MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's *2017 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 26 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.

FINANCIAL AND PROGRAM RESULTS FOR 2017

The DIF balance (the net worth of the Fund) rose to a record $92.7 billion as of December 31, 2017, compared to the year-end 2016 balance of $83.2 billion. The Fund balance increase was primarily due to assessment revenue.

For 2017, DIF comprehensive income was $9.6 billion, or $975 million lower than 2016 comprehensive income of $10.6 billion. While assessment revenue in 2017 of $10.6 billion was $608 million higher than 2016 assessment revenue of $10.0 billion, the lower negative provision for insurance losses of $1.4 billion year-over-year (negative $183 million in 2017 as compared to negative $1.6 billion in 2016) more than offset the effect of the revenue increase.

The DIF U.S. Treasury securities investment portfolio balance was $83.3 billion as of December 31, 2017, an increase of $9.8 billion over the year-end 2016 portfolio balance of $73.5 billion. Interest revenue on DIF investments was $1.1 billion for 2017, compared to $671 million for 2016.

In 2017, the FDIC continued its efforts to reduce operating costs and prudently manage the funds that it administers. The FDIC Operating Budget for 2017 totaled approximately $2.16 billion, which represented a decrease of $53 million (2.4 percent) from 2016. Actual 2017 spending totaled approximately $1.93 billion. On December 19, 2017, the FDIC Board of Directors approved a 2018 FDIC Operating Budget totaling $2.09 billion, down $66 million (3.0 percent) from the 2017 budget. Including 2018, the annual operating budget has declined for eight 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 2017 from 6,363 to 6,076, a 4.5 percent reduction. In 2018, 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 2017, eight banks failed, up from five in 2016. 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

FDIC SENIOR LEADERS

Seated (left to right): Vice Chairman Thomas M. Hoenig and Chairman Martin J. Gruenberg.

Standing 1st Row (left to right): Jay N. Lerner, Barbara A. Ryan, Steven Primrose, Craig R. Jarvill, Arleas Upton Kea, Mark E. Pearce, Barbara Hagenbaugh, Doreen R. Eberley. 2nd Row (left to right): Howard G. Whyte, Suzannah L. Susser, Lawrence Gross, Jr., Charles Yi, Russell G. Pittman, Steven O. App, Bret D. Edwards, Lee Price, Arthur J. Murton, Kymberly K. Copa, and Diane Ellis.

Not pictured: Robert D. Harris, Noreen Padilla, C. Richard Miserendino, Saul Schwartz, Andy Jiminez, M. Anthony Lowe, and Ricardo Delfin.