Discounts are taken when cost-effective and when the invoices are paid within the discount period.

Accrued leave: The OCC accrues and funds annual leave and credit hours as they are earned and reduces the accrual as leave and credit hours are taken or paid. Each year, the balance in the accrued leave account is adjusted to reflect actual leave balances with current pay rates. Sick leave and other types of leave are expensed as incurred.

Deferred revenue: The OCC's activities are primarily financed by assessments on assets held by banks. These assessments are due semiannually on March 31 and September 30 based on each institution's asset balance in accordance with the methodology in the OCC Notice of Fees. Assessments are recognized as earned revenue on a straight-line basis. The unearned portions of collected assessments are classified as deferred revenue.

Contingent liabilities: The OCC recognizes and discloses contingencies for pending or threatened litigation and unasserted claims in accordance with SFFAS No. 12, "Recognition of Contingent Liabilities Arising From Litigation." As such, the OCC accrues an estimated loss if it is probable and the agency is able to reasonably estimate the amount. If the likelihood of an unfavorable outcome is more than remote, the OCC discloses the contingent liability. (For more information, see Note 12.)

Employment Benefits

Retirement plans: All OCC employees participate in one of three retirement systems—the Civil Service Retirement System (CSRS or CSRS Offset), the Federal Employees Retirement System (FERS), or the Pentegra Defined Benefit Plan (Pentegra DB Plan). The CSRS and FERS are administered by the U.S. Office of Personnel Management (OPM). Pursuant to the enactment of Public Law 99-335, which established FERS, most OCC employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, are covered by the CSRS, except for those who, during the election period, joined FERS. The Pentegra DB Plan is administered by the president of the plan. The Pentegra DB Plan covers those employees transferred from the former OTS who elected the plan before October 8, 1989, when it was closed to new entrants.

The OCC does not report CSRS or FERS assets or accumulated plan benefits that may be applicable to its employees in its financial statements; these amounts are reported by the OPM. Although the OCC reports no liability for future payments to employees under these programs, the federal government is liable for future payments to employees through the various agencies administering these programs. The OCC recognizes future benefit costs as imputed costs based on OPM cost factors.

The Pentegra DB Plan is a tax-exempt, multiple-employer, DB pension plan. In accordance with the provisions of Dodd–Frank (as amended by the Economic Growth Act), the OCC assumed the role of benefit administrator for the Pentegra DB Plan in FY 2011. For funding purposes, when the plan is in surplus (assets are greater than plan liabilities) the OCC's annual costs equal plan expenses, which include administrative expenses and Pension Benefit Guaranty Corporation premiums. When the plan is not in surplus, the OCC's expenses also include the present value of the benefits expected to be earned in the plan year (the target normal cost), and a portion of the unfunded liability. The plan is currently in surplus. The OCC is committed to adhering to sound financial policies and management oversight of the plan to ensure its sustainability for current and future retirees. The OCC does not report in its financial statements any assets, accumulated plan benefits, or actuarial gains/losses from the Pentegra DB Plan. Pentegra, as plan administrator, reports these amounts in an annual filing.

*Thrift savings and 401(k) plans: T*he OCC's employees are eligible to participate in the federal Thrift Savings Plan (TSP). FERS employees can receive up to 4.0 percent in OCC matching contributions, in addition to an automatic contribution of 1.0 percent of adjusted base pay. The OCC's contributions to the TSP totaled $24.4 million and $23.5 million for FY 2022 and FY 2021, respectively, and are included as a component of "Personnel compensation and benefits" in Note 9, "Net Cost of Operations."

OCC employees also may elect to contribute a portion of their total pay to the OCC-sponsored 401(k) plan, subject to Internal Revenue Service regulations that apply to employee contributions in both the federal TSP and the OCC-sponsored 401(k) plan. The OCC matches the first 1.0 percent of employee contributions to the OCC 401(k) plan and provides an automatic employer contribution of 4.0 percent of adjusted base pay.

The amount of each participant's matching contribution to the 401(k) plan is based on the applicable retirement system under which each participant is covered. For those who participate in FERS, the CSRS, or CSRS Offset, the OCC provides an automatic contribution of 4.0 percent of adjusted base pay and an additional matching contribution of up to 1.0 percent. For those who participate in the OTS 401(k) plan, the OCC provides an automatic contribution of 4.0 percent of adjusted base pay, an additional matching contribution of up to 3.0 percent to participants in the Financial Institutions Retirement Fund, and a 1.0 percent additional match to all other participants.

With few exceptions, employees who leave the OCC before the vesting period (three or more years of continuous credited service) forfeit the OCC's matching contributions. The OCC's 401(k) Plan Adoption Agreement provides that the OCC may use forfeitures to pay plan expenses and offset the employer's contribution obligation. In addition, the agency may re-allocate forfeitures among participants. This year, the OCC used forfeitures to defray plan expenses.

The OCC's contributions to the 401(k) plans totaled $30.4 million and $24.4 million for FY 2022 and FY 2021, respectively, and are included as a component of "Personnel compensation and benefits" in Note 9, "Net Cost of Operations."

Federal Employees Health Benefits and Federal Employees' Group Life Insurance: Employees and retirees of the OCC are eligible to participate in the Federal Employees Health Benefits and Federal Employees' Group Life Insurance plans administered by the OPM, which involve a cost sharing of biweekly coverage premiums by OCC employees and the OCC. The OCC does not fund post-retirement benefits for these programs. Instead, the OCC's financial statements recognize an imputed financing source and corresponding expense that represent the OCC's share of the cost to the federal government of providing these benefits to all eligible OCC employees.

Post-retirement life insurance benefit plan: The OCC sponsors a life insurance benefit plan for current and retired employees. The OCC's life insurance benefit plan is a defined-benefit plan for which the benefit is earned over the period from the employee's date of hire to the date on which the employee is assumed to retire. The valuation of the plan is performed in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. Specifically, the OCC uses the actuarial cost method as outlined in FASB ASC Topic 715, "Compensation—Retirement Benefits," to determine costs for its retirement plans. Gains or losses owing to changes in actuarial assumptions are amortized over the service life of the plan. The actuarial assumptions and methods used in calculating actuarial amounts comply with the requirements for post-retirement benefits other than pensions as set forth in FASB ASC Topic 715, and for health benefit plans as set forth in American Institute of Certified Public Accountants Statement of Position 92-6, "Accounting and Reporting by Health and Welfare Benefit Plans." (For more information, see Note 7.)

Net Position

Net position is the residual difference between assets and liabilities and is composed of cumulative results of operations. The OCC allocates a significant portion of the net position to its financial reserves. Financial reserves are integral to the effective stewardship of the OCC's resources, particularly because the agency does not receive congressional appropriations. (For more information, see Note 8.)

Custodial Activity

Non-entity receivables, liabilities, and revenues are recorded as custodial activity in the Statements of Custodial Activity and include amounts collected for fines, CMPs, and related interest assessments. Revenues are recognized as cash collected that will be transferred to the General Fund of the Treasury Department. The OCC presents the Statements of Custodial Activity on the "modified cash basis," in accordance with SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting." The OCC recognizes revenues as cash is collected and records a "noncash accrual adjustment" representing the net increase or decrease during the reporting period in net revenue-related assets and liabilities.

Effects of Recent Accounting Pronouncements

The FASAB issued SFFAS No. 59, "Accounting and Reporting of Government Land," which took effect in FY 2022. This statement requires disclosures applicable to General Property, Plant, and Equipment Land in FY 2022. (For more information, see Note 5 and the "Government Land" disclosure in the Other Information section.)

Note 2—Fund Balance With Treasury

The FBWT represents the budgetary resources available for the OCC's use and is a reconciliation between budgetary and proprietary accounts. The OCC's FBWT consists of one U.S. Treasury fund symbol designated as a trust fund and established by 12 USC 481, which governs the collection and use of assessments and other funds by the OCC.

The OCC's FBWT consists of unobligated and obligated balances that reflect the budgetary authority remaining for disbursement against current or future obligations. The unobligated balance represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations and is classified as available for future OCC use. The obligated balance not yet disbursed represents funds that have been obligated for goods that have not been received or services that have not been performed. It also represents goods and services that have been delivered or received but for which payment has not been made. The majority of the OCC's nonbudgetary FBWT account balance represents investment accounts that reduce the status of the FBWT.

The OCC holds a limited amount of funds outside of Treasury that are classified as with the public investments, net. See Note 3 for more information.

As of September 30, 2022 and 2021, respectively, there were no unreconciled differences between U.S. Treasury records and balances reported on the OCC's general ledger. Table 10 depicts the OCC's FBWT amounts for FY 2022 and FY 2021.

Table 10: Fund Balance With Treasury (Dollars in Thousands)

Fund balance	FY 2022	FY 2021
Trust fund	$15,111	$17,821
Status of FBWT	**FY 2022**	**FY 2021**
Unobligated balance—available	$1,832,957	$1,718,632
Obligated balance not yet disbursed	$380,609	$372,317
Nonbudgetary FBWT	$(2,198,455)	$(2,073,128)
Total	**$15,111**	**$17,821**

Note 3—Investments, Net

Intragovernmental investments, net: The OCC's investments are stated at amortized cost and the related accrued interest. Premiums and discounts are amortized over the term of the investment using the effective interest method. The fair market value of intragovernmental investment securities was $2,120.0 million on September 30, 2022, and $2,118.1 million on September 30, 2021. The overall portfolio earned an annual yield of 1.2 percent for FY 2022 and 1.3 percent for FY 2021.

The yield-to-maturity on individual securities in the non-overnight portion of the OCC's investment portfolio ranged from 0.2 percent to 4.0 percent on September 30, 2022, and from 0.2 percent to 3.1 percent on September 30, 2021.

Table 11: Intragovernmental Investments, Net as of September 30, 2022 (Dollars in Thousands)

Intragovernmental securities	Cost	Amortization method	Amortized (premium) discount	Interest receivable	Investments, net	Other adjustments	Market value disclosure
Nonmarketable market-based	$2,220,616	Effective interest	$168	$4,417	$2,225,201	$0	$2,120,022
Total intragovernmental investments	**$2,220,616**	**NA**	**$168**	**$4.417**	**$2,225,201**	**$0**	**$2,120,022**

Table 12: Intragovernmental Investments, Net as of September 30, 2021 (Dollars in Thousands)

Intragovernmental securities	Cost	Amortization method	Amortized (premium) discount	Interest receivable	Investments, net	Other adjustments	Market value disclosure
Nonmarketable market-based	$2,096,220	Effective interest	$2,172	$4,860	$2,103,252	$0	$2,118,094
Total intragovernmental investments	**$2,096,220**	**NA**	**$2,172**	**$4,860**	**$2,103,252**	**$0**	**$2,118,094**

With the public investments, net: During FY 2022, the OCC invested an additional $15.0 million in a money market mutual fund, Federated Hermes Trust for Treasury Obligations Fund, Capital Share Class, through a state-chartered Federal Reserve-supervised bank. Total investments with the public are $20.1 million as of September 30, 2022. The bank and its related affiliates are responsible for the administration of the investments in the fund. Although the fund is not insured or guaranteed by the FDIC or any other government agency, the fund complies with Rule 2a-7 definition of a government money market fund.

Table 13: With the Public Investments, Fair Value Measurement as of September 30, 2022 (Dollars in Thousands)

Investment Type	Level 1	Level 2	Level 3	Other	Total
Debt securities	$20,121	$0	$0	$0	$20,121
Total with the public investments	**$20,121**	**$0**	**$0**	**$0**	**$20,121**

Table 14: With the Public Investments, Fair Value Measurement as of September 30, 2021 (Dollars in Thousands)

Investment Type	Level 1	Level 2	Level 3	Other	Total
Debt securities	$5,000	$0	$0	$0	$5,000
Total with the public investments	**$5,000**	**$0**	**$0**	**$0**	**$5,000**

Note 4—Accounts Receivable

Except for CMPs, accounts receivable represent monies due for services and goods provided that are retained by the OCC upon collection. The amounts shown for federal receivables include pension-sharing costs for former OTS employees transferred to other federal agencies in accordance with the provisions of Dodd–Frank. CMP receivables are amounts assessed against people or banks for violations of law, regulation, and orders; unsafe or unsound practices; and breaches of fiduciary duty. Because CMPs are not debts owed to the OCC, the amount outstanding does not enter into the calculation for the allowance for uncollectible accounts. (For more information on how the OCC calculates the allowance, see Note 1.)

Table 15: Accounts Receivable as of September 30, 2022 (Dollars in Thousands)

Component	Gross	Allowance for uncollectible accounts	Accounts receivable, net
Intragovernmental receivables	$692	$0	$692
CMP receivables	1,974	0	1,974
With the public receivables	197	0	197
Total accounts receivable	**$2,863**	**$0**	**$2,863**

Table 16: Accounts Receivable as of September 30, 2021 (Dollars in Thousands)

Component	Gross	Allowance for uncollectible accounts	Accounts receivable, net
Intragovernmental receivables	$2,600	$0	$2,600
CMP receivables	1,856	0	1,856
With the public receivables	4,292	0	4,292
Total accounts receivable	**$8,748**	**$0**	**$8,748**

Note 5—General Property, Plant, and Equipment, Net

The OCC's assets include land, a building, leasehold improvements, equipment, a capital lease, and internal-use software. Please see Note 1 for details on the OCC's capitalization policy and accounting for depreciation and amortization. The figures in tables 17 and 18 present the OCC's capitalization thresholds and the general PP&E balances as of September 30, 2022 and 2021, respectively.

In FY 2022, the OCC recognized $5.0 million of fully depreciated assets and fully amortized leasehold assets removed from service, compared with $10.9 million in FY 2021.

The OCC's building and associated land are located in Washington, D.C. The building is a rental-income property that the OCC uses to supplement its operating budget (see Note 6). Details concerning estimated land acreage is discussed in unaudited required supplementary information.

Table 17: Property, Plant, and Equipment, Net as of September 30, 2022 (Dollars in Thousands)

Class of assets	Capitalization threshold	Useful life (in years)	Cost	Accumulated depreciation/ amortization	Net book value
Land	NA	NA	$7,101	$0	$7,101
Building	$50	50	49,188	(43,396)	5,792
Leasehold improvements	50	5-20	97,768	(67,983)	29,785
Equipment	50	5	45,390	(34,224)	11,166
Capital leases	50	5	3,167	(2,530)	637
Internal-use software	$250	5	90,016	(89,842)	174
Total	**NA**	**NA**	**$292,630**	**$(237,975)**	**$54,655**

Table 18: Property, Plant, and Equipment, Net as of September 30, 2021 (Dollars in Thousands)

Class of assets	Capitalization threshold	Useful life (in years)	Cost	Accumulated depreciation/ amortization	Net book value
Land	NA	NA	$7,101	$0	$7,101
Building	$50	50	49,188	(42,343)	6,845
Leasehold improvements	50	5-20	97,236	(67,543)	29,693
Equipment	50	5	39,682	(31,034)	8,648
Capital leases	50	5	3,167	(1,892)	1,275
Internal-use software	$250	5	90,016	(89,611)	405
Total	**NA**	**NA**	**$286,390**	**$(232,423)**	**$53,967**

Note 6—Leases

OCC as Lessee

The OCC leases equipment and office space for its headquarters operations in Washington, D.C., and for region and field operations. The OCC evaluates all leases at inception in accordance with the criteria set forth in SFFAS No. 5, "Accounting for Liabilities of the Federal Government." In FY 2022, all but one of the OCC's leases were recorded as operating leases. The one capital lease is with a nonfederal lessor and will be fully amortized in October 2022. The total future minimum lease payments for the capital lease are immaterial. The costs for both the operating and capital leases are included in the Statements of Net Cost. These leases are noncancelable and have expiration dates ranging from FY 2022 to FY 2028, the majority with renewal options. The leases provide for future increased payments based on increases in real estate taxes, operating costs, or selected price indexes.

The future minimum lease payments to nonfederal lessors through FY 2028 and thereafter, not including renewals, as of September 30, 2022, are shown in table 19. The OCC has two leases with intragovernmental lessors with end dates in 2023 and 2025. Total future minimum lease payments to federal lessors are immaterial.

Table 19: Future Lease Payments to Nonfederal Lessors for Operating Leases (Dollars in Thousands)

Year	Property	Equipment	Total
2023	$49,407	$0	$49,407
2024	39,385	0	39,385
2025	35,715	0	35,715
2026	35,026	0	35,026
2027	34,806	0	34,806
2028 and beyond	388,210	0	388,210
Total	**$582,549**	**$0**	**$582,549**

OCC as Lessor

In FY 2012, the OCC entered into a 20-year occupancy agreement with another federal agency for space in the building the OCC owns. This agreement expires in February 2032 and includes renewal options. The agreement provides for annual base rent and additional rent for building operating expenses. The agreement also provides for fixed future increases in rents over the term of the agreement. The OCC is also continuing to enter into lease agreements with retail tenants to comply with the District of Columbia's requirement to have retail establishments on the plaza level. The future minimum rental income through FY 2028 and thereafter, not including renewals, as of September 30, 2022, is shown in table 20.

Table 20: Future Rental Income (Dollars in Thousands)

Year	Amount
2023	$14,450
2024	14,703
2025	14,997
2026	15,297
2027	15,604
2028 and beyond	72,429
Total	**$147,480**

Note 7—Other Actuarial Liabilities

The OCC's other actuarial liabilities are reported on the Balance Sheets and include the following components.

Table 21: Actuarial Liabilities (Dollars in Thousands)

Component	FY 2022	FY 2021
Post-retirement life insurance benefits	$71,168	$97,027
Federal Employees' Compensation Act	9,742	9,684
Pentegra DB Plan	1,422	1,251
Total actuarial liabilities	**$82,332**	**$107,962**

Post-Retirement Life Insurance Benefits

The OCC sponsors a life insurance benefit plan for current and retired employees. The weighted average discount rate used in determining the post-retirement life insurance benefits, also known as the accumulated post-retirement benefit obligation, was 5.4 percent in FY 2022 and 3.2 percent in FY 2021. The year-over-year net actuarial liability decreased ($71.2 million in FY 2022 from $97.0 million in FY 2021) primarily due to an increase in the discount rate with the OCC recognizing a $28.7 million actuarial gain in FY 2022 and an actuarial gain of $3.7 million in FY 2021.

Total periodic post-retirement life insurance benefit expenses are recognized as program costs in the Statements of Net Cost. Any gains or losses from changes in long-term assumptions used to measure liabilities for post-retirement life insurance benefits are displayed separately in the Statements of Net Cost, as required. Table 22 presents a reconciliation of the beginning and ending post-retirement life insurance liability and provides material components of the related expenses.

Table 22: Reconciliation of Beginning and Ending Post-Retirement Liability and the Related Expenses (Dollars in Thousands)

Change in actuarial and accrued benefits	FY 2022	FY 2021
Actuarial post-retirement liability, beginning balance	$97,027	$97,749
Actuarial expense		
Normal cost	1,781	1,924
Interest on the liability balance	3,047	2,839
Actuarial (gain)/loss		
From experience	699	726
From assumption changes	(28,728)	(3,695)
Prior service costs		
Total expense	**(23,201)**	**1,794**
Less amounts paid	(2,658)	(2,516)
Actuarial post-retirement liability, ending balance	**$71,168**	**$97,027**

Federal Employees' Compensation Act

The Federal Employees' Compensation Act provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for OCC employees covered under the Federal Employees' Compensation Act are administered by the U.S. Department of Labor and billed to the OCC. The FY 2022 present value of these estimated outflows was calculated using a discount rate of 2.1 percent for wage benefits and 2.0 percent for medical benefits. For FY 2021, the discount rates for wage and medical benefits were 2.2 percent and 2.1 percent, respectively.

Pentegra Defined Benefit Plan

The Pentegra DB Plan is a tax-exempt, multiple-employer, DB pension plan in which participating employers pay all costs into one general account. At retirement, employees may choose either a lump sum payment or an annuity/lump sum split. The Pentegra DB Plan year begins July 1 and ends June 30.

In FY 2022 and FY 2021, the OCC paid $5.0 million and $5.7 million and recognized plan expenses of $5.2 million and $5.5 million, respectively. At September 30, 2022 and 2021, the OCC had accrued $1.4 million and $1.2 million, respectively, representing the portion of the plan expenses from July to September of each fiscal year that is paid in the following fiscal year. The OCC made the minimum required contribution for the 2021–2022 plan year expenses.

Note 8—Net Position

Net position represents the net result of operations since inception and includes cumulative amounts related to investments in capitalized assets held by the OCC. The OCC allocates a portion of its net position as financial reserves for use at the Comptroller's discretion. In addition, the OCC sets aside funds in the net position to cover the cost of ongoing operations, including commitments and open obligations supporting the achievement of OCC strategic goals and objectives. The year-to-year increase in net position reflects the excess of revenues over the cost of operations for both years presented. Table 23 shows balances for the years ended September 30, 2022 and 2021, respectively.

Table 23: Net Position Availability (Dollars in Thousands)

Component	FY 2022	FY 2021
Financial reserves	$1,636,717	$1,525,343
Set aside for ongoing operations	138,948	117,204
Net position	**$1,775,665**	**$1,642,547**

Note 9—Net Cost of Operations

The net cost of operations represents the OCC's operating costs deducted from assessments and fees paid by banks and other income earned. The operating costs include the gain or loss from actuarial experience and assumption changes per the guidance in SFFAS No. 33, "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses From Changes in Assumptions and Selecting Discount Rates and Valuation Dates." The imputed financing sources for net cost of operations are reflected in the Statements of Changes in Net Position, Note 10, and Note 11. Table 24 illustrates the OCC's operating expense categories for the years ended September 30, 2022 and 2021, respectively.

Table 24: Net Cost (Excess of Revenues Over Cost) of Operations by Expense Category (Dollars in Thousands)

Component	FY 2022	FY 2021
Personnel compensation and benefits	$798,338	$817,212
Contractual services	138,459	120,172
Rent, communication, and utilities	78,553	85,271
Travel and transportation of persons and things	13,239	6,096
Imputed costs (Note 10)	34,082	33,352
Depreciation	10,510	20,962
Other	32,781	27,119
Total cost of operations	**1,105,963**	**1,110,184**
Less earned revenues not attributed to programs	(1,204,999)	(1,144,716)
Total	**$(99,036)**	**$(34,532)**

Note 10—Imputed Costs and Financing Sources

In accordance with SFFAS No. 5, federal agencies must recognize the portions of employees' pension and other retirement benefits to be paid by OPM trust funds. These amounts are recorded as imputed costs and imputed financing for other agencies. Annually, OPM provides federal agencies with cost factors for computing current year imputed costs. These cost factors are multiplied by the current year salary or number of employees, as applicable, to provide an estimate of the imputed financing that OPM trust funds will provide for each agency.

The imputed cost categories for FY 2022 and FY 2021 are listed in the table below. These imputed costs are included on the Statements of Net Cost. The financing sources absorbed by OPM are reflected in the Statements of Changes in Net Position and in Note 11. The year-to-year change in imputed cost is related to an increase in the FERS employing agency contribution rate for retirement benefits.

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Table 25: Imputed Costs Absorbed by OPM (Dollars in Thousands)

Component	FY 2022	FY 2021
Retirement	$4,975	$5,059
Federal Employees Health Benefits	29,045	28,234
Federal Employee's Group Life Insurance	62	59
Total	**$34,082**	**$33,352**

Note 11—Reconciliation of Net Cost to Net Outlays

The Reconciliation of Net Cost of Operations to Net Outlays depicts the difference between proprietary financial accounting information and budgetary accounting information. Proprietary financial accounting information is intended to depict the U.S. government's financial operations and financial position presented on an accrual basis in accordance with GAAP, which includes the recognition of assets and liabilities for which collections and payments, respectively, have not been made. In contrast, budgetary accounting information is used for planning and control purposes and includes net outlays that reflect both the receipt and use of cash, as well as reporting the federal deficit. The reconciliation of the OCC's net cost (presented on an accrual basis) and net outlays (presented on a budgetary basis) reflects the relationship between financial accounting and budgetary information. The reconciliation serves not only to identify costs paid in the past and those that will be paid in the future but also to assure integrity between financial and budgetary accounting. Tables 26 and 27 depict the OCC's Reconciliation of Net Cost to Net Outlays for the years ended September 30, 2022 and 2021, respectively.

Table 26: Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2022

(Dollars in Thousands)	Intra-governmental	With the public	Total FY 2022
Net cost	**$150,726**	**$ (249,762)**	**$ (99,036)**
Components of net cost not part of net outlays:			
Property, plant, and equipment depreciation	0	688	688
Increase/(decrease) in assets:			
Accounts receivable, net	(626)	(4,094)	(4,720)
Investments, net	121,949	15,121	137,070
Other assets	28	1	29
(Increase)/decrease in liabilities:			
Accounts payable	0	3,703	3,703
Salaries and benefits	(1,197)	(13,815)	(15,012)
Other liabilities	672	13,398	14,070
Other financing sources:			
Imputed financing	(34,082)	0	(34,082)
Total components of net cost not part of net outlays	**$86,744**	**$15,002**	**$101,746**
Components of net outlays that are not part of net cost:			
Intragovernmental Investments	(125,327)	0	(125,327)
Total components of net outlays that are not part of net cost	**(125,327)**	**0**	(125,327)
Net outlays	**$112,143**	**$(234,760)**	$(122,617)

Table 27: Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2021

(Dollars in Thousands)	Intra-governmental	With the public	Total FY 2021
Net cost	**$146,797**	**$ (181,329)**	**$ (34,532)**
Components of net cost not part of net outlays:			
Property, plant, and equipment depreciation	0	(9,074)	(9,074)
Increase/(decrease) in assets:			
Accounts receivable, net	(843)	4,600	3,757
Investments, net	108,321	0	108,321
Other assets	(196)	(20)	(216)
(Increase)/decrease in liabilities:			
Accounts payable	0	(4,514)	(4,514)
Salaries and benefits	(1,740)	(7,062)	(8,802)
Other liabilities	(90)	(31,912)	(32,002)
Other financing sources:			
Imputed financing	(33,352)	0	(33,352)
Total components of net cost not part of net outlays	**$72,100**	**$(47,982)**	**$24,118**
Components of net outlays that are not part of net cost:			
Intragovernmental investments	(104,625)	0	(104,625)
Total components of net outlays that are not part of net cost	**(104,625)**	**0**	(104,625)
Net outlays	**$114,272**	**$(229,311)**	$(115,039)

Note 12—Contingent Liabilities

The OCC recognizes and discloses contingencies in accordance with SFFAS No. 5, as amended by SFFAS No. 12. The OCC is party to various administrative proceedings, legal actions, and claims brought against the agency, including threatened or pending litigation involving federal employment claims, some of which may ultimately result in settlements or decisions against the federal government.

In FY 2022, the OCC recorded an additional $150,000 contingent liability for an ongoing legal case where the risk of loss was probable, and the amount was estimable. The estimated contingent liability of this case is between $1,090,000 and $1,160,000. In FY 2021, the OCC increased the same liability by $130,000 from the prior year.

Note 13—Undelivered Orders at the End of the Period

Undelivered orders represent the amount of goods or services ordered to perform the OCC's mission objectives, but which have not been received.

Table 28: Undelivered Orders at the End of the Period (Dollars in Thousands)

Undelivered orders paid at the end of the period	FY 2022	FY 2021
Intragovernmental	$33	$5
With the public	66	65
Total undelivered orders paid at the end of the period	$99	$70
Undelivered orders unpaid at the end of the period	**FY 2022**	**FY 2021**
Intragovernmental	$6,053	$6,851
With the public	131,948	110,346
Total undelivered orders unpaid at the end of the period	$138,001	$117,197
Total	**$138,100**	**$117,267**

Note 14—Custodial Revenues

The OCC assesses fines and penalties against people or banks for violations of law, regulation, and orders; unsafe or unsound practices; and breaches of fiduciary duty. These amounts typically are collected in the same year that the OCC assesses them and are recognized as cash collected that will be transferred to the General Fund of the Treasury. The change in FY 2022 is due to a decrease in the need to assess penalties against regulated institutions.

Table 29: Custodial Revenue (Dollars in Thousands)

Component	Tax year 2022	Tax year 2021	Tax year 2020	Tax year pre-2020	2022 collections
Fines and penalties, nontax related	$192,743	$102	$144	$104	$193,093

Table 30: Custodial Revenue (Dollars in Thousands)

Component	Tax year 2021	Tax year 2020	Tax year 2019	Tax year pre-2019	2021 collections
Fines and penalties, nontax related	$1,063,785	$171	$0	$28	$1,063,984

WILLIAMS ADLEY

INDEPENDENT AUDITOR'S REPORT

Acting Comptroller of the Currency
Office of the Comptroller of the Currency

Deputy Inspector General
Department of the Treasury

In our audits of the fiscal years 2022 and 2021 financial statements of the Office of the Comptroller of the Currency (OCC), we found:

- the OCC's financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;[1] and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[2] and other information included with the financial statements[3]; (2) our report on internal control over financial reporting and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

<u>Opinion</u>

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, we have audited the OCC's financial statements. The OCC's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. In our opinion, the OCC's financial statements present fairly, in all material respects, the OCC's financial position as of September 30, 2022, and 2021, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

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[1] A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[2] The RSI consists of the Management's Discussion and Analysis, inclusive of its Financial Summary.

[3] Other information consists of information included with the financial statements, other than the auditor's report and RSI.

Basis for Opinion

We conducted our audits in accordance with U.S. Generally Accepted Government Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The OCC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the OCC's Annual Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The OCC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for the purpose of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the OCC's Annual Report. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of the OCC's financial statements, we considered the OCC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of the OCC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2022 audit, we identified a deficiency in the OCC's internal control that we do not consider to be a material weakness or a significant deficiency. Nonetheless, this deficiency warrants management's attention. We have communicated this matter to the OCC's management and will report on it separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the OCC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

The OCC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the OCC's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered the OCC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCC's internal control over financial reporting. Accordingly, we do not express an opinion on the OCC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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[4] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

<u>Intended Purpose of Report on Internal Control over Financial Reporting</u>
The purpose of this report is solely to describe the scope of our consideration of the OCC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the OCC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the OCC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

<u>Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the OCC's. Accordingly, we do not express such an opinion.

<u>Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>
We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

<u>Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>
The OCC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the OCC.

<u>Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the OCC that have a direct effect on the determination of material amounts and disclosures in the OCC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the OCC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 23, 2022

Other Information

ASSURANCE STATEMENT

Office of the Comptroller of the Currency **MEMORANDUM**

To:	Janet Yellen Secretary of the Treasury
From:	Michael J. Hsu Acting Comptroller of the Currency
Date:	October 14, 2022
Subject:	FY 2022 Final Unmodified Statement of Assurance of Achievement of Management Control Objectives

The Office of the Comptroller of the Currency (OCC) is responsible for meeting the objectives of section 2 and section 4 of the Federal Managers' Financial Integrity Act (FMFIA), as well as implementing the requirements of the Federal Financial Management Improvement Act (FFMIA), and the Digital Accountability and Transparency Act. The implementation guidelines related to these acts are included in the internal control requirements of the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The objectives of OMB Circular A-123, including its appendices, are to ensure: (1) alignment of strategic goals with the agency's mission, (2) effective and efficient operations, (3) reliable reporting, and (4) compliance with applicable laws and regulations.

Management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. Risk management practices that identify, assess, respond to, and report on risks are taken into account when designing internal controls and assessing their effectiveness. The OCC conducted our assessment of risk and internal controls in accordance with OMB Circular A-123 and OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk. Based on the results of this assessment, the OCC can provide reasonable assurance that our internal controls over strategic, operational, reporting, and compliance objectives were operating effectively as of September 30, 2022.

In addition, the OCC conducted an assessment of our financial management systems in accordance with OMB Circular A-123, Appendix D, Compliance with the FFMIA. Based on the results of this assessment, our financial management systems substantially comply with FFMIA Section 803(a) as of September 30, 2022.

As part of our evaluation process, the OCC considered the results of extensive testing and assessments across the organization and independent audits.

KEY PERFORMANCE MEASURES AND RESULTS

The OCC's FY 2022 performance measures, workload indicators, customer service standards, and results are presented in table 31. They respond to the requirements for most agencies to set goals, measure performance, and report the information to Congress as established in the Government Performance and Results Act of 1993 Modernization Act of 2010.

The OCC organizes its programs under three activities: supervise, regulate, and charter banks. In addition, the OCC measures its overall efficiency and effectiveness with an agency-wide indicator. As such, the OCC's priorities focus on strengthening the resiliency of the institutions subject to its jurisdiction through its supervisory and regulatory programs and activities. A stronger and more resilient banking system directly supports four out of five Treasury Department FY 2018–2022 strategic goals: boost U.S. economic growth, promote financial stability, enhance national security, and achieve operational excellence.

GOVERNMENT LAND

The OCC owns one building and associated land located at 1700 G Street NW, Washington, D.C. The building was placed onto the OCC's balance sheet in July 2011, when the Office of Thrift Supervision activities were merged into the Office of the Comptroller of the Currency with the passage of Dodd-Frank.

Predominant use of land is considered commercial use since the OCC leases the office space to another federal agency and leases the ground space to commercial retail tenants. The OCC uses the rental income to supplement its

Table 31: Performance Measures, Workload Indicators, Customer Service Standards, and Results

Category	Performance measures, workload indicators, and customer service standards	FY 2019	FY 2020	FY 2021	FY 2022 target	FY 2022 actual
Supervise and regulate programs	Percentage of banks with composite capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS) rating of 1 or 2	96%	99%	99%	90%	96%
Supervise and regulate programs	Percentage of banks that are well capitalized	98%	95%	99%	95%	99%
Supervise and regulate programs	Percentage of banks with consumer compliance rating of 1 or 2. For institutions with assets more than $10 billion, these ratings reflect only those laws and regulations for which the OCC has enforcement and supervisory authority.	98%	98%	98%	94%	98%
Charter program	Percentage of licensing applications and notices completed within established time frames	99%	98%	98%	95%	98%
Agency-wide	Total OCC costs relative to every $100,000 in assets regulated	$8.01	$7.78	$6.79	$7.37	$6.78

Note: A bank's composite rating, or CAMELS, under the Uniform Financial Institutions Rating System integrates ratings from six component areas: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

operating budget. The total estimated acreage for this property at the beginning of the reporting year was 1.4 acres and was the same at the end of the year.

PAYMENT INTEGRITY

The OCC follows the Treasury Department's implementation guidance for OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix C, "Requirements for Payment Integrity Improvement." According to the guidance, low risk programs are placed on a three-year risk assessment cycle. The following OCC programs were assessed as low risk:

- Federal employee payments, including payroll
- Entitlements or benefits (other than payroll)
- Travel Card
- Contract payments or invoices
- Purchase card

In FY 2022, the OCC was not required to perform a risk assessment because (1) the determination of low risk for improper payments reached in the previous risk assessment cycle remains unchanged, (2) there have been no significant program, legislative, or internal control changes since the last risk assessment, and (3) there have been no new audit reports describing significant improper payments or internal control issues.

ANALYSIS OF OVERPAYMENTS

Overpayments are identified through pre- and post-payment audits, recurring quality control reviews, and other controls, such as Treasury pay file reviews and Do Not Pay (DNP) continuous monitoring efforts. The OCC ensures that effective controls are in place to prevent payments to ineligible vendors and to meet the DNP requirements.

The OCC monitors overpayments to increase the likelihood of prompt recovery. The underlying causes and contributing factors are identified quickly, and control measures are implemented to prevent additional overpayments.

In FY 2022, the OCC reported information on identified overpayments to OMB through Treasury. The information reported by the OCC to Treasury is available at https://www.paymentaccuracy.gov/.

Abbreviations

BSA	Bank Secrecy Act
CAMELS	capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CBS	Committee on Bank Supervision
CDFI	community development financial institution
CMP	civil money penalty
CRA	Community Reinvestment Act
CSRS	Civil Services Retirement System
DNP	Do Not Pay
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	Fund Balance With Treasury
FDIC	Federal Deposit Insurance Corporation
FERS	Federal Employees Retirement System
FFIEC	Federal Financial Institutions Examination Council
FSA	federal savings association
FSOC	Financial Stability Oversight Council
GAAP	generally accepted accounting principles
LIBOR	London Interbank Offered Rate
MCBS	Midsize and Community Bank Supervision
MDI	minority depository institution
NGFS	Network for the Greening of the Financial System
NPR	notice of proposed rulemaking
OCC	Office of the Comptroller of the Currency
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision
PAVE	Property Appraisal and Valuation Equity
PMO	project management office
REACh	Roundtable for Economic Access and Change
SFFAS	Statement of Federal Financial Accounting Standards
TSP	Thrift Savings Plan

OFFICE OF THE COMPTROLLER OF THE CURRENCY