MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's *2021 Annual Report*, which covers financial and program performance information and summarizes our successes for the year.

For 30 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.

2021 Financial and Program Results

Despite continued economic uncertainties related to the pandemic, the resilience of the banking industry is reflected in the continued increase in the DIF balance. The DIF balance rose to a record $123.1 billion as of December 31, 2021, compared to the year-end 2020 balance of $117.9 billion. The Fund balance increase was primarily due to assessment revenue, offset by a small increase in expenses. No insured financial institutions failed in 2021 and the contingent liability for anticipated failures declined to $20.8 million as of December 31, 2021, compared to $78.9 million as of December 31, 2020.

The DIF U.S. Treasury securities investment portfolio balance was $114.6 billion as of December 31, 2021, an increase of $4.1 billion over the year-end 2020 portfolio balance of $110.5 billion. Record low rates drove a decrease of $730 million in interest revenue on DIF investments which totaled nearly $1 billion for 2021, compared to $1.7 billion for 2020. Additionally, the DIF balance reflects an unrealized loss on U.S. Treasury securities of $1.2 billion in 2021, compared to a modest unrealized gain of $483 million in 2020.

FDIC expenditures remained relatively unchanged compared to 2020. Spending totaled approximately $1.89 billion—$422 million (or 18.2 percent) less than the 2021 FDIC Operating Budget of $2.31 billion and just $15 million (or 0.8 percent) more than 2020 actual spending of $1.88 billion. The FDIC Board of Directors recently approved a 2022 FDIC Operating Budget totaling $2.26 billion, down $16 million (or 0.7 percent) from the 2021 budget.

The FDIC's authorized full-time equivalent staffing rose from 5,728 in 2020 to 5,853 in 2021, a 2.2 percent increase. Authorized staffing for 2022 is 5,897 full-time equivalent positions, 44 positions (or approximately 0.8 percent) higher than 2021.

During 2021, the FDIC completed an agency-wide effort to raise risk awareness and continued to mature the enterprise risk management (ERM) program and associated Risk Profile and Risk Inventory. The FDIC also enhanced contract administration and oversight management controls and increased independent testing of contract invoices and compliance with FDIC acquisition policies. In 2022, we will continue to enhance the ERM program, strengthen acquisition-related controls, and expand internal control testing efforts.

I appreciate the FDIC professionals who plan, execute, and account for the agency's resources. As evidenced by three decades of unmodified audit opinions, their commitment to ensuring sound financial management provides the foundation for our strong stewardship and ensures that reliable financial information is available to our stakeholders.

Sincerely,

Bret D. Edwards

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