

Our Priorities

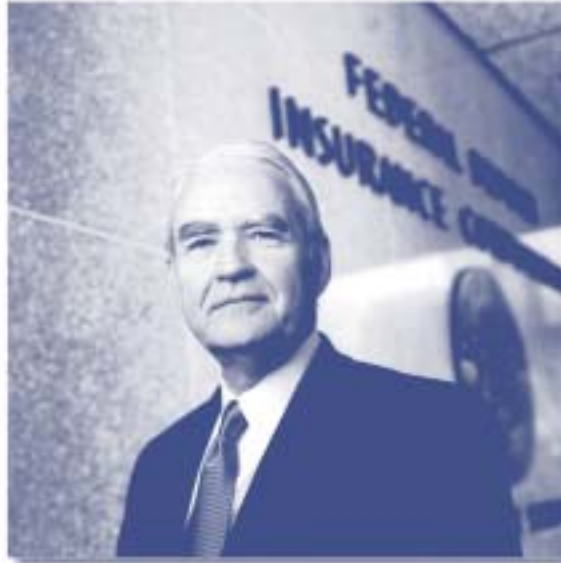
★ **Stability**

★ **Sound Policy**

★ **Stewardship**

Message from the Chairman

Donald E. Powell



I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2004 Annual Report. During the past year, we continued to aggressively pursue our three major priorities: promoting the **stability** of the nation's financial system, developing and articulating **sound policy** positions, and meeting our **stewardship** obligations to the deposit insurance funds.

Meeting the FDIC's mission is an increasingly complex responsibility, but the FDIC made exceptional progress during 2004. I am proud of the dedication and hard work of the FDIC's employees over the past year.

I am pleased to highlight in this report some of our major accomplishments in 2004:

- We worked to ensure that adequate capital standards would be maintained in the new Basel Capital Accord.
- We continued our efforts to reduce regulatory burden on financial institutions as mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA). With other federal bank and thrift regulatory agencies, we solicited and received over 700 comments on consumer protection and deposit-related regulations, and we requested comment on proposed changes to the FDIC's Community Reinvestment Act regulations.
- We aggressively refined our supervisory strategies consistent with changes to the Bank Secrecy Act included in the USA PATRIOT Act. The FDIC, the Department of Treasury's Financial Crimes Enforcement Network (FinCEN), and the other federal banking agencies also entered into an information sharing Memorandum of Understanding to enhance communication and coordination to help financial institutions identify, detect and interdict terrorist financing and money laundering.
- We funded 17 research proposals to produce the first working papers to be published by our new Center for Financial Research.

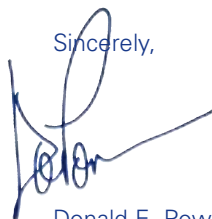
- We reached approximately 300,000 consumers with our *Money Smart* financial education program, resulting in the formation of over 40,000 new banking relationships, and expanded our *Money Smart* program alliance to include five Hispanic organizations. In addition, we released the *Money Smart* curriculum in an interactive computer-based instruction format. The *Money Smart* curriculum is a training program to help adults outside the financial mainstream enhance their money-management skills and establish positive banking relationships.
- We established a Resolutions Policy Committee to develop a comprehensive strategy and action plan for handling a large-bank failure in the least costly manner, maximizing net recoveries and minimizing any disruption.
- We made significant progress toward the completion of a new Web-based Central Data Repository (CDR) for Call Reporting and other regulatory reporting, in cooperation with our Federal Financial Institutions Examination Council (FFIEC) partners. Targeted for implementation in 2005, the CDR will employ state-of-the-art technology and the XBRL (Extensible Business Reporting Language) data standard. This system will further enhance the FDIC's ability to provide high-quality, timely data about the banking industry to regulators, financial institutions and the public.
- We continued to realign our workforce to meet future workload requirements. The 2005 budget approved by the Board reflects a reduction of 674 authorized positions over the next year.
- A new Corporate Employee Program was announced that will allow us to create a smaller, more flexible workforce in the future.
- We initiated a two-year effort to improve our information technology (IT) program by modernizing our IT infrastructure and applying an enterprise architecture approach to guide future IT decision-making.

In accordance with the Reports Consolidation Act of 2000, the FDIC completed an assessment of the reliability of the performance data contained in this report. No material inadequacies were found and the data is considered to be complete and reliable.

I am very proud of our achievements over the past year and look forward to continued successes next year. The FDIC stands firm in its commitment to promoting stability, pursuing sound policy and meeting our stewardship responsibilities for the deposit insurance funds.

It is a privilege and an honor to serve as Chairman of the FDIC, and I look forward to the many opportunities that lie ahead.

Sincerely,



Donald E. Powell