



Letter to Stakeholders

3rd quarter
2004

FDIC

We continue to position the agency to meet future challenges. On September 1, the FDIC submitted to Congress a legislative proposal, FDIC Workforce 21 Act of 2004, designed to provide improved flexibilities in managing our human resources. The legislation would give us the tools to attract, retain and manage the top-quality workforce we will need to keep pace with a changing financial services industry.

For more information about the activities of the FDIC, please visit our Web site at www.fdic.gov.

Don Powell
Chairman

Our Priorities

Stability

- Provided in the Fall 2004 *FDIC Outlook* in-depth analysis of the turnaround in commercial and industrial lending (C&I) by FDIC insured institutions.
- Reported in the *FDIC Quarterly Banking Profile* that commercial banks and savings institutions insured by the FDIC earned net income of \$31.2 billion in the second quarter of 2004, the second highest quarterly total ever. C&I loans showed positive growth after 13 consecutive quarters of decline.
- Issued, along with other federal financial regulatory agencies, Bank Secrecy Act procedures for examining each domestic and foreign banking organization's customer identification program, as required by Section 326 of the USA PATRIOT Act.
- Issued, along with other federal bank, thrift and credit union regulatory agencies, a brochure with information to help consumers identify and combat a new type of Internet scam known as "phishing."
- Published, along with other federal bank and thrift regulatory agencies, a final rule on capital requirements for asset-backed commercial paper programs.
- Released the Fall 2004 editions of *FDIC State Profiles*, an executive summary analysis of the banking and economic conditions in each state.

Sound Policy

- Issued a proposed rule seeking comments on the impact of changing the definition of a "small bank" for purposes of the Community Reinvestment Act (CRA) to include those with total assets of up to \$1 billion, regardless of holding company affiliation, and adding a community development component to the streamlined evaluation method for small banks with assets greater than \$250 million and up to \$1 billion.
- Proposed, with other federal financial regulatory agencies, regulations that would give consumers the chance to "opt out" before a financial institution uses information provided by an affiliated company to market its products and services to the consumer.
- Sponsored, with the *Journal of Financial Services Research*, an annual conference focused on Risk Transfer and Governance in the Financial System. The conference featured 20 research papers from leading scholars.
- Hosted a conference on *The Future of Community Development Banking: Banks Helping Banks*.
- Published a request for comment on consumer protection regulations (other than those related to lending) as part of our interagency regulatory burden reduction initiative under the Economic Growth and Regulatory Paperwork Reduction Act.

Stewardship

- Announced the release of our award-winning **Money Smart** financial education curriculum in an interactive Computer-Based Instruction (CBI) format.
- Welcomed four national Hispanic organizations to the **Money Smart** Alliance program.
- Michael J. Zamorski, Director of Supervision and Consumer Protection, was honored with the Roger W. Jones Award for Executive Leadership by the American University's School of Public Affairs.
- Selected Lee Bowman as the new National Coordinator for Community Affairs.
- Selected Steve Mosier as Deputy Chief Learning Officer, Corporate University.

Our Key Indices Most Current Data

Insurance						
Updated quarterly (\$ billions)	BIF		SAIF		Both Funds	
	Q2 2003	Q2 2004	Q2 2003	Q2 2004	Q2 2003	Q2 2004
# Insured Inst.	8,080	7,926	1,202	1,166	9,282	9,092
\$ Insured Inst.	\$ 7,779	\$ 8,387	\$ 1,154	\$ 1,273	\$ 8,933	\$ 9,660
Insured Deposits	\$ 2,562	\$ 2,607	\$ 876	\$ 926	\$ 3,438	\$ 3,533
Fund Balances	\$ 32.8	\$ 34.1	\$ 12.1	\$ 12.4	\$ 44.9	\$ 46.5
Reserve Ratios	% 1.28	% 1.31	% 1.38	% 1.34	% 1.31	% 1.32

Supervision		
YTD	9/30/2003	9/30/2004
Total Number of FDIC Supervised Institutions	5,343	5,284
Bank Examinations:		
Safety and Soundness	1,872	1,985
Compliance and CRA	1,440	1,629
Insurance and Other Applications Approved	2,090	2,299
Formal and Informal Enforcement Actions	381	467

Receiverships						
YTD (\$ millions)	BIF		SAIF		Both Funds	
	Q3 2003	Q3 2004	Q3 2003	Q3 2004	Q3 2003	Q3 2004
Total Receiverships	32	32	2	3	34	35
Assets in Liquidation	\$ 444	\$ 276	\$ 381	\$ 327	\$ 825	\$ 603
Collections	\$ 1,473	\$ 185	\$ 31	\$ 21	\$ 1,504	\$ 2,206
Dividends Paid	\$ 876	\$ 318	\$ 2	\$ 5	\$ 878	\$ 323

Income						
YTD (\$ millions)	BIF		SAIF		Both Funds	
	Q2 2004	Q3 2004	Q2 2004	Q3 2004	Q2 2004	Q3 2004
Assessment Income	\$ 38	\$ 67	\$ 6	\$ 7	\$ 44	\$ 74
Interest	\$ 764	\$ 1,158	\$ 273	\$ 414	\$ 1,037	\$ 1,572
Comprehensive Income	\$ 328	\$ 685	\$ 171	\$ 283	\$ 499	\$ 968

Resources						
(\$ millions)	Budget/Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q3 2004	Target Y/E 2004
Annual Budget	\$ 1,212	\$ 1,015	\$ 75	\$ 122	5,246	5,425
YTD Expended	\$ 784	\$ 690	\$ 15	\$ 79		

Financial data is unaudited