MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's 2016 Annual Report (also referred to as the Performance and Accountability Report). The report covers financial and program performance information, and summarizes our successes for the year. The FDIC takes pride in providing timely, reliable, and meaningful information to its many stakeholders.

For 25 consecutive years, the U.S. Government Accountability Office (GAO) has issued unmodified (unqualified) audit opinions for the two funds administered by the FDIC: the Deposit Insurance Fund (DIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF). We take pride in our responsibility and demonstrate discipline and accountability as stewards of these funds. We remain proactive in the execution of sound financial management and in providing reliable financial data.

The DIF balance (the net worth of the Fund) rose to a record $83.2 billion as of December 31, 2016, an increase of $10.6 billion over the year-end 2015 balance of $72.6 billion. The Fund balance increase was primarily due to assessment revenue, interest on U.S. Treasury securities, and reductions in estimated losses for current and prior year bank failures.

FINANCIAL AND PROGRAM RESULTS FOR 2016

For 2016, DIF comprehensive income totaled $10.6 billion compared to comprehensive income of $9.8 billion during 2015. The $741 million year-over-year increase was primarily due to a $1.2 billion increase in assessment revenue ($10.0 billion in 2016 as compared to $8.8 billion in 2015) and a $248 million increase in interest revenue ($671 million in 2016 as compared to $423 million in 2015). These amounts were partially offset by a $683 million lower negative provision for insurance losses (negative $1.6 billion in 2016 as compared to negative $2.3 billion in 2015).

In 2016, the FDIC continued its efforts to reduce operating costs and prudently manage the funds that it administers. The FDIC Operating Budget for 2016 totaled approximately $2.21 billion, which represented a decrease of $108 million (5 percent) from 2015. Actual 2016 spending totaled approximately $1.95 billion. On December 13, 2016, the FDIC Board of Directors approved a 2017 FDIC Operating Budget totaling $2.16 billion, down $53 million (2 percent) from the 2016 budget. Including 2017, the annual operating budget has declined for seven consecutive years, consistent with a steadily declining workload.

The FDIC continues to reduce staffing levels, as conditions in the banking industry improve and the FDIC requires fewer resources. The FDIC's authorized full-time equivalent staffing dropped in 2016 from 6,886 to 6,533, a 5 percent reduction. In 2017, we project further reductions in the overall workforce. However, we will maintain a workforce capable of handling our supervision, insurance, and bank failure functions.

In 2016, five banks failed, down from eight in 2015. Even though the number of bank failures is relatively low, we will continue to prudently manage the risks to the DIF, including interest rate, fiscal, and global economic risks. We will remain focused on sound financial management techniques, and maintain our enterprise-wide risk management and internal control program.

Sincerely,

Steven O. App