MESSAGE FROM THE CHIEF FINANCIAL OFFICER

February 22, 2024

I am pleased to present the FDIC's 2023 Annual Report, which covers financial and program performance information and summarizes our successes for the year.

For 32 consecutive years, the U.S. Government Accountability Office has issued unmodified 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 accomplishments and continue to consistently demonstrate discipline and accountability as stewards of these funds. We remain proactive in the execution of sound financial management by providing reliable and timely financial data to enhance decision-making and employing tools and strategies to improve the effectiveness and efficiency of our financial management operations and reporting.

2023 Financial and Program Results

During the first half of 2023, the FDIC resolved three of the largest bank failures in U.S. history. In total, five institutions failed over the course of the year. Total estimated losses affecting the DIF from the 2023 failures were $20.0 billion. Despite this significant failure activity, and continued economic and geopolitical uncertainties, the banking industry continues to demonstrate resilience.

The DIF balance declined from a record high of $128.2 billion as of December 31, 2022 to $121.8 billion at December 31, 2023. The $6.4 billion decrease was primarily a result of the losses associated with the 2023 failures and losses on the sale of the DIF investment portfolio, offset by increased assessment and interest revenue. The contingent liability for anticipated failures increased to $726 million as of December 31, 2023 compared to $31 million as of December 31, 2022.

The impact of these three large failures on the DIF's liquidity was significant due to advancing funds to repay receivership liabilities. The DIF's cash, cash equivalents, and U.S. Treasury investment portfolio balances decreased by $101.2 billion during 2023 to $23.8 billion at year-end 2023, from $125.0 billion at year-end 2022. Absent significant bank failure activity in 2024, we anticipate the DIF's liquidity to increase substantially with the collection of both regular and special assessments, as well as dividend payments from ongoing receivership asset liquidation efforts. Interest revenue totaled $2.7 billion for 2023, compared to $1.2 billion for 2022 – a $1.5 billion increase resulting from rising interest rates. Additionally, the DIF balance reflects realized losses of $2.3 billion for 2023, and an unrealized gain on U.S. Treasury securities of nearly $3.0 billion in 2023, compared to an unrealized loss of $2.8 billion in 2022.

In 2023, FDIC operating expenditures totaled $2.8 billion, an increase of $877 million, or 45.6 percent, over 2022 expenditures. The year-over-year increase in spending was primarily driven by expenditures incurred in connection with the resolution of three large regional bank failures in early 2023 and rising compensation for FDIC employees. The FDIC Board of Directors approved in May 2023 a mid-year budget increase of $750 million in the Receivership Funding component of the annual operating budget to address the anticipated expenses associated with those bank failures, increasing the total 2023 FDIC Operating Budget to $3.2 billion. Actual 2023 expenditures were $359 million, or 11.4 percent, below the adjusted budget, in part because expenditures for the three large bank failures were lower-than-projected. Underspending in 2023 was also driven by vacancies in budgeted positions, lower-than-anticipated travel costs, and delays in some IT and facilities modernization projects. The FDIC Board of Directors recently approved a 2024 FDIC Operating Budget totaling $3.0 billion, down $198 million (or 6.3 percent) from the 2023 Budget, largely due to lower projected costs in the Receivership Funding budget component, partially offset by higher compensation costs and increased staffing in the Ongoing Operations budget component. Actual FDIC staffing rose from 5,612 full time equivalents (FTEs) in 2022 to 5,952 in 2023, a 6.1 percent increase. Authorized staffing for 2024 is 6,817 FTEs. This is an increase of 189 positions (or 2.9 percent) from the number of authorized positions in 2023 and 865 positions from the number of employees on board at the end of 2023.

During 2023, the FDIC continued to mature the Enterprise Risk Management (ERM) and Model Risk Management programs. The FDIC also made enhancements to the Assurance Statement process and implemented an agency-wide supply chain risk management program. The FDIC continued to make improvements in our contract invoice processes, including independent testing and ensuring compliance with FDIC acquisition policies, which contributed to removing the prior years' significant deficiency finding in internal controls in this area. In 2024, the FDIC will continue to mature the fraud risk awareness program and project risk management program and implement an agency-wide enterprise change management program.

I have been honored to serve the FDIC in various capacities to help carry out our essential mission for the last 35-plus years. As I conclude my tenure here, I wish to share how much I appreciate the dedication of the talented FDIC professionals who plan, execute, and account for the agency's resources. Their commitment to ensuring sound financial management provides the foundation for our strong stewardship and ensures that reliable and timely financial information is available to our stakeholders.

Sincerely,

Bret D. Edwards