III. FINANCIAL HIGHLIGHTS

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In its role as insurer of bank and savings association deposits, the FDIC promotes the safety and soundness of insured depository institutions. The following financial highlights address the performance of the Deposit Insurance Fund.

DEPOSIT INSURANCE FUND PERFORMANCE

The DIF balance was $102.6 billion at December 31, 2018, compared to $92.7 billion at year-end 2017. Assessment revenue, including assessment surcharges on large banks, drove the growth in the DIF. Comprehensive income totaled $9.9 billion for 2018, compared to comprehensive income of $9.6 billion during 2017, a $275 million year-over-year increase.

Assessment revenue was $9.5 billion for 2018, compared to $10.6 billion for 2017. The $1.1 billion year-over-year decrease was primarily due to the cessation of the surcharge assessment on large institutions effective October 1, 2018, as a result of the reserve ratio exceeding the required minimum of 1.35 percent as of September 30, 2018.

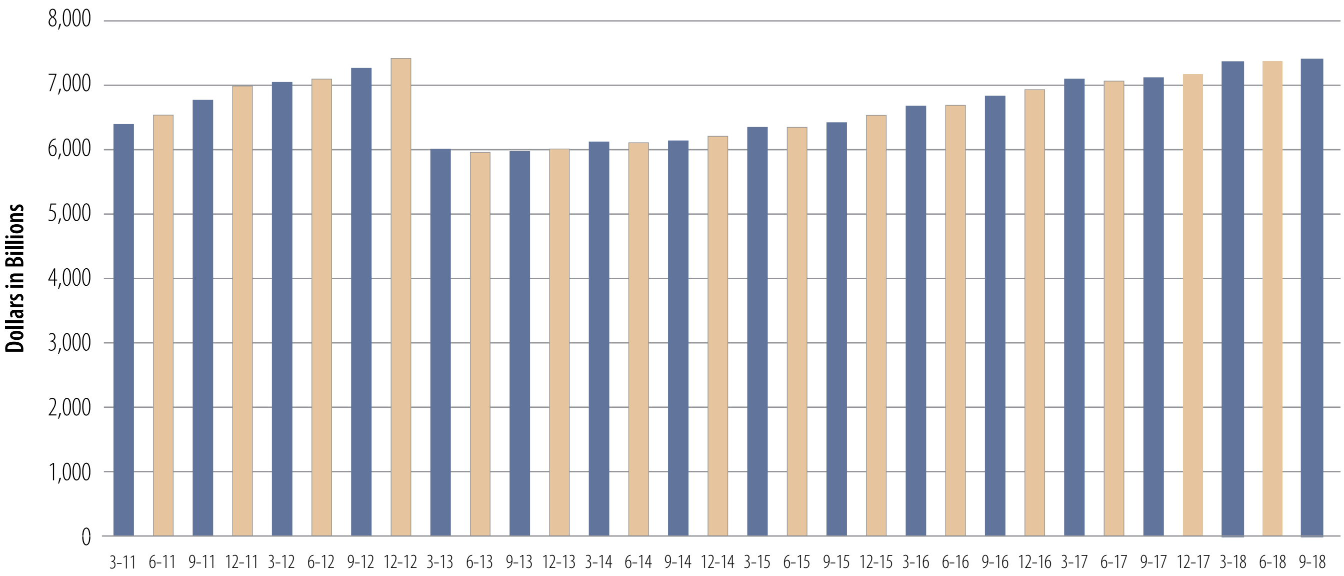
The DIF's interest revenue on U.S. Treasury securities for 2018 was $1.6 billion, compared to interest revenue of $1.1 billion in 2017. The $576 million year-over-year increase resulted from a combination of factors: (1) the Federal Reserve increased the federal funds target rate, resulting in an increase in the average overnight investment interest rate; (2) higher yields on new long-term investments purchased as older long-term investments matured; and (3) steady growth in the investment portfolio balance.

The provision for insurance losses was a negative $563 million for 2018, compared to negative $183 million for 2017. The negative provision for 2018 primarily resulted from a $570 million decrease to the estimated losses for prior year failures, attributable to: (1) a decrease in receivership shared-loss liability cost estimates of $186 million primarily due to lower-than-anticipated losses on covered assets, reductions in shared-loss cost estimates from the early termination of shared-loss agreements (SLAs) during the year, and unanticipated recoveries from SLAs where the commercial loss coverage has expired but the recovery period remains active; (2) $172 million of estimated recoveries from residual certificates retained by receiverships for structured transactions; and (3) $130 million of unanticipated recoveries received by receiverships from tax refunds, litigation settlements, and professional liability claims.

During 2018, the DIF recognized an unrealized loss on U.S. Treasury securities of $136 million, down from a $500 million unrealized loss in 2017. The unrealized loss in 2018 was the result of yields rising dramatically across all maturity sectors of the Treasury yield curve, resulting in declines in the securities' market values relative to their book values.

The DIF's cash, cash equivalents, and U.S. Treasury investment portfolio balances increased by $13.4 billion during 2018 to $98.5 billion at year-end 2018, from $85.1 billion at year-end 2017. This increase was primarily due to assessment collections of $10.8 billion, recoveries from resolutions of $3.3 billion, and interest received on U.S. Treasury securities of $1.8 billion, less operating expenses paid of $1.7 billion.

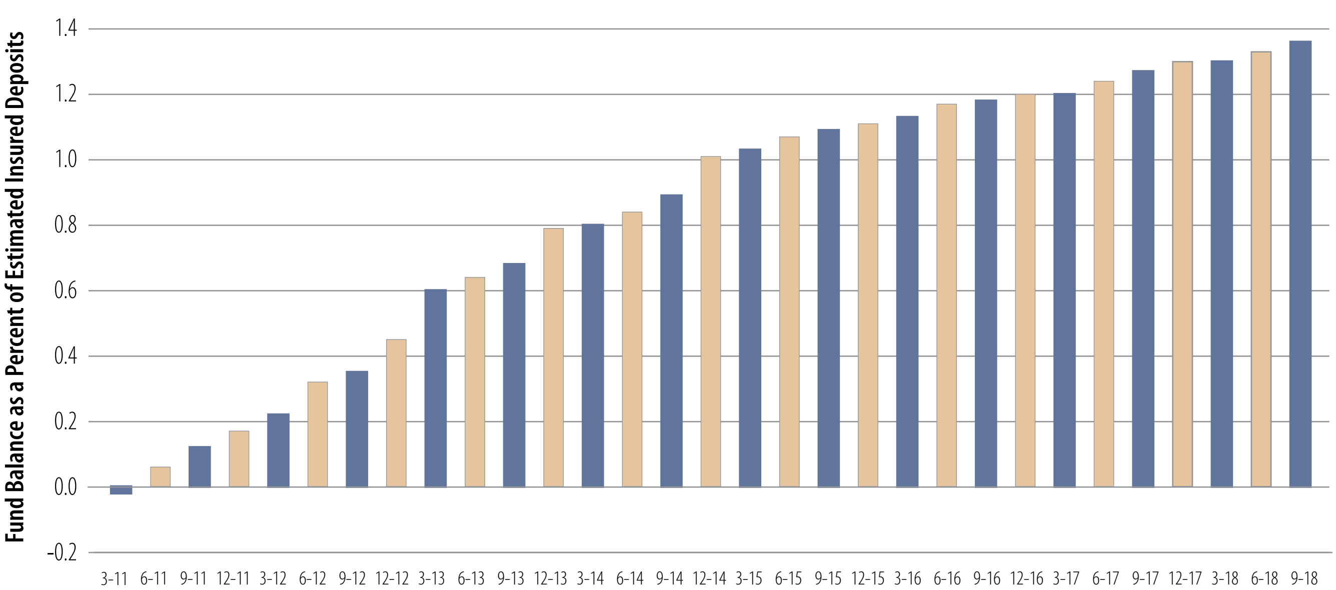
ESTIMATED DIF INSURED DEPOSITS



SOURCE: Commercial Bank Call and Thrift Financial Reports

Note: Beginning in fourth quarter 2010 through fourth quarter 2012, estimated insured deposits include the entire balance of noninterest-bearing transaction accounts.

DEPOSIT INSURANCE FUND RESERVE RATIOS



DEPOSIT INSURANCE FUND SELECTED STATISTICS

Dollars in Millions

	For the years ended December 31		
	2018	2017	2016
Financial Results			
Revenue	$11,171	$11,664	$10,674
Operating Expenses	1,765	1,739	1,715
Insurance and Other Expenses (includes provision for losses)	(560)	(181)	(1,564)
Net Income	9,966	10,105	10,524
Comprehensive Income	9,861	9,586	10,561
Insurance Fund Balance	$102,609	$92,747	$83,162
Fund as a Percentage of Insured Deposits (reserve ratio)	1.36%[3]	1.30%	1.20%
Selected Statistics			
Total DIF-Member Institutions[1]	5,477[3]	5,670	5,913
Problem Institutions	71[3]	95	123
Total Assets of Problem Institutions	$53,289[3]	$13,939	$27,624
Institution Failures	0	8	5
Total Assets of Failed Institutions in Year[2]	$0	$5,082	$277
Number of Active Failed Institution Receiverships	272	338	378

[1] Commercial banks and savings institutions. Does not include U.S. insured branches of foreign banks.

[2] Total Assets data are based upon the last Call Report filed by the institution prior to failure.

[3] As of September 30, 2018.