MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the FDIC's 2018 *Annual Report*, which covers financial and program performance information and summarizes our successes for the year.

For 27 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 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.

2018 FINANCIAL AND PROGRAM RESULTS

The DIF balance (the net worth of the Fund) rose to a record $102.6 billion as of December 31, 2018, compared to the year-end 2017 balance of $92.7 billion. The Fund balance increase was primarily due to assessment revenue. No insured financial institutions failed in 2018.

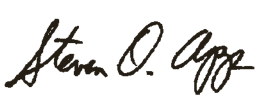
The DIF U.S. Treasury securities investment portfolio balance was $92.7 billion as of December 31, 2018, an increase of $9.4 billion over the year-end 2017 portfolio balance of $83.3 billion. Interest revenue on DIF investments was $1.6 billion for 2018, compared to $1.1 billion for 2017.

In 2018, the FDIC continued to reduce operating costs and prudently manage the funds that it administers. The FDIC Operating Budget for 2018 totaled approximately $2.09 billion, which represented a decrease of $66 million (3.0 percent) from 2017. Actual 2018 spending totaled approximately $1.90 billion. On December 18, 2018, the FDIC Board of Directors approved a 2019 FDIC Operating Budget totaling $2.04 billion, down $49 million (2.3 percent) from the 2018 budget. Including 2019, the annual operating budget has declined for nine 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 from 6,363 in 2017 to 6,083 in 2018, a 4.4 percent reduction. The FDIC Board of Directors recently approved an authorized staffing level of 5,901 full-time equivalent positons for 2019, a 3.0 percent reduction from 2018.

The FDIC also took important steps in 2018 to enhance its enterprise risk management program by updating our enterprise risk management and internal control corporate directive, drafting a risk appetite statement, and updating our risk profile. We will continue to implement enhancements to the program during 2019 to ensure the FDIC identifies and addresses enterprise risks proactively. We will remain focused on implementing sound financial management techniques, effective internal controls, and appropriate risk responses.

Sincerely,



Steven O. App