



# Letter to Stakeholders

1st quarter  
2004



In my eighth Letter to Stakeholders, I am pleased to report that we have set the stage to continue aggressively pursuing our three major priorities. They are: **stability** of the industry and the insurance funds; **sound policy** positions, supported by substantive research and highlighted by comprehensive deposit insurance reform legislation; and **stewardship** of the Corporation and insurance funds, to ensure we do our job in the most efficient and effective manner possible. I encourage you to find out more about our activities by visiting our Web site at [www.fdic.gov](http://www.fdic.gov).

**Don Powell**  
Chairman



## Our Priorities

### Stability

- Broadened the use of our streamlined examination program called "MERIT." Well-rated banks with total assets of \$1 billion or less are now eligible for examination under the streamlined program. The MERIT program was originally limited to well-rated banks with total assets of \$250 million or less.
- Reported that the 9,182 commercial banks and savings institutions insured by FDIC earned a record \$31.1 billion in the fourth quarter of 2003, marking the fourth consecutive quarter that earnings set a new high. The results for the fourth quarter also brought the industry's earnings for the full year to a record \$120.6 billion.
- Reached another important milestone when the 100,000th copy of our **Money Smart** curriculum was provided to the New Asia Bank in Chicago. The bank plans to teach **Money Smart** in both Korean and Chinese in 2004.
- Sponsored a symposium in New York on the banking industry's outlook, featuring a panel of four leading bank industry analysts who shared their perspectives on the key factors influencing banking industry performance in 2004.
- Chairman Powell will chair a subcommittee of the National Financial Literacy and Education Commission that will consider how to educate the public about personal finance issues and serve as a resource for inquiries on financial literacy and education issues.

### Sound Policy

- Reported on our study of the implications of the housing market boom, which concluded that the recent boom in U.S. home prices and housing market activity does not necessarily imply that prices are poised to systematically decline. However, the report does cite the rising use of home equity lines of credit and adjustable-rate mortgages as factors that could make some homeowners more vulnerable to credit problems.
- Chairman Powell testified on the FDIC before the House Subcommittee on Oversight and Investigations of the Committee on Financial Services, focusing on the condition of the deposit insurance funds, the need for deposit insurance reform, the condition of the banking industry, and efforts to reshape the FDIC for the future.
- Adopted new rules for insurance coverage of living trust accounts, effective April 1, 2004.
- With other federal bank and thrift regulatory agencies, published a joint interagency notice of proposed rulemaking regarding the Community Reinvestment Act (CRA), which underscores the agencies' conclusion that CRA regulations are essentially sound, but need to be updated to keep pace with changes in the financial services industry.
- Published with other federal bank and thrift regulatory agencies a request for comment on the lending related consumer protection regulations as part of the regulatory review effort under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA).

### Stewardship

- Received clean financial opinions on the 2003 financial statements for the 12th consecutive year.
- Published the *FDIC Annual Report* in record time – 45 days – on February 13, 2004.
- Established the Chief Information Officer (CIO) Council to advise the CIO on all aspects of adoption and use of information technology (IT) at the FDIC.
- Sent the 2004 Annual Performance Plan to Congress.

## Our Key Indices *Most Current Data* ▼

Insurance						
	BIF		SAIF		Both Funds	
Updated quarterly (\$ billions)	Q4 2002	Q4 2003	Q4 2002	Q4 2003	Q4 2002	Q4 2003
# Insured Inst.	8,143	8,010	1,229	1,186	9,372	9,196
\$ Insured Inst.	\$ 7,346	\$ 7,909	\$ 1,100	\$ 1,177	\$ 8,446	\$ 9,086
Insured Deposits	\$ 2,524	\$ 2,555	\$ 859	\$ 896	\$ 3,383	\$ 3,451
Fund Balances	\$ 32.1	\$ 33.8	\$ 11.7	\$ 12.2	\$ 43.8	\$ 46.0
Reserve Ratios	% 1.27	% 1.32	% 1.37	% 1.37	% 1.29	% 1.33

Supervision		
YTD	3/31/2003	3/31/2004
Total Number of FDIC Supervised Institutions	5,354	5,313
Bank Examinations:		
Safety and Soundness	628	650
Compliance and CRA	459	545
Insurance and Other Applications Approved	631	672
Formal and Informal Enforcement Actions	83	108

Receiverships						
	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q1 2003	Q1 2004	Q1 2003	Q1 2004	Q1 2003	Q1 2004
Total Receiverships	37	31	3	3	40	34
Assets in Liquidation	\$ 1,141	\$ 330	\$ 397	\$ 341	\$ 1,538	\$ 671
Collections	\$ 800	\$ 74	\$ 3	\$ 8	\$ 803	\$ 82
Dividends Paid	\$ 56	\$ 177	\$ 0	\$ 0	\$ 56	\$ 177

Income						
	BIF		SAIF		Both Funds	
YTD (\$ millions)	Q4 2003	Q1 2004	Q4 2003	Q1 2004	Q4 2003	Q1 2004
Assessment Income	\$ 80	\$ 19	\$ 15	\$ 3	\$ 95	\$ 22
Interest	\$ 1,530	\$ 340	\$ 532	\$ 122	\$ 2,062	\$ 462
Comprehensive Income	\$ 1,732	\$ 382	\$ 493	\$ 154	\$ 2,225	\$ 536

Resources						
	Budget/Expenditures				On Board Staff	
(\$ millions)	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q1 2004	Target Y/E 2004
Annual Budget	\$ 1,228	\$ 1,015	\$ 75	\$ 138	5,305	5,425
YTD Expended	\$ 240	\$ 212	\$ 6	\$ 22		

- ▼ Financial data is unaudited
- Data as of March 20, 2004