Annual Report 2004

FDIC Federal Deposit Insurance Corporation

Stability *Sound Policy* *Stewardship*

In its unique role as deposit insurer of banks and savings associations, and in cooperation with the other state and federal regulatory agencies, the **Federal Deposit Insurance Corporation (FDIC)** promotes the safety and soundness of the U.S. financial system and the insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance funds.

The FDIC promotes public understanding and the development of sound public policy by providing timely and accurate financial and economic information and analyses. It minimizes disruptive effects from the failure of banks and savings associations. It assures fairness in the sale of financial products and the provision of financial services.

The FDIC's long and continuing tradition of excellence in public service is supported and sustained by a highly skilled and diverse workforce that continuously monitors and responds rapidly and successfully to changes in the financial environment.

Mission

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress that maintains the stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions, and managing receiverships.

Vision

The FDIC is a leader in developing and implementing sound public policies, identifying and addressing new and existing risks in the nation's financial system, and effectively carrying out its insurance, supervisory, and receivership management responsibilities.

Values

The FDIC and its employees have a long and continuing tradition of distinguished public service. Six core values guide FDIC employees as they strive to fulfill the Corporation's mission and vision:

- **Integrity**
  FDIC employees adhere to the highest ethical standards in the performance of their duties and responsibilities.

- **Competence**
  The FDIC maintains a highly skilled, dedicated and diverse workforce.

- **Teamwork**
  FDIC employees work cooperatively with one another and with employees in other regulatory agencies to accomplish the Corporation's mission.

- **Effectiveness**
  The FDIC responds quickly and successfully to identified risks in insured financial institutions and in the broader financial system.

- **Financial Stewardship**
  The FDIC acts as a responsible fiduciary, consistently operating in an efficient and cost-effective manner on behalf of insured financial institutions and other stakeholders.

- **Fairness**
  The FDIC treats all employees, insured financial institutions, and other stakeholders with impartiality and mutual respect.

FDIC
Federal Deposit Insurance Corporation
550 17th St. NW Washington DC, 20429 Office of the Chairman

February 14, 2005

Sirs,

In accordance with:

- the provisions of section 17(a) of the Federal Deposit Insurance Act,
- the Chief Financial Officers Act of 1990, Public Law 101-576, and
- the Government Performance and Results Act of 1993,

the Federal Deposit Insurance Corporation is pleased to submit its 2004 Annual Report.

Sincerely,

Donald E. Powell
Chairman

The President of the United States
The President of the United States Senate
The Speaker of the United States House of Representatives

Our Priorities

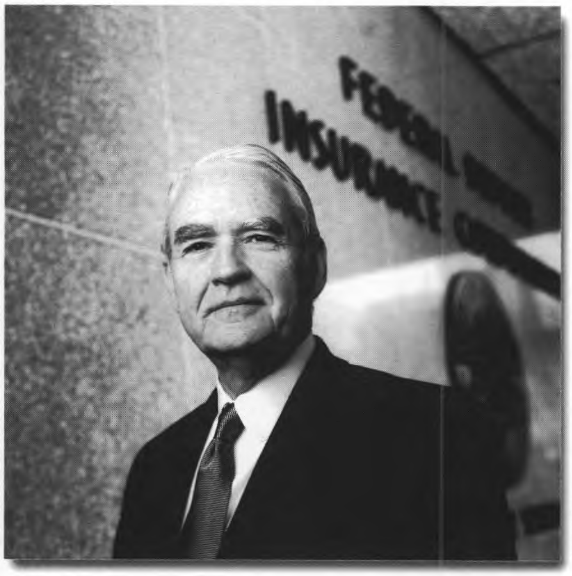
★ **Stability**

★ **Sound Policy**

★ **Stewardship**

Message from the Chairman

Donald E. Powell



James Kegley

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

Message from the Chief Financial Officer

Steven O. App

I am pleased to report that the funds managed by the FDIC maintained their strong financial condition in 2004 and to highlight some of our accomplishments in this area.

The U.S. Government Accountability Office (GAO) again issued unqualified audit opinions for all three funds administered by the Corporation (Bank Insurance Fund, Savings Association Insurance Fund, and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund). This marks the 13th consecutive year that we received unqualified opinions, and demonstrates our continued dedication to sound financial management and the reliability of the financial data upon which we make critical decisions. I would like to extend my sincere appreciation to the many individuals whose hard work allowed the FDIC to achieve this milestone.

Financial highlights during 2004 include:

- The Bank Insurance Fund (BIF) increased by $1.0 billion to $34.8 billion, and the Savings Association Insurance Fund (SAIF) increased by $480 million to $12.7 billion, compared to increases of $1.7 billion and $493 million respectively, in 2003.

- Comprehensive income for BIF was $1 billion. This was substantially lower than the $1.7 billion reported last year. This reduction was primarily due to a significant deceleration in the rate at which the provision for insurance losses declined during 2004 when compared to 2003. For 2003, the reduction in the provision for insurance losses added $931 million to comprehensive income, while for 2004 it added only $269 million – a $662 million difference. Earnings on U.S. Treasury obligations were also $80 million lower than in 2003.

- Comprehensive income for SAIF was $480 million. This was slightly lower than the $493 million reported last year. This reduction was primarily due to lower earnings on U.S. Treasury obligations of $6 million in 2004 compared to 2003.

- Both the BIF and the SAIF reported unrealized losses on available-for-sale securities in 2004 of $112 million and $36 million, respectively. The deposit insurance funds experienced such unrealized losses two years in a row. These unrealized losses were largely due to the fact that U.S. Treasury yields generally increased throughout much of the latter half of 2003 and 2004, after dropping sharply in 2002 and early 2003. Despite the modest unrealized losses in 2004, cumulative unrealized gains in the funds remained high at $690 million in the BIF and $238 million in the SAIF.

We continued our efforts to reduce operating costs in 2004. The Board of Directors approved a 2005 Corporate Operating Budget that was virtually unchanged from the 2004 Corporate Operating Budget, despite absorbing higher salary and benefits cost and inflation in non-personnel costs. Total estimated 2005 spending (including 2005 spending for previously approved multi-year investment projects) is estimated to be about $36 million or 2.9 percent lower than in 2004. The FDIC's Capital Investment Review Committee (CIRC) also continued to focus on sound development of large-scale IT-related projects as well as improvements in the management of investment spending. Several major IT projects were re-baselined in 2004, and the Corporation is committed to completing these projects within their revised schedules and budgets.

The FDIC also made considerable progress in 2004 in enhancing its information security programs, taking positive actions in a number of key security program areas. The FDIC provided security awareness training to its employees and contractors, and is working diligently to address recent and emerging IT security standards and guidelines developed by the National Institute of Standards and Technology (NIST). Information technology and systems security remain high priorities at the FDIC, and we are continuously working to strengthen controls in these areas. The Office of Inspector General (OIG) recently completed its annual evaluation of information systems security at the FDIC, as mandated by the Federal Information Security Management Act of 2002, and identified no significant deficiencies that warrant consideration as potential material weaknesses.

The FDIC evaluated its risk management and internal control systems in accordance with the reporting requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and GAO internal control standards. We have identified no material weaknesses that would affect the accuracy of the financial statements. This report describes our continuing efforts to provide timely and useful performance information to FDIC managers, OMB, and the Congress. Based on these internal management evaluations, and in conjunction with the results of GAO's independent financial statements audits, I can certify with reasonable assurance that the FDIC's risk management and internal control systems, taken as a whole, are in conformance with the standards prescribed by GAO and that we are in compliance with the requirements of FMFIA.

In 2005, the FDIC will continue to focus on effective cost management, produce timely and reliable financial information, and maintain a strong enterprise-wide risk management and internal control program.

Sincerely,

Steven O. App

Steven O. App

I. Management's Discussion and Analysis

The Year in Review

The year 2004 marked continued changes within the FDIC, but maintaining stability of the nation's financial services industry remained a primary focus. The FDIC continued to lead and participate in many interagency initiatives in an effort to meet the demands of an ever evolving financial services industry.

During 2004, the FDIC continued its emphasis on reducing regulatory burden, and also enhanced its examination program while promoting measures to improve its efficiency. Studies were conducted in various areas, identifying risks and promoting best practices among the regulatory and banking industries. In 2004, the FDIC actively contributed to efforts to address money laundering and terrorist financing risks as well as other financial crimes such as identity theft.

Highlights of the Corporation's 2004 accomplishments are presented in this section for each of the FDIC's three major business lines – Insurance, Supervision and Consumer Protection, and Receivership Management – as well as its program support functions.

Insurance

The FDIC insures bank and savings association deposits. As insurer, the FDIC must continually evaluate and effectively manage how changes in the economy, the financial markets and the banking system affect the adequacy and the viability of the deposit insurance funds.

Deposit Insurance Reform

The FDIC again gave priority attention to enactment of comprehensive deposit insurance reform legislation in 2004.

The FDIC's reform recommendations include:

- Merging the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF).
- Granting the FDIC's Board of Directors the flexibility to manage a combined deposit insurance fund. Under the present system, statutorily mandated methods of managing the size of the BIF and SAIF may cause large premium swings and could force the FDIC to charge the highest premiums during difficult economic times when the industry can least afford it. Currently, safer institutions subsidize riskier institutions unnecessarily, while new entrants and growing institutions avoid paying premiums. To address these problems, the FDIC recommended that Congress give the Board of Directors the discretion to:
    - Manage the combined fund within a range.
    - Price deposit insurance according to risk at all times for all insured institutions.
    - Grant a one-time initial assessment credit to recognize institutions' past contributions to the deposit insurance funds and create an ongoing system of assessment credits and rebates to prevent the fund from growing too large.
- Indexing the level of deposit insurance coverage to ensure that basic account coverage is neither eroded over time by inflation nor made subject to irregular adjustments.

The House passed H.R. 522, the Federal Deposit Insurance Reform Act of 2003, on April 22, 2003, by a vote of 411 to 11. Although the Senate Banking Committee held a hearing on deposit insurance reform in February 2003, it did not act on a deposit insurance bill before the 108th Congress adjourned. The FDIC provided information and analysis to Congress in support of deposit insurance reform legislation. Support was obtained for a proposed assessment credit and rebate system as well as a new deposit insurance pricing system. Enactment of deposit insurance reform will remain a priority of the FDIC during 2005.

Improvements to the FDIC's Loss Reserve Methodology

Discrepancies between projected failed assets and actual assets and projected and actual losses at failed financial institutions were reviewed at Financial Risk Committee meetings in March and September. No deficiencies in the methodology for projecting losses were noted.

During 2004, enhancements to the FDIC's reserving process and methodology were also implemented, in accordance with recommendations from a comprehensive 2003 study. The Financial Risk Committee adopted new guidelines for deviating from actual historical failure rates and enhanced coefficients contained in the research model which is used to develop loss given failure estimates. In addition, a working prototype of an integrated fund model was developed to better measure and manage risk to the deposit insurance funds.

New International Capital Standards

The FDIC continues to actively participate in efforts to align capital standards with advances in financial institutions' risk measurement and management practices, while ensuring that such institutions and the industry as a whole maintain adequate capital and reserves. During 2004, the FDIC was active on a number of global and domestic supervisory and policy groups and subgroups including the Basel Committee on Banking Supervision (BCBS), the Capital Task Force, and the Accord Implementation Group. The FDIC also participated in various U.S. regulatory efforts aimed at interpreting international standards and establishing sound policy and procedures for implementing these standards.

The BCBS published the "International Convergence of Capital Measurement and Capital Standards" in June 2004, which is more commonly referred to as "Basel II" or the "Revised Framework." These broad international standards will provide the underpinnings for a U.S. revised capital rule, which is currently anticipated to be finalized by domestic bank and thrift regulatory authorities in mid-2006 for implementation in January 2008.

Ensuring the adequacy of insured institutions' capital under Basel II remains a key objective for the FDIC. In 2004, the FDIC actively participated in domestic and international policy and implementation efforts to ensure these new rules are designed appropriately. These efforts included the development of examination guidance, which is intended to provide the industry with regulatory perspectives for implementation, and the performance of a fourth quantitative impact study (QIS) begun in 2004 to assess the potential impact of the Revised Framework on financial institution and industry-wide capital levels.

The FDIC invested significant resources on several fronts in 2004 to ensure that the Revised Framework will be compatible with the Corporation's roles as both deposit insurer and supervisor. Significant work was performed, both internationally and domestically, to assure that Basel II will be implemented efficiently, that effective supervisory oversight will continue, and that these new rules will not create unintended and potentially harmful consequences. To that end, the FDIC began to identify, hire and train personnel to ensure that a strong infrastructure will exist to meet the many challenges posed by adoption of the complex risk management standards put forth under Basel II.

Regulatory Burden Reduction Initiatives

During 2004, under the leadership of Vice Chairman John Reich, the federal bank and thrift regulatory agencies continued a cooperative three-year effort to review all of their regulations (129 in all) that impose some burden on the industry. The purpose of the review, which is mandated by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), is to identify and eliminate any outdated, unnecessary or unduly burdensome regulatory requirements, while ensuring safety and soundness and consumer protections remain strong.

For the purposes of this review, the agencies categorized their regulations into 12 separate groups. Every six months, new groups of regulations are published for comment, giving bankers, community groups and others an opportunity to identify regulatory requirements they believe are no longer needed, as well as consumer protections that must be preserved. Comments on the first group of regulations, which included Applications and Reporting, Powers and Activities and International Banking, were solicited in 2003, and were analyzed during 2004.

The agencies issued notices for comment on two more groups of regulations in 2004:

- Lending-related consumer protection regulations, which include Truth-In-Lending (Regulation Z), Equal Credit Opportunity (Regulation B), Home Mortgage Disclosure Act (HMDA); and
- Deposit-related and other consumer protection regulations, which include Privacy of Consumer Financial Information, Truth-In-Savings, and Deposit Insurance Coverage.

The agencies received over 700 responses to the request for comments on these two groups of regulations.

The agencies also held six outreach meetings in 2004, three for bankers and three for consumer and community groups. These outreach sessions were intended to increase industry awareness of the EGRPRA project and obtain feedback.

The FDIC and the other financial regulatory agencies undertook several initiatives in 2004 that are expected to relieve regulatory burden, improve operational efficiencies of banks, or assist financial institutions in assessing potential risk. They published additional interagency guidance and examination procedures on the USA PATRIOT Act. The FDIC also sought comments on proposed changes to its Community Reinvestment Act regulations and its regulations governing certain international activities. (Final regulations in both areas are expected in early 2005.)

The FDIC also redesigned the EGRPRA Web site to make it more comprehensive and user-friendly and redesigned its Financial Institution Letter (FIL) format to make it easier for financial institutions to identify whether the subject of the FIL applies to their specific institution and the area of the institution to which the FIL is most relevant.

In 2005, the agencies will continue to analyze the comments and other feedback that have been received and expect to propose legislative or regulatory changes, where appropriate, to address certain regulatory burdens and needed consumer protections.

Center for Financial Research

The Corporation established the FDIC Center for Financial Research (CFR) in late 2003 to promote research that provides meaningful insights regarding developments in deposit insurance, the financial sector, prudential supervision, risk measurement and management, regulatory policy and related topics that are of interest to the FDIC, the financial services industry, academia and policymakers. The CFR is a partnership between the FDIC and the academic community with prominent scholars actively engaged in administering and carrying out its research program. The CFR carries out its mission through an agenda of research, analysis, forums and conferences that encourage and facilitate an ongoing dialogue incorporating industry, academic and public-sector perspectives.

The CFR supports high-quality original research by sponsoring relevant research program lines and soliciting rigorous analysis of the issues within five program areas. These programs benefit from the leadership of program coordinators who are drawn largely from the outside academic community. Input is also obtained from six prominent economists who serve as Senior Fellows. The CFR sponsors a Visiting Research Fellows Program to provide support for in-residence scholars for defined time periods. In 2004, the CFR funded 17 research proposals, the results of which will be published in the new CFR Working Papers Series. The CFR also engaged leading scholars in banking and finance to collaborate with FDIC staff on subjects of mutual interest.

The CFR and *The Journal for Financial Services Research (JFSR)* sponsored their fourth annual research conference, "Risk Transfer and Governance in the Financial System," in September 2004. The conference, which included 21 presentations selected from more than 60 submissions, attracted more than 100 researchers and included both domestic and international participants. The CFR held two workshops during the year for authors to present their interim results on CFR-sponsored research.

Identifying and Addressing Risks to the Insurance Funds

The FDIC prepares summary analyses each quarter on the condition of large insured financial entities, based primarily on information provided by their primary Federal regulators. These analyses assist the FDIC in identifying risk trends and potential exposure to the insurance funds. Identified risks are highlighted in various reports and communicated throughout the Corporation in both written format and by oral presentations.

All institution-specific concerns identified through this ongoing analytical process in 2004 were referred to FDIC regional offices for appropriate follow-up action. In most cases, these concerns were resolved in connection with the institution's primary Federal regulator.

The FDIC also conducted numerous outreach activities during 2004 on matters of economic and banking risk analysis with community groups, other regulators, and the banking industry. Among them were a series of internal and public roundtables that included a 2004 banking outlook roundtable in New York City, our third annual Washington, DC economic outlook roundtable, and an economics luncheon featuring Dr. Catherine Mann of the Institute for International Economics.

The Corporation also released four issues of FDIC *Outlook* during the year, along with a number of *FYI* electronic bulletins. Featured *Outlook* articles addressed topics such as emerging risks in mortgage and home equity lending, trends in commercial lending, and the challenges to banks facing rural depopulation. *FYI* reports published during the year featured an FDIC assessment of banking industry exposure to debt obligations of government-sponsored enterprises (GSEs) and a series of articles on the evolving nature of banking in America, including a look at the changing role of community banks, bank branching trends, and challenges from changing payment systems. Four quarterly issues of FDIC *State Profiles* were released for each state during 2004, and the results of those reports were discussed at regularly scheduled press briefings.

Members of the RAC Management Committee and Liaisons – Seated (l to r):
Miguel Browne, Steve Fritts, Michael Jackson, and Don Inscoe.
Standing (l to r):
Bill Stark, Jim Meyer, Sylvia Plunkett, and Tom Dujenski.

FFIEC Central Data Repository

The FDIC continued to provide leadership for an interagency initiative to implement the Central Data Repository (CDR). This effort includes the Federal Reserve Board and the Office of the Comptroller of the Currency. The CDR is designed to consolidate the collection, validation and publication of quarterly bank financial reports. The CDR will be accessible to regulators, financial institutions and the public. This initiative is being undertaken in cooperation with the Call Report software vendors and the banking industry, and will employ new technology that uses XBRL (Extensible Business Reporting Language) data standard to streamline the collection, validation and publication of Call Report data. Originally scheduled for implementation in October 2004, rollout of the CDR was postponed to address industry feedback and allow more time for system testing and enrollment of financial institutions. As a result, a two-phased implementation of the CDR during the second and third quarters of 2005 is now planned.

Risk Analysis Center

The Risk Analysis Center (RAC) was established in 2003 to provide information about current and emerging supervisory issues. The RAC brings together economists, bank examiners, financial analysts and others to monitor and analyze economic, financial, regulatory and supervisory trends, and their potential implications for the continued financial health of the banking industry and the deposit insurance funds. Comprehensive solutions are developed to address risks identified during the process. Guided by the FDIC's National Risk Committee and the RAC Management Committee, the RAC serves as a clearinghouse for information generated by the FDIC's six regional offices and sponsors a number of projects involving risk-related issues.

Two initiatives were implemented in 2004 to improve the dissemination of risk-related information. First, the Supervisory Discussion Room was initiated to provide interactive nationwide audio and video-conferences on various topics. Each session includes a presentation on a bank supervision matter. Second, the Examiner Forum was developed in conjunction with the Field Supervisor (FS) Council to increase examiner awareness of the RAC and to share information about emerging issues among the field examination staff. Both initiatives provide examiners an opportunity to exchange information across regions and with technical specialists in the Washington office.

RAC activities also include regular monitoring and analysis of economic and financial developments and communication of these issues with FDIC staff and management. Staff conducts a weekly conference call to discuss recent developments, and daily Economic Data Releases are sent by email to FDIC subscribers summarizing intra-day economic news. The RAC website also serves as a clearinghouse for internal analyses of emerging risks. Initial findings on emerging issues are often followed by more in-depth analysis in formal RAC projects.

Resolving Institution Failures

See Receivership Management Section (page 19)

Supervision and Consumer Protection

Supervision and consumer protection are cornerstones of the FDIC's efforts to ensure the stability of and public confidence in the nation's financial system. At year-end 2004, the Corporation was the primary federal regulator for 5,272 FDIC-insured, state-chartered institutions that are not members of the Federal Reserve System (generally referred to as "state non-member" institutions). Through safety and soundness, consumer compliance and Community Reinvestment Act (CRA) examinations of these FDIC-supervised institutions, the FDIC assesses their operating condition, management practices and policies, and their compliance with applicable laws and regulations. The FDIC also educates bankers and consumers on matters of interest and addresses consumers' questions and concerns.

Safety and Soundness Examinations

During 2004, the Corporation conducted all 2,515 statutorily required safety and soundness examinations. The number and total assets of FDIC-supervised institutions identified as "problem" institutions (defined as having a composite CAMELS[1] rating of "4" or "5") decreased during 2004. As of December 31, 44 institutions with total assets of $5.3 billion were identified as problem institutions compared to 73 institutions with total assets of $8.2 billion on December 31, 2003. These changes represent a decrease of 39.7 percent and 35.4 percent, respectively, in the number and assets of problem institutions. During 2004, 57 institutions were removed from problem institution status due to composite rating upgrades, mergers, consolidations or sales, and 28 were newly identified as problem institutions. The FDIC is required to conduct follow-up examinations of all designated problem institutions within 12 months of the last examination. As of December 31, 2004, all follow-up examinations for problem institutions had been performed on schedule.

Compliance and Community Reinvestment Act (CRA) Examinations

The FDIC conducted 1,459 comprehensive compliance-CRA examinations, 673 compliance-only examinations,[2] and four CRA-only examinations in 2004, compared to 1,610 joint compliance-CRA examinations, 307 compliance-only examinations, and two CRA-only examinations in 2003. The FDIC conducted all joint and comprehensive examinations within established time frames. As of December 31, 2004, five institutions were assigned a "4" rating for compliance, and no institutions were rated "5." Of the five institutions rated "4" as of December 31, 2004, four are within the 12 month window following issuance of an enforcement action.

1 The CAMELS composite rating represents the adequacy of Capital, the quality of Assets, the capability of Management, the quality and level of Earnings, the adequacy of Liquidity, and the Sensitivity to market risk, and ranges from "1" (strongest) to "5" (weakest).

2 Compliance-only examinations are conducted for most institutions at or near the mid-point between joint compliance-CRA examinations under the Community Reinvestment Act of 1977, as amended by the Gramm-Leach-Bliley Act of 1999. CRA examinations of financial institutions with aggregate assets of $250 million or less are subject to a CRA examination no more than once every five years if they receive a CRA rating of "Outstanding" and no more than once every four years if they receive a CRA rating of "Satisfactory."

Of these four, two entered into Memorandums of Understanding with the FDIC and two are subject to outstanding Cease and Desist Orders. A Cease and Desist Order for the fifth institution will likely be issued during the first quarter of 2005.

Examination Program Efficiencies
The FDIC continued in 2004 to implement measures to improve examination efficiency by maximizing the use of risk-focused examination procedures at well-managed banks. Based on experience with the Maximum Efficiency Risk-Focused Institution Target (MERIT) Program implemented in 2002, the FDIC raised the threshold for well-rated, well-capitalized banks qualifying for streamlined examinations under the MERIT Program to $1 billion, up from $250 million. Use of the MERIT Program allows the FDIC to direct more examination resources to institutions posing the most risks to the insurance funds. The FDIC also implemented more risk-focused examinations for the trust and information technology specialty areas. The FDIC continued to emphasize the revised compliance examination approach implemented during the second half of 2003. During 2004, the FDIC convened six focus groups with bankers across the country to discuss their experience with the revised compliance examination process. The bankers strongly supported the new process, reporting that it had resulted in a more efficient examination and that compliance examiners provided more constructive feedback than in the past.

FDIC Examinations 2002-2004

	2004	2003	2002
Safety and Soundness:			
State Nonmember Banks	**2,276**	2,182	2,290
Savings Banks	**236**	231	229
Savings Associations	**0**	0	0
National Banks	**0**	5	10
State Member Banks	**3**	3	5
Subtotal - Safety and Soundness Examinations	**2,515**	2,421	2,534
CRA/Compliance Examinations:			
Compliance-Community Reinvestment Act	**1,459**	1,610	1,334
Compliance-only	**673**	307	493
CRA-only	**4**	2	13
Subtotal CRA/Compliance Examinations	**2,136**	1,919	1,840
Specialty Examinations:			
Trust Departments	**534**	501	524
Data Processing Facilities	**2,570**	2,304	1,681
Subtotal-Specialty Examinations	**3,104**	2,805	2,205
Total	**7,755**	7,145	6,579

In keeping with other recent strategic initiatives to enhance supervisory processes, the FDIC conducted a pilot program to test a new approach to bank supervision. The primary purpose of the "relationship manager program" pilot was to determine the extent to which designation of a relationship manager for each bank would enhance risk-focused assessments and improve communications with financial institutions.

The pilot explored alternatives to the traditional point-in-time examination by allowing supervisory activities to be conducted over the appropriate 12- or 18-month supervisory cycle at selected institutions, based on their risk profiles. Relationship managers developed supervisory plans for their designated banks and served as the institution's local primary point-of-contact. Benefits of the pilot included ongoing "real time" assessments, as well as improved communications with financial institutions. Preliminary results of the pilot were favorable. Results will be further evaluated in 2005 to determine the feasibility of implementing some or all aspects of the program nationwide.

New Supervisory Journal
The FDIC released in June the inaugural issue of *Supervisory Insights*, a professional journal providing a forum for discussing how bank regulation and policy are put into practice in the field, sharing best practices, and communicating about the emerging issues bank supervisors are facing. A second issue was published in December. *Supervisory Insights* is available on the FDIC's internal and external Web sites. The journal, which will be published twice yearly, includes regular features, such as "Accounting News" and "From the Examiner's Desk," as well as articles discussing areas of current supervisory focus at the FDIC.

Shared National Credit Modernization

The Shared National Credit (SNC) program is an interagency effort designed to provide a review and credit quality assessment of many of the largest and most complex (syndicated) bank credits. The purpose of the program is to gain efficiencies and consistencies in the review of credits shared by multiple institutions under a formal lending agreement. The program is governed by an interagency agreement between the Federal Reserve Board, the FDIC, and the Office of the Comptroller of the Currency (OCC).

During 2004, the agencies initiated a SNC Data Collection Modernization project (SNC Modernization). The project seeks to enhance and streamline this effective supervision program by standardizing the SNC data collection system, applying more advanced credit risk analytics and benchmarking techniques across bank portfolios, and providing participating banks with feedback on their SNC portfolios across those metrics. In December, the agencies published a *Notice for Public Comment* in the *Federal Register* requesting the industry's feedback on the SNC Modernization project. The notice describes the changes to the reporting system the agencies contemplate and identifies new data elements the agencies propose to collect. In the notice, the agencies present a series of questions to elicit comment on the expanded program and to help the agencies refine the design of the expanded data collection system.

Homeland Security

The financial sector is a critical component of the infrastructure in the United States, and the FDIC has taken a leadership role in assisting part of the financial sector in preparing for emergencies. As a member of the Financial and Banking Information Infrastructure Committee (FBIIC), the FDIC sponsored a series of outreach meetings in 21 cities across the United States in 2004 on *Protecting the Financial Sector: A Public and Private Partnership*. These meetings provided financial sector leaders with the opportunity to communicate with senior government officials, law enforcement members, and emergency management and private sector leaders about protecting the financial sector. Additional outreach meetings will be scheduled for 2005.

Bank Secrecy Act

The FDIC is also fully committed to assisting in efforts designed to thwart the inappropriate use of the banking system through activities conducted by criminals and terrorists. Our supervisory program, in conjunction with strong law enforcement efforts, creates an environment where criminals and terrorists who use the U.S. financial system to fund their operations will risk being discovered.

Since the passage of the USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001), the FDIC has been actively engaged in a number of Bank Secrecy Act (BSA), anti-money laundering (AML), and counter-financing of terrorism (CFT) initiatives. During the past year, the FDIC contributed to joint industry and interagency working groups for the development of rules and interpretive guidance; incorporated rules and guidance into examination procedures and industry resources; refined the process for referring BSA violations and other significant matters to the U.S. Department of the Treasury's FinCEN; assisted in global AML and CFT efforts; dedicated more staff to BSA/AML oversight; provided BSA/AML/CFT training to all risk management professionals; and participated in numerous industry outreach sessions.

In September 2004, the FDIC, the other Federal banking agencies, and FinCEN 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. The FDIC also issued 20 formal actions and entered into 83 informal agreements that contained provisions regarding BSA compliance.

International Stability

The FDIC serves as a member of the Consultative Group (CG) with respect to Middle East North Africa Partnership for Financial Excellence (PFE) initiative sponsored by the State Department (State) and the Department of the Treasury (Treasury). Under the PFE, the federal banking agencies in the U.S. (the FDIC, the Federal Reserve and the OCC) are working with Treasury, State and the U.S. Agency for International Development (USAID) in developing a training initiative to assist in the development of bank supervision in the Middle East and North Africa (MENA) region. The CG consists of representatives from the bank supervisory bodies in the MENA region, training institutions and banker associations in that region, and the U.S. supervisory and regulatory community. The CG serves as the advisory body and coordinating entity to facilitate the design, development and implementation of the training initiative. The objective of this initiative is to help foster economic growth in the region through the implementation of sound financial supervisory systems. The federal banking agencies are delivering technical assistance programs to meet needs in the MENA region. The FDIC is scheduled to deliver training focused on bank supervision and resolutions in 2005.

As a member of the Association of Supervisors of Banks of the Americas (ASBA) Strategic Planning Implementation Committee, the FDIC helped develop specific action plans for ASBA's 2004–2008 strategic plan. This plan will help ASBA deliver more relevant and timely support to its member countries. The strategic plan is focused on ensuring ASBA member countries effectively implement legal and regulatory frameworks, as well as bank supervisory policies, procedures and programs that are in line with the Basel core principles.

The FDIC fulfilled 16 technical assistance missions in 2004. Beneficiaries of these missions included Morocco, Kyrgyz Republic, Iraq, Georgia, Russia, Jordan, Argentina, Serbia, Romania, several countries in Latin America, and countries involved in the Partnership for Financial Excellence Program in the Middle East and North Africa.

In 2004, the FDIC also held 51 meetings with representatives from foreign countries. The visitors usually represented a country's central bank or deposit insurance agency. The most frequent visitors were: China (7), Korea (6), Russia (4), Indonesia (3), Jamaica (3), Taiwan (3), and Japan (3).

Accounting Policy

During 2004, the FDIC was active in addressing several complex accounting issues of interest to depository institutions. In February, the FDIC, in conjunction with the other financial institution regulators, issued guidance on the proper accounting and regulatory reporting for certain types of deferred compensation arrangements. In order to address the industry's concerns about potential changes in the accounting for allowances for loans and lease losses, the FDIC joined other financial institution regulators in March to advise the industry on the status of the American Institute of Certified Public Accountants' work on this important subject and to remind institutions of the current accounting and regulatory reporting guidance in this area. In addition, in an effort to avoid adverse changes in the accounting for loan participations, the FDIC worked extensively with the Financial Accounting Standards Board (FASB) to ensure FASB fully understood the treatment of loan participations in receiverships for its consideration and further deliberation on the proper accounting for this critical lending activity.

Financial Education and Community Development

During 2004, the Corporation continued to expand the scope and impact of its efforts to increase the availability of financial services to low- and moderate-income populations, as well as to those outside the financial mainstream.

The Corporation has worked diligently to form partnerships with financial institutions, bank trade associations, non-profit organizations, community and consumer-based groups and federal, state and local agencies to promote financial education. In 2004, the FDIC added over 200 partners to its *Money Smart* alliance, increasing its total to over 900 partnerships nationally. Through its *Money Smart* financial education program, the FDIC has provided training to an estimated 8,300 volunteer instructors, reached more than 294,000 consumers, disseminated an additional 20,000 copies of the *Money Smart* curriculum, and seen the establishment of more than 40,000 bank accounts. The *Money Smart* curriculum is available in five languages: English, Spanish, Chinese, Korean, and Vietnamese. The FDIC launched a new interactive computer-based version of *Money Smart* in English and Spanish in September 2004. The target to conduct and participate in 125 outreach and technical assistance activities in 2004 was exceeded.

Leaders gather at Commission's first meeting (l to r): Federal Reserve Board Chairman Alan Greenspan, FDIC Chairman Donald E. Powell, National Credit Union Administration Chairman Dennis Dollar and Treasury Secretary John Snow.

The FDIC is one of 20 agencies that are members of the Financial Literacy Education Commission, which was established by Congress in 2003 to educate Americans about the importance of personal finances. The FDIC chairs one of two subcommittees formed by the Commission, a subcommittee to develop a national toll-free hotline (1-888-mymoney) that consumers can use to obtain information on personal finance topics. The Commission launched the hotline in late 2004.

During 2004, the FDIC also continued to lead a Chicago-based pilot project called the New Alliance Task Force (NATF), which is focused on increasing access to bank products and services for Latino immigrants. NATF is a broad-based coalition of 63 member organizations, comprised of the Mexican Consulate, banks, community-based organizations, federal bank regulatory agencies, government agencies, and representatives from the secondary market and private mortgage insurance companies. In 2004, NATF-member banks opened 50,000 new accounts throughout the Midwest, totaling about $100 million in new deposits, with an average account balance of $2,000.

Consumer Privacy and Identity Theft

The FDIC has taken a leading role in helping banks combat identity theft. In November 2004, the FDIC published a study entitled *Stop, Thief! Putting an End to Account-Hijacking Identity Theft*. The study took an in-depth look at identity theft, focusing on account hijacking (the unauthorized use of deposit accounts). The study found account hijacking fraud could be significantly reduced if banks upgraded the security measures they use to authenticate customers who access their accounts remotely via computers and used specialized software to proactively detect and defend against account hijacking. The study also concluded that increased consumer education and information-sharing could reduce identity theft. The FDIC is currently investigating the most appropriate ways to follow up on the study's findings.

The FDIC conducted a study on offshore outsourcing following Chairman Powell's March 4, 2004, testimony before the House Subcommittee on Oversight and Investigations on Financial Services and the Senate Banking Committee. The purpose of the study was to identify risks to consumer privacy and identity theft from foreign out-sourcing. The study also identified best practices that financial institutions can use to mitigate the risk inherent in foreign outsourcing relationships.

The study recommended that the banking agencies expand the scope of examination procedures to include identification of undisclosed third-party contracting arrangements and conduct an analysis of the feasibility of using the FFIEC as a central location for the Bank Service Company Act notices filed by financial institutions. This information could then be used for analysis, monitoring and tracking by the supervisory agencies. The FDIC is working with the other banking agencies to implement these recommendations.

The FDIC is one of several federal agencies charged with implementing the provisions of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), which substantially amended the Fair Credit Reporting Act, particularly in the areas of consumer access to and quality of credit information, privacy, and identity theft. The FACT Act:

- preserves uniform national standards for the content of consumer report information and creditor access to such information,
- improves consumer access to credit information,

- improves the quality of reported credit information,
- protects privacy,
- combats identity theft, and
- promotes financial literacy.

Consistent with the privacy requirements of the FACT Act, the FDIC worked with other federal agencies to issue draft rules in 2004: (1) permitting creditors to obtain, use and share medical information only to the degree necessary to facilitate legitimate operational needs; and (2) providing consumers with the ability to limit the circumstances under which affiliated financial institutions may use certain information in connection with marketing activities. These rules will be issued in final form once the agencies fully consider the comments received in response to the proposals. In the meantime, the FDIC is training its examiners on the concepts underlying these rules, and is developing examination procedures to evaluate industry compliance.

Consistent with the identity theft provision of the FACT Act, the FDIC worked with other federal agencies in 2004 to propose rules that would require banks to implement a written identity theft protection program which includes procedures to evaluate red flags that might indicate identity theft. The FDIC, with the other agencies, also finalized rules requiring institutions to properly dispose of consumer information derived from credit reports in order to prevent identity theft and other fraud. The rules on disposal of consumer information become effective on July 1, 2005.

Curbing Unfair and Deceptive Practices

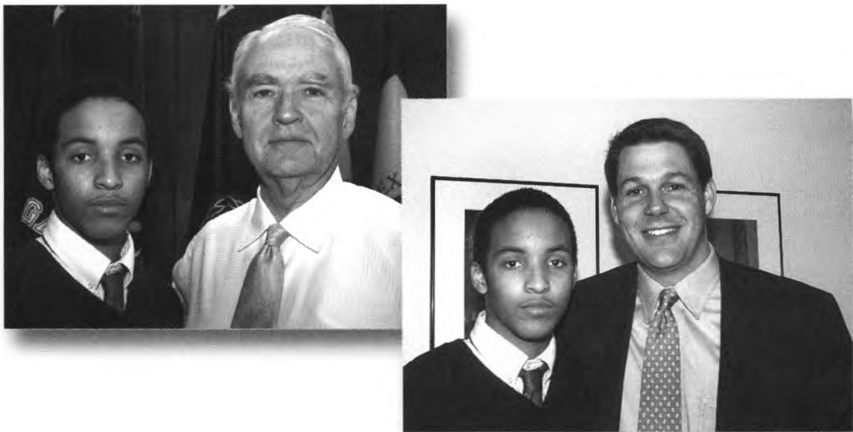
In March 2004, the FDIC and the Federal Reserve Board (FRB) jointly published guidance for state-chartered institutions on unfair or deceptive acts or practices prohibited by Section 5 of the Federal Trade Commission (FTC) Act. This guidance explains how institutions may avoid engaging in practices that might be viewed as unfair or deceptive. The FDIC also joined with the FFIEC agencies to propose guidance on overdraft protection programs in June 2004. The proposed guidance discusses:

- approaches to providing consumers with protection against account overdrafts;
- existing and potential concerns about offering and administering overdraft protection services;
- key legal issues, including compliance with the FTC Act and other applicable federal and state laws;
- safety and soundness considerations, such as whether institutions offering overdraft protection services have adopted adequate policies and procedures to address the credit, operational and other risks associated with these services; and
- best practices in use or recommended by the industry, including those relating to marketing overdraft protection services and communicating with customers about the features of such programs.

The agencies received about 300 comments on the proposed guidance. We expect the final guidance to be issued in 2005.

Consumer Complaints and Inquiries

The FDIC investigates and responds to complaints and inquiries from consumers, financial institutions and other parties about potential violations of consumer protection and fair lending laws, as well as deposit insurance matters. The FDIC's centralized Consumer Response Center (CRC) is responsible for investigating all types of consumer complaints about FDIC-supervised institutions and for answering inquiries about consumer protection laws and banking practices. During 2004, the FDIC received 8,804 complaints, of which 3,791 were against state-chartered nonmember banks. Approximately 41 percent of the state nonmember bank consumer complaints concerned credit card accounts, with the most frequent complaints involving loan denials, billing disputes and account errors, terms and conditions, collection practices, reporting of erroneous information, identity theft, and credit card fees and service charges. The FDIC also responded to 2,947 deposit insurance and 5,087 consumer protection inquiries from consumers and members of the banking community. The FDIC responded to over 90 percent of written complaints on a timely basis.



High school senior Christopher Perry (with Chairman Don Powell, left, and Chief of Staff Jodey Arrington, right) said "he left with a positive outlook on the role of the FDIC and its duty to insure depositors' money."

Deposit Insurance Education

An important part of the FDIC's role in insuring deposits and protecting the rights of depositors is its responsibility to ensure that bankers and consumers have access to accurate information about FDIC deposit insurance rules. To that end, the FDIC has an expansive deposit insurance education program consisting of seminars for bankers, electronic tools for calculating deposit insurance coverage, and written and electronic information targeting both bankers and consumers. During 2004, the FDIC completed a digital video for bank employees and customers explaining how FDIC deposit insurance works and issued a new edition of our Electronic Deposit Insurance Estimator (EDIE) for Bankers. The video, which is available on DVD and can also be viewed through the FDIC's Web site, provides an overview of deposit insurance coverage rules and requirements, with specific emphasis on the most common account ownership categories used by individuals and families. The EDIE software update met a 2004 performance target to provide improved resources to bankers on deposit insurance rules. It allows bankers to calculate their customers' insurance coverage for nearly all types of deposit accounts an individual or business may have at an insured bank or savings association. Consumers can also access EDIE directly through the FDIC's Web site.

In 2004, the FDIC continued to expand its educational tools for consumers by issuing two new brochures for bank customers. *Insuring Your Deposits* describes insurance coverage rules for deposit accounts most commonly owned by individuals and families. *Your Insured Deposits - FDIC's Guide to Deposit Insurance Coverage*, an update of the 1999 version, provides an in-depth explanation of the FDIC's account ownership categories and includes the FDIC's new rules for insurance coverage of living trust accounts that became effective on April 1, 2004.

The FDIC also conducted 38 deposit insurance seminars for financial institution employees, consumer organizations, and bank regulatory agencies. These seminars, which were conducted in a variety of formats, including internet, phone conference, and classroom, provided an in-depth review of how FDIC insurance works, including the FDIC's rules for coverage of different types of deposit accounts.

Office of the Ombudsman (OO) Services to the Banking Industry

The OO was established by federal statute to serve as a confidential, neutral, and independent resource and liaison for bankers with the FDIC on regulatory matters. The OO ensures the fair and consistent application of FDIC rules and regulations, and the fair treatment of institutions throughout the FDIC's examination, assessment, application, enforcement, rule-making and other processes. The OO works with financial institutions and the FDIC to informally resolve problems and disputes at the earliest possible stages. During 2004, bankers and members of the public contacted the OO, voicing questions and seeking problem or complaint resolution. Cumulatively, these contacts provided the FDIC with an important perspective on general and specific matters of importance, concern, or uncertainty to bankers.

Receivership Management

The FDIC has the unique mission of protecting the depositors of insured banks and savings associations. Since the FDIC's inception over 70 years ago, no depositor has ever experienced a loss of insured deposits at an FDIC-insured institution due to a failure. The FDIC protects insured depositors by prudently managing the BIF and the SAIF and using the assets of the funds to pay insured deposits at the time of the institution failure. Once an institution is closed by its chartering authority – the state for state-chartered institutions, the OCC for national banks, or the Office of Thrift Supervision (OTS) for federal savings associations – the FDIC is responsible for the resolution of the failed bank or savings association. FDIC staff gathers data about the troubled institution, estimates the potential loss due to its failure, solicits and evaluates bids from all known qualified and interested bidders, and then recommends the least costly resolution transaction to the FDIC's Board of Directors.

Liquidation Highlights 2002-2004

Dollars in billions

	2004	2003	2002
Total Resolved Banks	**3**	3	10
Assets of Resolved Banks	**$ 0.15**	$ 1.10	$ 2.50
Total Resolved Savings Associations	**1**	0	1
Assets of Resolved Savings Associations	**$ 0.01**	$ 0.00	$ 0.05
Net Collections from Assets in Liquidation•	**$ 0.38**	$ 1.70	$ 1.84
Total Assets in Liquidation•	**$ 0.61**	$ 0.81	$ 1.24
Total Dividends Paid•	**$ 0.38**	$ 1.06	$ 2.12

•Includes activity from thrifts resolved by the former Federal Savings and Loan Insurance Corporation and the Resolution Trust Corporation.

Resolving Financial Institution Failures

During 2004, the FDIC resolved three BIF-insured institution failures and one SAIF-insured institution failure. The SAIF-insured institution, Dollar Savings Bank, Newark, New Jersey, with total assets of $15 million, was closed on February 14, and depositors received their insured funds by check. Guaranty National Bank of Tallahassee, Tallahassee, Florida, with total assets of $77 million, was closed on March 12. All of Guaranty's deposits and a large portion of its assets were sold to another FDIC-insured institution. Reliance Bank, White Plains, New York, with total assets of $27 million, was closed on March 19. All of Reliance's deposits and a large portion of its assets were also sold to another FDIC-insured institution. The Bank of Ephraim, Ephraim, Utah, with total assets of $46 million, was closed on June 25. In all cases, the target time frame was met for giving depositors access to their funds. Ephraim's insured deposits were sold to another FDIC-insured institution. (See the accompanying table above for details about liquidation activities.)

During 2004, the FDIC completed investigations and decisions regarding closure or pursuit of claims for all five receiverships that had failed within the prior 18 months. This exceeded the performance target of reaching decisions on closure or pursuit of professional liability claims for 80 percent of failed institutions within 18 months of the failure date.

Protecting Insured Depositors Through Asset Marketing

The FDIC's ability to attract healthy FDIC-insured institutions to assume deposits and purchase the assets of failed banks and savings associations ensures that depositors have prompt access to their insured deposits, minimizes the disruption to the customers and the community, and allows a fair portion of the failed institution's assets to be returned to the private sector almost immediately. Assets remaining after the resolution transaction are liquidated by the FDIC in an orderly manner, and the proceeds are used to pay creditors and uninsured depositors (depositors whose accounts exceed the $100,000 deposit insurance limits), and to reimburse the insurance fund that funded the resolution transaction.
In 2004, the FDIC again met its goal of marketing 85 percent of a failed institution's marketable assets within 90 days of the institution's failure.

At the President's Quality Award Ceremony (l to r): Deputy OMB Director Clay Johnson, FDIC CFO Steve App, DRR's Sharon Allen, Kevin Sheehan, Director Mitchell Glassman, Dan Walker, Nancy Champagne, Richard Salmon, OPM Director Kay Coles James, and FDIC Deputy to the Chairman John Brennan.

Customer Service Center

In order to help consumers needing assistance with matters arising from failed financial institutions, the FDIC operates a Customer Service Call Center with staff dedicated to handling records research and collateral releases. During 2004, the FDIC staff responded to 36,791 inquiries. The records research staff reviews the historical records of failed financial institutions in order to answer customer questions on deposit accounts, loan transaction histories, tax suits for delinquent real estate and other issues.

The collateral release staff researches and determines ownership of collateral securing loans of failed financial institutions in order to provide a release of lien, assignment or reconveyance to the borrower. This staff successfully handled 13,494 collateral release inquiries in 2004.

The Customer Service Call Center handled 76,217 calls asking for information or assistance. The FDIC Customer Service Center also supported the Federal Emergency Management Agency (FEMA) in its effort to help the people affected by hurricanes in Florida and other parts of the country. More than 100 FDIC employees assisted FEMA in fielding calls and processing FEMA applications associated with these emergencies.

Receivership Terminations

The FDIC, as receiver, manages the receivership estate and the subsidiaries of failed financial institutions with the goal of achieving an expeditious and orderly termination. The oversight and prompt termination of receiverships help to preserve value for the uninsured depositors and creditors by reducing overhead and other holding costs. For that reason, the FDIC has established a target of terminating 75 percent of receiverships within three years of the failure date. This goal was met at year-end 2004, with only one of four 2001 receiverships still active. The single remaining receivership could not be terminated due to the existence of ongoing professional liability litigation and other impediments. These cases continue to be vigorously pursued through appropriate negotiations and litigation proceedings. In 2004, there were 30 pre–2001 receiverships terminated; 59 remain to be terminated.

Effective Management of Strategic Resources

The FDIC must effectively manage and utilize a number of critical strategic resources in order to carry out its mission successfully, particularly its human, financial, and information technology (IT) resources. Major accomplishments in improving the Corporation's operational efficiency and effectiveness are outlined below. Although the FDIC is not subject to the President's Management Agenda, many of these efforts are consistent with that agenda.

Human Capital Management

The FDIC's employees are its most important strategic resource. For that reason, it seeks to continue to be the employer of choice within the financial regulatory community and to operate a human resources program that attracts, develops, evaluates, rewards and retains a high quality, results-oriented workforce. This was a difficult challenge over the past 12 years because the Corporation was in a continuous downsizing mode as it completed the residual workload from the banking and thrift crises of the late 1980s and early 1990s. FDIC staffing declined from approximately 23,000 (including employees assigned to the Resolution Trust Corporation) in 1992 to fewer than 5,100 at year-end 2004.

During 2004, the Corporation undertook a comprehensive analysis of its future staffing needs and formulated a human capital strategy to guide the FDIC through the rest of this decade. This strategy is based upon the implementation of a new Corporate Employee Program that will become the foundation for the establishment of a smaller more adaptable permanent workforce that reflects a more collaborative and corporate approach to meeting critical mission functions. This workforce will be capable of adapting quickly to significant unexpected events or changes in workload priorities in the future. The FDIC's future workforce will also require a somewhat different mix of skill sets than are available in the current workforce. The Corporation initiated steps in late 2004 to begin reshaping its workforce to be consistent with these concepts, including changes to current training programs administered by its Corporate University. The Corporation also began the development of a new human capital framework that, when implemented, will provide a methodology for future workforce planning and succession management.

The FDIC will require more flexibility in its management of human resources in order to realize its vision of its future workforce. To that end, the Corporation worked with the Office of Personnel Management to obtain expanded delegations of administrative authority. It also submitted to the Congress in late 2004 proposed legislation that would provide the FDIC with additional personnel authorities that are tied directly to the FDIC's unique mission responsibilities. These included independent hiring authority, greater flexibility in the use of term appointments, the ability to re-employ annuitants and waive dual compensation restrictions, authority to establish a separate appeals process for disciplinary actions, and the ability to hire experts and consultants in the same manner as other federal agencies.

During the past year, the Corporation continued to emphasize the linkage of individual pay to concrete accomplishment and contributions. Approximately 400 managers and supervisors were converted to a new Corporate Manager Program in April 2004. This program is similar to the Executive Manager classification and pay program instituted in 2002 and replaces the old program of fixed annual pay increases with a new pay and bonus program in which pay increases and bonuses vary by individual and are not guaranteed. More than 1,000 non-bargaining unit employees were also converted to a new Contributions-Based Compensation Program that provides a wider range of possible rewards than the Corporate Success Award program established in 2002.

The Corporation also initiated a new buyout and early retirement program in late 2004. This program is targeted to reduce identified staffing surpluses and to support the realignment of the current workforce, consistent with identified future workforce needs. The Corporation also announced planned reductions-in-force in 2005 and 2006, if necessary, to eliminate employee surpluses and support realignment of the FDIC workforce.

Reducing Costs and Improving Financial Management

The FDIC's operating expenses are largely paid from the insurance funds, and the Corporation continuously seeks to improve its operational efficiency in fulfillment of its fiduciary responsibilities to the funds. To that end, the Corporation engages annually in a rigorous planning and budgeting process to ensure that budgeted resources are properly aligned with workload. That is particularly true with respect to staffing, since personnel costs constitute well over 60 percent of the Corporation's annual administrative expenses. In late 2004, the FDIC Board of Directors approved management recommendations to reduce authorized staffing by 674 positions, to 4,750, by year-end 2005.

Authorized year-end 2005 staffing is substantially lower than previous authorized staffing levels for the resolutions and receivership business line as well as the IT and administrative support functions. Staffing reductions were approved for the Division of Resolutions and Receiverships and the Legal Division following a lengthy analysis of current and projected future workload in the resolutions and receivership management area and reflect the smaller number of financial institution failures for the past several years. Staffing reductions in the Division of Information Resources Management and the Division of Administration reflect improved business processes, savings from contract consolidation, and outsourcing of functions where cost effective.

The FDIC adopted significant changes in 2004 to the sourcing strategy for obtaining contractor support for its IT functions. These changes incorporate the concept of partnering with the private sector and other federal agencies; the use of performance-based, results-driven contracts; the consolidation of nearly 100 support contracts into several large multi-year, all-encompassing contracts; and the appointment of full-time professional oversight managers to manage and administer these contracts. The structure of the new contracts places the emphasis on contractor performance and links contractor compensation to results achieved rather than costs incurred. The Board of Directors approved the consolidation of contracts supporting both the IT infrastructure and applications support.

Several years ago, the Corporation separated its investment expenses from its annual operating budget in order to ensure a more rigorous approach to the approval and management of major investment initiatives. The single most significant current initiative is the construction of additional FDIC office and multi-purpose buildings adjacent to the existing facilities at Virginia Square. This project will eliminate the need for the Corporation to lease commercial space in downtown Washington, DC, and will substantially reduce future facility costs. The project remains on target for occupancy in the first quarter of 2006. Management processes have been implemented to ensure adherence to the project budget and schedule. Construction of the new building will provide estimated cost savings of approximately $78 million (net present value) over 20 years, when compared to the projected costs associated with the current headquarters leasing arrangements.

Members of the CIO Council (l to r):
Seated, CIO Council Chair Mike Bartell and Sandra Thompson.
Standing: (l to r): Jerry Russomano, Eric Spitler, Gail Verley, Rus Rau, Ann Bridges Steely and Doug Jones.
Not shown: Ron Bieker, Maureen Sweeney, Janet Roberson, and Gail Patelunas.

Improving the FDIC's Use of Information Technology

The Corporation established a new Chief Information Office (CIO) Council in February 2004. The overall mission of the Council is to serve as an executive-level advisory group to the CIO, and to help shape Corporate IT strategy and activities. Establishing the CIO Council is part of a multi-pronged approach to re-engineering the Corporation's IT program. The CIO Council advises the CIO on all aspects of adoption and use of IT at the FDIC. Accomplishing the Corporation's strategic goals and business objectives depends on achieving successful results from IT initiatives. One of the first initiatives of the Council was to conduct an analysis of FDIC's current applications portfolio. An estimated 30 existing applications were retired in 2004, with a larger number of retirements expected to occur over the next year.

The FDIC also greatly expanded its use of its e-government portal, FDIC*connect* (a secure Web site that allows FDIC-insured institutions to conduct business and exchange information with the FDIC, other federal regulatory agencies and various state banking departments), in 2004. FDIC*connect* will enable the FDIC to comply with the Government Paperwork Elimination Act of 1998 (GPEA) and address Presidential guidelines that direct government agencies to establish electronic alternatives to current paper processes where feasible. Nearly 44 percent of FDIC-insured institutions have registered to use FDIC*connect*.

In 2004, the FDIC expanded the capabilities of FDIC*connect* to allow institutions to submit applications seeking extensions of time for completing a transaction or condition related to previously approved applications; prior FDIC consent to reduce or retire capital stock or capital notes or debentures; and approval to make golden parachute payments or excess non-discriminatory severance plan payments. In November, the FDIC Board approved use of FDIC*connect* as the vehicle for all insured financial institutions to receive their quarterly insurance assessment invoices and eliminated the requirement for institutions to sign and return correct certified statements, thus eliminating burden on the institutions.

II. Financial Highlights

Deposit Insurance Fund Performance

The FDIC administers two deposit insurance funds – the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) – and manages the FSLIC Resolution Fund (FRF), which fulfills the obligations of the former Federal Savings and Loan Insurance Corporation (FSLIC) and the former Resolution Trust Corporation (RTC). The following summarizes the condition of the FDIC's insurance funds. (See the accompanying tables on FDIC-Insured Deposits, Insurance Fund Reserve Ratios and Risk-Related Premiums on the following pages.)

The BIF reported comprehensive income (net income plus current period unrealized gains/losses on available-for-sale securities) of $1 billion for the twelve months ending December 31, 2004, compared to $1.7 billion for the same period in the prior year. This reduction was primarily due to an increase in unrealized losses on available-for-sale securities of $102 million and a reduction in net income of $625 million. The decline in net income primarily resulted from a smaller negative adjustment of $269 million to the provision for losses at December 31, 2004, compared to a negative $931 million adjustment for the same period last year. BIF's provision for losses negative adjustments were mostly attributable to the reduction of estimated losses for future and actual failures. As of December 31, 2004, the fund balance was $34.8 billion, up from $33.8 billion at year-end 2003.

The SAIF reported comprehensive income of $480 million for the twelve months ending December 31, 2004, compared to $493 million for the same period in the prior year. This reduction of $13 million was primarily due to slightly lower earnings on U.S. Treasury obligations whereby a $30 million increase in unrealized losses was partially offset by a $23 million increase in interest revenue.

As of December 31, 2004, the fund balance was $12.7 billion, up from $12.2 billion at year-end 2003.

Operating Expenses

Corporate Operating Budget expenses totaled $1.004 billion in 2004, including $986 million in ongoing operations and $18 million for receivership funding. This represented approximately 97 percent of the approved budget on ongoing operations and 24 percent of the approved budget for receivership funding. Receivership funding expenses were down significantly from 2003 because the four financial institution failures in 2004 were relatively small banks.

In December 2004, the Board of Directors approved a 2005 Corporate Operating Budget of approximately $1.1 billion, including just over $1.0 billion for ongoing operations. The level of approved spending in the 2005 budget remains virtually the same as that in 2004 due to continuing efforts to identify operational efficiencies and control costs. The Corporate Operating Budget includes funding for a number of major new initiatives, including funding for a Hispanic financial literacy program, and hiring additional financial analysts and risk modeling specialists to prepare for implementation of the Basel Capital Accord.

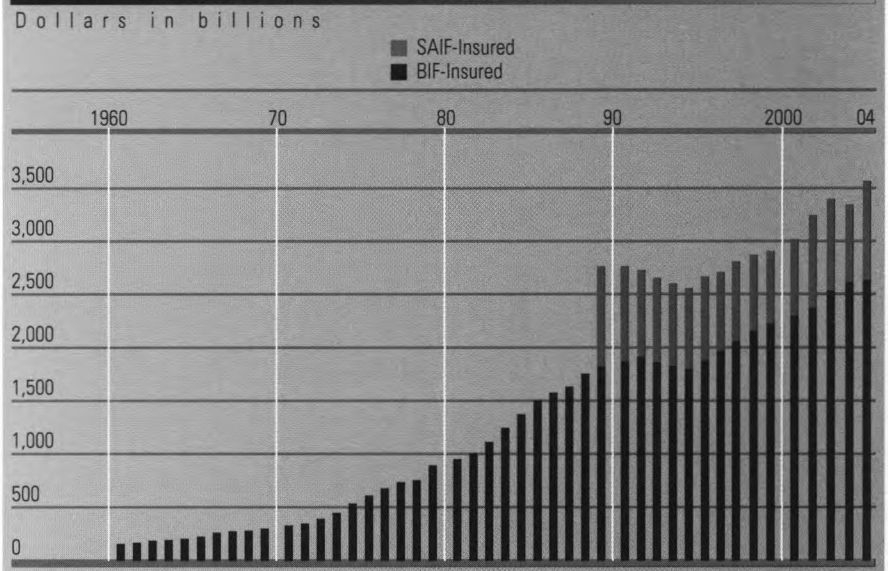
The 2005 budget includes estimated funding requirements ($35 million) for litigation expenses projected to be incurred on behalf of the FDIC by the U.S. Department of Justice.

Investment Spending

The FDIC has a disciplined process for reviewing proposed new capital investment projects and managing the implementation of approved projects. Most of the projects in the current investment portfolio are major IT system initiatives.

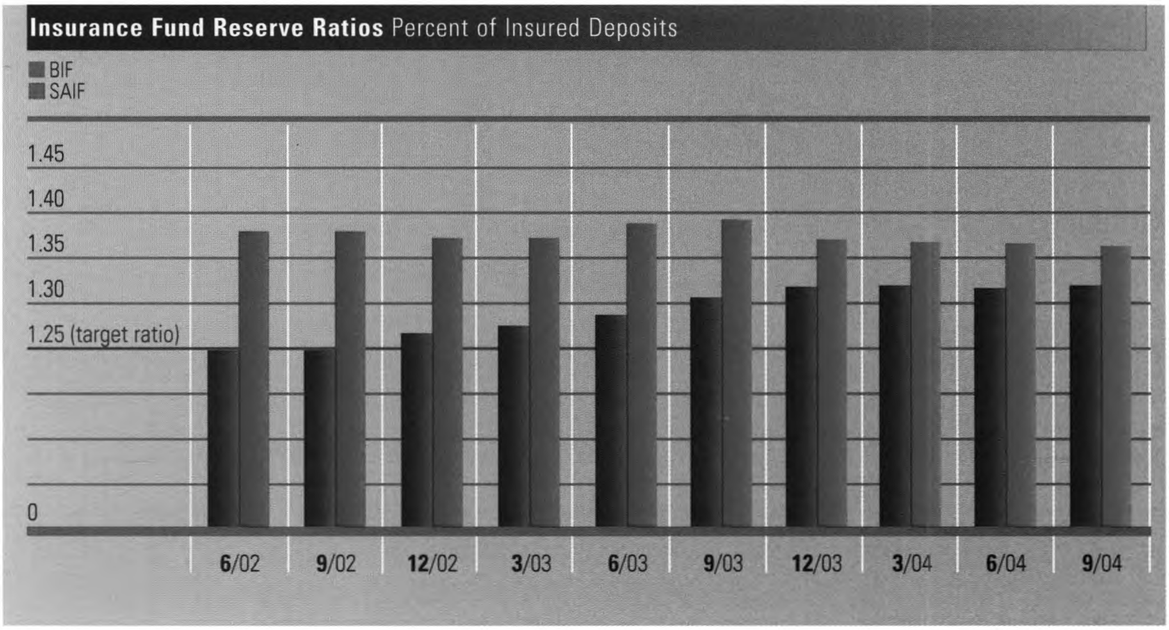
Proposed projects are carefully reviewed to ensure that they are consistent with the Corporation's enterprise architecture and include an appropriate return on investment for the insurance funds. The process also enables the FDIC to be aware of risks to the major capital investment projects and facilitates appropriate, timely intervention to address these risks throughout the development process. An investment portfolio performance review of the major capital investments is provided to the FDIC's Board of Directors quarterly. During 2004, the Board of Directors approved only one new investment project, a new Web-based time and attendance reporting system. Additional spending was also approved for three existing investment projects: (1) Legal Integrated Management System increased by $1.4 million to $5.06 million, (2) New Financial Environment increased $17 million to $51.8 million, and (3) ViSION increased $6.2 million to $12.7 million.

FDIC-Insured Deposits (estimated 1960-2004)



Source: Commercial Bank Call Reports and Thrift Financial Reports

Funding for FDIC staff assigned to investment projects was transferred to the Corporate Operating Budget, at year-end 2004, in order to more accurately account for and provide year-to-year comparisons of salary and compensation expenses included in those operating budgets. However, all other project spending continues to be provided through separate investment budget authorizations.


Insurance Fund Reserve Ratios Percent of Insured Deposits
BIF
SAIF
1.45
1.40
1.35
1.30
1.25 (target ratio)
0
6/02
9/02
12/02
3/03
6/03
9/03
12/03
3/04
6/04
9/04

Risk-Related Premiums

The following tables show the number and percentage of institutions insured by the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), according to risk classifications effective for the first semiannual assessment period of 2004. Each institution is categorized based on its capital group (1, 2, or 3) and supervisory subgroup (A, B, or C), which is generally determined by on-site examinations. Assessment rates are basis points, cents per $100 of assessable deposits, per year.

BIF Supervisory Subgroups•

Capital Group	A	B	C
1. Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	7,314 (92.7%)	421 (5.3%)	79 (1.0%)
2. Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	58 (0.7%)	4 (0.1%)	8 (0.1%)
3. Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	2 (0.0%)	0 (0.0%)	2 (0.0%)

SAIF Supervisory Subgroups▪

1. Well Capitalized:			
Assessment Rate	0	3	17
Number of Institutions	1,073 (93.3%)	62 (5.4%)	9 (0.8%)
2. Adequately Capitalized:			
Assessment Rate	3	10	24
Number of Institutions	4 (0.3%)	2 (0.2%)	0 (0.0%)
3. Undercapitalized:			
Assessment Rate	10	24	27
Number of Institutions	0 (0.0%)	0 (0.0%)	0 (0.0%)

• BIF data exclude SAIF-member "Oakar" institutions that hold BIF-insured deposits. The assessment rate reflects the rate for BIF-assessable deposits, which remained the same throughout 2004.

▪ SAIF data exclude BIF-member "Oakar" institutions that hold SAIF-insured deposits. The assessment rate reflects the rate for SAIF-assessable deposits, which remained the same throughout 2004.

III. Performance Results Summary

Summary of 2004 Performance Results by Program

The FDIC successfully achieved 26 of the 31 annual performance targets established in its 2004 Annual Performance Plan. Three performance targets were not applicable and two were not met. The FDIC did not hold a Future of Banking Conference in 2004, as originally planned. Instead, it elected to disseminate the results of the study and solicit feedback from interested parties by publishing papers from the study on the FDIC Web site and discussion of the study results in FDIC publications and speeches by senior FDIC officials. Originally scheduled for implementation in October 2004, rollout of the Call Data Repository was postponed to address industry feedback and allow more time for system testing and enrollment of financial institutions.

Key accomplishments by program are highlighted below. There were no instances in which 2004 performance had a material adverse effect on successful achievement of the FDIC's mission or its strategic goals and objectives with respect to its major program responsibilities. In addition, consideration of 2004 performance results was an integral part of the development of the FDIC's 2005 Annual Performance Goals.

The Office of Inspector General (OIG) has shared its view of the most significant challenges the Corporation is confronting and has acknowledged actions underway to address these issues. (See Appendix C for a list of these challenges.) Management is committed to addressing each of the issues identified by the OIG.

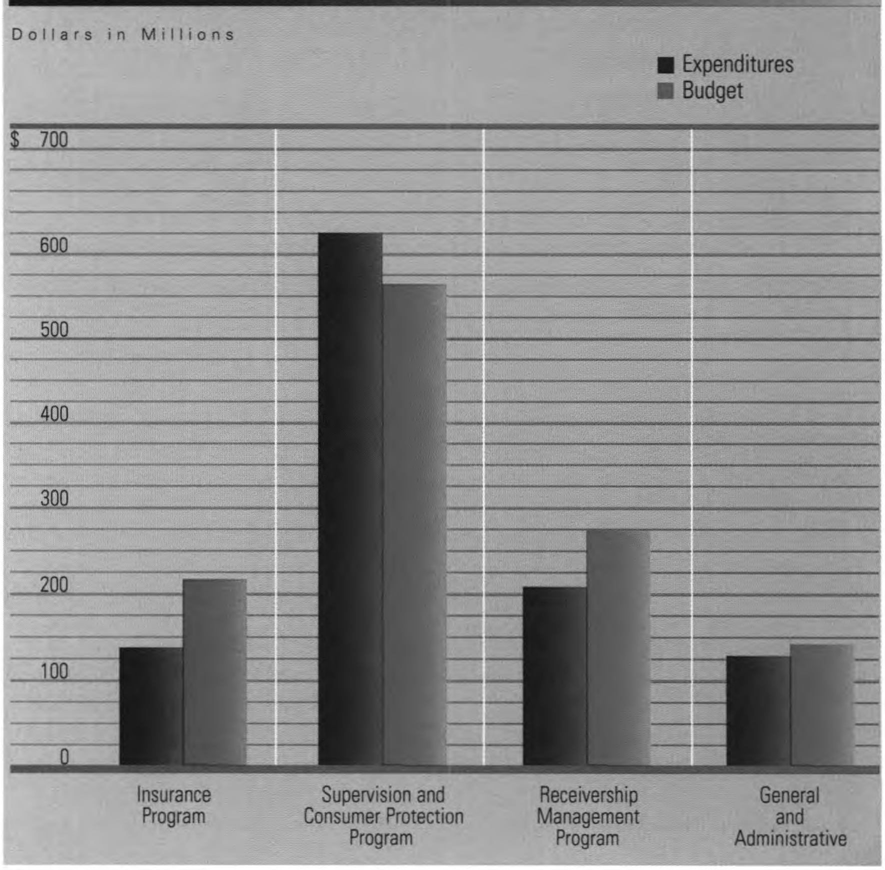
Program Area	Performance Results
Insurance	• Resolved four failed insured institutions, providing depositors with access to insured deposits in each case. For three of the four failures, depositors had uninterrupted and continuous access to insured deposits as the deposits were assumed by an acquiring entity. One of the four failures was a payout.
	• Completed implementation of enhancements to the reserving process and methodology in accordance with recommendations from a comprehensive study.
	• Congress did not enact deposit insurance reform legislation. The FDIC will continue to press for reform.
	• Completed risk assessments for all large insured depository institutions and followed up on all identified concerns referred for examination or other supervisory action.
	• Improved the accuracy and efficiency of off-site risk identification models.
	• Completed the development of a CD-ROM and Internet-based resource for bankers on the deposit insurance rules.
	• Published economic and banking information and analysis: • Four *FDIC Outlook* publications. • Ten *FYI* electronic bulletins. • Four editions of the *FDIC Quarterly Banking Profile (QBP).* • Four editions of the FDIC *State Profiles.* • Five articles authored or co-authored by FDIC staff accepted for publication in professional journals.
Supervision and Consumer Protection	• Conducted 2,515 safety and soundness examinations. This included all statutorily required safety and soundness examinations, except for a small number deferred due to pending mergers.
	• Conducted 2,136 compliance and Community Reinvestment Act examinations in accordance with FDIC policy.
	• Participated in 125 *Money Smart* events and technical assistance activities related to the Community Reinvestment Act, fair lending and community development, and added 200 *Money Smart* Alliance members and distributed 20,000 copies of the *Money Smart* curriculum.
Receivership Management	• Contacted all qualified potential bidders in three of the four institution failures in 2004. One failed institution was not offered for sale as a result of fraud allegations and little advance notice of the closing.
	• Marketed 100 percent of marketable assets of five failed financial institutions within 90 days of failure (one of the institutions failed in late 2003).
	• Terminated three receiverships, meeting the target to terminate 75 percent within three years of failure date.

2004 Budget and Expenditures by Program

The FDIC budget for 2004 totaled $1.210 billion. Excluding $147 million for Corporate General and Administrative expenditures, budget amounts were allocated to corporate programs and related goals as follows: $221 million, or 18 percent, to the Insurance program; $567 million, or 47 percent, to the Supervision and Consumer Protection program; and $275 million, or 23 percent, to the Receivership Management program.

Actual expenditures for the year totaled $1.112 billion. Excluding $131 million for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: $143 million, or 13 percent, to the Insurance program; $631 million, or 57 percent, to the Supervision and Consumer Protection program; and $207 million, or 19 percent, to the Receivership Management program.

2004 Expenditures and Budget (Support Allocated)



Performance Results by Program and Strategic Goal

Insurance Program Results

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goal	Indicator	Target	Results
1. Respond promptly to all financial institution closings and emerging issues.	Number of business days after institution failure by which depositors will have access to insured funds either through transfer of deposits to successor insured depository institution or depositor payout.	If the failure occurs on a Friday the target is one business day.	Achieved. See pg. 19.
		If the failure occurs on any other day of the week, the target is two business days.	Not Applicable. All failures occurred on a Friday.
2. Identify and address risks to the insurance funds.	Assess risks posed by large insured depository institutions.	Assess risks in 100 percent of large insured depository institutions and adopt appropriate strategies.	Achieved. See pg. 11.
	Identify and follow up on concerns referred for examination or other action (i.e., contact the insured institution or primary supervisor).	Identify and follow up on 100 percent of referrals.	Achieved. See pg. 12.
	Disseminate data and analyses on current issues and risks affecting the banking industry to bankers, supervisors, stakeholders, and the public.	Analyses are included in regular publications or as ad hoc reports on a timely basis.	Achieved. See pg. 11.
		Conduct industry outreach activities aimed at the banking community and industry trade groups to discuss current trends and concerns and to inform bankers about available FDIC resources.	Achieved. See pg. 11.
3. Maintain sufficient and reliable information on insured depository institutions.	Maintain quality and timeliness of bank data.	Implement a modernized Call Reporting process by December 31, 2004.	Not Achieved. See pg. 11.

Insurance Program Results (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goal	Indicator	Target	Results
4. Maintain and improve the deposit insurance system.	Pursuit of changes to the deposit insurance system is in accordance with proposals submitted to the Congress.	Provide information and analysis to Congressional committees in support of deposit insurance reform legislation.	Achieved. See pgs. 8-9.
		Develop and obtain the necessary support for a proposed assessment credit and rebate system and a new deposit insurance pricing system.	Achieved. See pgs. 8-9.
		When deposit insurance reform is enacted, implement legislation in accordance with statutorily prescribed time frames.	Not Applicable. Legislation not enacted in 2004.
	Make appropriate changes to the current methodology for projecting losses in failing financial institutions and establishing related loss reserves for the deposit insurance funds.	Review discrepancies between projected failed assets and actual failed assets by applying sophisticated analytical techniques to examine the effectiveness of the loss projection model and adjust the methodology for projecting losses accordingly.	Achieved. See pgs. 8-9.
		Implement enhancements to the reserving process and methodology in accordance with recommendations from a comprehensive 2003 review.	Achieved. See pgs. 8-9.
	Maintain fund adequacy.	Set assessment rates to maintain the insurance funds at the designated reserve ratio, or return them to the designated reserve ratio if they fall below it, as required by statute.	Achieved. See pgs. 8-9.

Insurance Program Results (continued)

Strategic Goal: Insured depositors are protected from loss without recourse to taxpayer funding.

Annual Performance Goal	Indicator	Target	Results
		If deposit insurance reform legislation becomes law in 2004, promulgate rules and regulations establishing criteria for replenishing the deposit insurance fund when it falls below the low end of the range.	Not Applicable. Legislation not enacted in 2004.
		Develop a working prototype of a new, integrated fund model for financial risk management.	Achieved. See pgs. 8-9.
	Conduct a conference on the "Future of Banking."	Host conference, present findings from the study and obtain feedback from scholars and industry representatives and other interested parties.	Not Achieved. See pg. 28.
	Maintain quality and visibility of the Corporation's banking research activities.	Implement an FDIC Center for Financial Research with enhanced ties to the academic community.	Achieved. See pg.10.
5. Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	Utility of educational tools developed for bankers and consumers.	Develop a CD-ROM and Internet-based resource for bankers on the deposit insurance rules.	Achieved. See pg. 18.

Supervision and Consumer Protection Program Results

Strategic Goal: FDIC-supervised institutions are safe and sound.

Annual Performance Goal	Indicator	Target	Results
1. Conduct on-site risk management examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and polices, and compliance with applicable laws and regulations.	Percentage of required examinations in accordance with statutory requirements and FDIC policy.	One hundred percent of required examinations are conducted on time.	Achieved. See pg. 12.
2. Take prompt supervisory actions to address problems found during the FDIC examination of FDIC-supervised institutions identified as problem insured depository institutions. Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.	Follow-up examination of problem banks.	Follow-up examination is conducted within 12 months of completion of the prior examination.	Achieved. See pg. 12.

Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

Annual Performance Goal	Indicator	Target	Results
1. Provide effective outreach and technical assistance on topics related to CRA, fair lending, and community development.	Additions to the *Money Smart* Alliance and the number of *Money Smart* curriculum provided.	Add an additional 200 *Money Smart* Alliance Members.	Achieved. See pg. 15.
		Provide an additional 20,000 copies of *Money Smart* curriculum.	Achieved. See pg. 15.
		Reach an additional 200,000 individuals.	Achieved. See pg. 15.
	Outreach activities and technical assistance.	Conduct or participate in 125 technical assistance efforts (examination support) or banker/community outreach activities related to CRA, fair lending, or community development.	Achieved. See pg. 15.
2. Effectively meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions.	Timely responses to written complaints.	Ninety percent of written complaints are responded to within time frames established by policy.	Achieved. See pg. 17.

Supervision and Consumer Protection Program Results (continued)

Strategic Goal: Consumers' rights are protected and FDIC-supervised institutions invest in their communities.

	Annual Performance Goal	Indicator	Target	Results
3.	Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy.	Conduct required examinations in accordance with FDIC policy.	One hundred percent of required examinations are conducted within time frames established by FDIC policy.	Achieved. See pg. 12.
4.	Take prompt supervisory actions and monitor institutions rated "4" or "5" for compliance to address problems identified during compliance examinations.	Timely follow-up examinations and related activity.	Follow-up examination or related activity is conducted within 12 months from the date of a formal enforcement action to confirm that the institution is in compliance with the enforcement action.	Achieved. See pg. 12.

Receivership Management Program Results

Strategic Goal: Recovery to creditors of receivership is achieved.

	Annual Performance Goal	Indicator	Target	Results
1.	Market failing institutions to all known qualified and interested potential bidders.	List of qualified and interested bidders.	Contact all known qualified and interested bidders.	Achieved. See pg. 19.
2.	Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Percentage of failed institution's assets marketed.	Eighty-five percent of book value of a failed institution's marketable assets are marketed within 90 days of failure.	Achieved. See pg.19.
3.	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	Terminate 75 percent of receiverships managed through the Receivership Oversight Program within three years of the failure date.	Achieved. See pg. 20.
4.	Conduct investigations into all potential professional liability claim areas in all failed insured depository institutions and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.	Percentage of investigated claim areas for which a decision has been made to close or pursue the claim.	For 80 percent of all claim areas, a decision is made to close or pursue the claim within 18 months after the failure date.	Achieved. See pg. 19.

Multi-Year Performance Trend

Depositor Payouts in Instance of Failure				
Annual Goal	**2001 Results**	**2002 Results**	**2003 Results**	**2004 Results**
The FDIC responds promptly to financial institution closings and emerging issues.	Timely payments made to all depositors of the four insured depository institutions that failed in 2001.	Timely payments made to all depositors of the 11 insured depository institutions that failed in 2002. Legislation on deposit insurance reform was introduced in the House and the Senate.	Timely payments made to all depositors of the three insured depository institutions that failed in 2003. Legislation on deposit insurance reform was passed in the House and was pending in the Senate when Congress recessed for the year.	Timely payments made to all depositors of the four insured depository institutions that failed in 2004.
Risk Classifications				
Maintain and improve the deposit insurance system.	Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) reserve ratios maintained. FDIC published its final recommendations for deposit insurance reform.	BIF and SAIF reserve ratios maintained at or above the statutory ratio of 1.25 percent. Chairman testified before the Senate Committee in support of deposit insurance reform.	BIF and SAIF reserve ratios maintained at or above the statutory ratio of 1.25 percent. Chairman testified before the Senate Committee in support of deposit insurance reform.	The FDIC completed implementation of enhancements to the reserving process and methodology in March 2004. During 2004, assessment rates were maintained at or above the designated reserve ratio as required by statute.
Identify and address risks to the insurance funds.	Developed several approaches to credit risk that will be incorporated into Virtual Supervisory Information On the Net (ViSION) system. Risk assessments of all large insured depository institutions (LIDIs) were completed in compliance with program requirements.	Significant progress made in improving the accuracy and efficiency of off-site risk identification models. Risk assessments of all large insured depository institutions (LIDIs) were completed in compliance with program requirements.	Significant progress was made in improving the accuracy and efficiency of off-site risk identification models. Risk assessments of all large insured depository institutions (LIDIs) were completed in compliance with program requirements.	Significant progress was made in improving the accuracy and efficiency of off-site risk identification models. Risk assessments of all large insured depository institutions (LIDIs) were completed in compliance with program requirements.
Maintain sufficient and reliable information on insured depository institutions.	Annual goal was not established in 2001.	Annual goal was not established in 2002.	Annual goal was not established in 2003.	The Central Data Repository (CDR) system is being developed. Phase I of the CDR is expected to be delivered by the end of 2005.

Risk Classifications (continued)				
Annual Goal	**2001 Results**	**2002 Results**	**2003 Results**	**2004 Results**
Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.	Annual goal was not established in 2001.	Annual goal was not established in 2002.	Annual goal was not established in 2003.	Utility for educational tools was developed for bankers and consumers.
Risk Management, Safety and Soundness				
Conduct on-site risk management examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.	Conducted 2,575 or 97 percent of required safety and soundness examinations.	Conducted 2,534 or 98 percent of required safety and soundness examinations.	Conducted 2,421 required safety and soundness examinations in accordance with FDIC policy.	Conducted 2,515 required safety and soundness examinations in accordance with FDIC policy.
Safety and Soundness Enforcements Actions				
Take prompt and effective supervisory actions to address problems identified during the FDIC examinations of FDIC-supervised institutions identified as problem insured depository institutions. Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.	Sixty-seven institutions designated as problem (composite "4" or "5" rated). Fifty-six were removed from problem status and 76 added. Evaluations changed to monitor migration of troubled banks.	Eighty-four institutions designated as problem (composite "4" or "5" rated). Forty-eight were removed from problem status and 63 added.	Seventy-three institutions designated as problem (composite "4" or "5" rated). Fifty-eight with total assets of $6.98 billion were removed from problem status and 47 with total assets of $4.99 billion were added. Additionally, the FDIC issued the following formal and informal enforcement actions: 40 Cease and Desist Orders and 157 Memoranda of Understanding.	Forty-four institutions designated as problem (composite "4" or "5" rated). Fifty-seven with total assets of $6.3 billion were removed from problem status and 28 with total assets of $4.8 billion were added. Additionally, the FDIC issued the following formal and informal enforcement actions: 38 Cease and Desist Orders and 145 Memoranda of Understanding.

Compliance Examinations				
Annual Goal	**2001 Results**	**2002 Results**	**2003 Results**	**2004 Results**
Conduct comprehensive compliance-only and CRA examinations in accordance with FDIC examination frequency policy.	Conducted 2,179 comprehensive compliance-only and CRA examinations in accordance with FDIC policy. There were no delinquencies in 2001.	Conducted 1,840 comprehensive compliance-only and CRA examinations in accordance with FDIC policy. There were no delinquencies in 2002.	Conducted 1,919 comprehensive compliance-only and CRA examinations in accordance with FDIC policy. There were no delinquencies in 2003.	Conducted 2,136 comprehensive compliance-only and CRA examinations in accordance with FDIC policy. There were no delinquencies in 2004.
CRA Outreach				
Provide effective outreach and technical assistance on topics related to CRA, fair lending, and community development.	Conducted 25 *Money Smart* workshops with over 600 participants.	*Money Smart* classes attended by approximately 2,800 participants.	The FDIC supplied more than 111,000 copies of *Money Smart* curriculum to organizations. FDIC sponsored 65 public outreach initiatives, 111 community development activities, and 67 technical assistance activities.	Targets for the following were met: added 200 new *Money Smart* Alliance members; distributed 20,000 copies of *Money Smart* curriculum; additional 294,000 members reached; and conducted 125 outreach and technical assistance activities.
Compliance Enforcement Actions				
Prompt and effective supervisory actions are taken and monitored on all institutions rated "4" or "5" for compliance.	Six of seven institutions had either been examined in the preceding 12 months or were still within the 12 month time frame between examinations. One institution was pending resolution for safety and soundness reasons, and the compliance examination was deferred pending resolution.	Eight of nine institutions entered into a Memorandum of Understanding (MOU) with the FDIC and the ninth was in the process of reviewing the recommended MOU at year-end.	The only "4" rated institution entered into a Memorandum of Understanding (MOU) with the FDIC.	Of the five institutions rated "4" as of December 31, 2004, two entered into Memorandums of Understanding with the FDIC; and two are subject to outstanding Cease and Desist Orders; A Cease and Desist Order for the fifth institution is expected to be issued during the first quarter of 2005.

Consumer Complaints and Inquiries

Annual Goal	2001 Results	2002 Results	2003 Results	2004 Results
Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws.	FDIC sent 612 survey cards to consumers and bankers who contacted the Washington Office concerning inquiries and complaints. Eighty-four (14 percent) of the cards were returned to the FDIC. Sixty-two percent of the responses rated the FDIC as "excellent" in timeliness of response.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
Effectively meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions. (Revised–2002)	The 2001 annual performance goal was not compatible to the current annual goal.	FDIC received 8,368 consumer complaints and closed 95 percent of them. Of the complaints closed, 94 percent were closed within policy time frames.	FDIC received 8,010 consumer complaints and closed 99 percent of them. Of the complaints closed, 94 percent were closed within policy time frames.	FDIC received 8,742 consumer complaints, closing 95 percent of them. Of the closed complaints, 95 percent were closed within policy time frames.
Asset Management				
Value, manage and market assets of the failed institutions and their subsidiaries in a timely manner to maximize net return.	For three institutions that failed, the FDIC marketed 100 percent of the marketable assets. The remaining institution was placed into conservatorship. Loan pools, servicing operations and residuals that totaled in excess of the 80 percent target were marketed within the 90-day time frame.	For all 11 institutions that failed, at least 87 percent of all marketable assets were marketed within the 90-day time frame, thus exceeding the target of 85 percent.	For all three institutions that failed, at least 98 percent of all marketable assets were marketed within the 90-day time frame, thus exceeding the target of 85 percent.	Five financial institutions reached their 90-day threshold during 2004. One hundred percent of all marketable assets were marketed within the 90-day time frame.
Least-Cost Resolution				
Market to all known qualified and interested potential assuming institutions.	There were four failures in 2001. One hundred percent of the qualified potential bidders were contacted.	There were 11 failures in 2002. One hundred percent of the qualified potential bidders were contacted.	There were three failures in 2003. One hundred percent of the qualified bidders were contacted.	There were four failures in 2004. One hundred percent of the qualified bidders were contacted for the sale of three failed institutions. One failed institution was not offered for sale.

Least-Cost Resolution (continued)

Annual Goal	2001 Results	2002 Results	2003 Results	2004 Results
Conduct investigations of all potential professional liability claim areas in all failed insured depository institutions. Decide to close or pursue each claim as promptly as possible, considering the size and complexity of the institution.	Five of nine institutions that reached the 18-month milestone had 100 percent of professional liability investigations completed.	Two of six institutions that reached the 18-month milestone during 2002 had 100 percent of professional liability investigations completed. The other four institutions had at least 80 percent of professional liability investigations completed, meeting the goal of 80 percent.	Four of ten institutions that reached the 18-month milestone during 2003 had 100 percent of professional liability investigations completed. The other six institutions had at least 80 percent of professional liability investigations completed, meeting the goal of 80 percent.	All five institutions that reached the 18-month milestone during 2004 had 100 percent of professional liability investigations completed, meeting the goal of 80 percent.
Manage the receivership estate and its subsidiaries toward an orderly termination. (Revised–2001)	Fifty-two out of the 76 targeted receiverships were terminated in 2001. In mid-2001, the target of 76 terminations was revised to 36. The pace of termination was slowed by impediments that represented material financial or legal risks to the FDIC.	For the eight failures from 1999 that matured in 2002, the FDIC terminated six receiverships, meeting the target to terminate 75 percent within three years of failure.	For the seven failures that occurred during 2000 that matured in 2003, the FDIC terminated four receiverships, below the target to terminate 75 percent within three years of failure.	For the four failures that occurred during 2001 that matured in 2004, the FDIC terminated three receiverships, meeting the target to terminate 75 percent within three years of failure date.

Program Evaluation

During 2004, the FDIC completed evaluations of programs designed to achieve the strategic objectives set forth in the Receivership Management area of the FDIC's 2004 – 2009 Strategic Plan. The following section highlights the issues evaluated and summarizes the results of this evaluation.

Strategic Objective	**The FDIC resolves failed insured depository institutions in the least-costly manner.**
Issues evaluated	★ What is the process for marketing failing institutions? ★ How is a listing of qualified and interested potential bidders generated?
Findings	During 2004, four financial institutions failed. Three of the four were marketed using a Web-based automated notification system. The fourth was not marketed due to the unique situation involving allegations of fraud and little advance notice of the closing. The FDIC maintains a database of qualified and interested potential bidders consisting of financial institutions. In composing the potential bidders list, the FDIC takes into account the failed institution's geographic location, competitive environment, minority-owned status, financial condition, asset size, capital level and regulatory ratings. By using a Web-based system, the FDIC can market to a potential bidder both the failed institution and its assets more effectively and efficiently.
Strategic Objective	**Receiverships are managed to maximize net return toward an orderly and timely termination.**
Issues evaluated	★ How are net returns maximized? ★ What constitutes orderly and timely termination?
Findings	For 2004, the FDIC's goal was to market 85 percent of book value of a failed institution's marketable assets within 90 days of failure. Five financial institutions reached their 90-day threshold during this time. In each instance, 100 percent of the marketable assets were marketed within 90 days. Returning failed bank assets to the private sector quickly allows the FDIC to maximize net recoveries and minimize any disruption to the local community. The oversight and prompt termination of the receivership preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. The FDIC uses a number of information technology applications, including Internet auctions, to facilitate the management and marketing of assets.
Strategic Objective	**Potential recoveries, including claims against professionals, are investigated and are pursued and resolved in a fair and cost-effective manner.**
Issues evaluated	★ How are potential recoveries identified and investigated?
Findings	The FDIC follows extensive guidelines on how to conduct an investigation of a failed institution to identify potential claims and recovery sources. Every aspect of the process is extensively documented and reviewed, from pre-closing steps, to previewing potential claims and discovering and preserving sources of recovery for these claims, through tracking costs and recoveries. In addition, the FDIC keeps careful track of investigations at a high level through the Management Control Plan, which serves to maintain a record of each investigation and keep risks in check. Such risks principally arise from the failure to maintain accurate reports and records necessary to substantiate claims.

IV. Financial Statements and Notes

Bank Insurance Fund

December 31, 2004 and 2003

Federal Deposit Insurance Corporation

Bank Insurance Fund Balance Sheet at December 31

Dollars in Thousands

	2004	2003
Assets		
Cash and cash equivalents	$ 1,822,005	$ 2,544,281
Investment in U.S. Treasury obligations, net: (Note 3)		
Held-to-maturity securities	22,637,330	16,293,073
Available-for-sale securities	9,470,605	14,209,773
Interest receivable on investments and other assets, net	601,498	550,999
Receivables from bank resolutions, net (Note 4)	375,303	511,089
Property and equipment, net (Note 5)	357,106	287,380
Total Assets	**$ 35,263,847**	**$ 34,396,595**
Liabilities		
Accounts payable and other liabilities	$ 268,680	$ 231,441
Contingent liabilities for: (Note 6)		
Anticipated failure of insured institutions	8,261	178,266
Litigation losses and other	200,301	204,693
Total Liabilities	**477,242**	**614,400**
Commitments and off-balance-sheet exposure (Note 11)		
Fund Balance		
Accumulated net income	34,096,676	32,979,898
Unrealized gain on available-for-sale securities, net (Note 3)	689,929	802,297
Total Fund Balance	**34,786,605**	**33,782,195**
Total Liabilities and Fund Balance	**$ 35,263,847**	**$ 34,396,595**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Bank Insurance Fund Statement of Income and Fund Balance for the Years Ended December 31

Dollars in Thousands

	2004	2003
Revenue		
Interest on U.S. Treasury obligations	$ 1,552,576	$ 1,530,014
Assessments (Note 7)	95,268	80,159
Other revenue	27,553	15,831
Total Revenue	**1,675,397**	**1,626,004**
Expenses and Losses		
Operating expenses (Note 8)	822,381	805,496
Provision for insurance losses (Note 9)	(269,368)	(931,164)
Insurance and other expenses	5,606	9,945
Total Expenses and Losses	**558,619**	**(115,723)**
Net Income	**1,116,778**	**1,741,727**
Unrealized loss on available-for-sale securities, net	(112,368)	(9,872)
Comprehensive Income	**1,004,410**	**1,731,855**
Fund Balance - Beginning	**33,782,195**	**32,050,340**
Fund Balance - Ending	**$ 34,786,605**	**$ 33,782,195**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Bank Insurance Fund Statement of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2004	2003
Operating Activities		
Net Income:	$ 1,116,778	$ 1,741,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	737,439	455,628
Treasury inflation-indexed securities (TIIS) inflation adjustment	(181,650)	(115,150)
Depreciation on property and equipment	54,424	54,947
Provision for losses	(269,368)	(931,164)
Terminations/adjustments of work-in-process accounts	817	92
Change in Operating Assets and Liabilities:		
(Increase) in interest receivable and other assets	(36,433)	(69,826)
Decrease in receivables from bank resolutions	218,693	102,663
Increase in accounts payable and other liabilities	15,819	85,577
(Decrease) in contingent liabilities for litigation losses and other	(1,047)	(25,367)
Net Cash Provided by Operating Activities	**1,655,472**	**1,299,127**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations, held-to-maturity	3,365,000	3,890,000
Maturity of U.S. Treasury obligations, available-for-sale	5,810,000	1,690,000
Used by:		
Purchase of property and equipment	(104,502)	(41,804)
Purchase of U.S. Treasury obligations, held-to-maturity	(10,026,597)	(3,659,868)
Purchase of U.S. Treasury obligations, available-for-sale	(1,421,649)	(5,240,070)
Net Cash Used by Investing Activities	**(2,377,748)**	**(3,361,742)**
Net Decrease in Cash and Cash Equivalents	**(722,276)**	**(2,062,615)**
Cash and Cash Equivalents - Beginning	**2,544,281**	**4,606,896**
Cash and Cash Equivalents - Ending	**$ 1,822,005**	**$ 2,544,281**

The accompanying notes are an integral part of these financial statements.

1. Legislation and Operations of the Bank Insurance Fund

Overview

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended, (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, as amended, the FDIC insures the deposits of banks and savings associations, and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance funds. The FDIC is the administrator of the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the FSLIC Resolution Fund (FRF), which are maintained separately to carry out their respective mandates. The BIF and the SAIF are insurance funds responsible for protecting insured bank and thrift depositors from loss due to institution failures. These insurance funds must be maintained at not less than 1.25 percent of estimated insured deposits or a higher percentage as circumstances warrant. The FRF is a resolution fund responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation.

An active institution's insurance fund membership and primary federal supervisor are generally determined by the institution's charter type. Deposits of BIF-member institutions are generally insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

In addition to traditional banks and thrifts, several other categories of institutions exist. A member of one insurance fund may, with the approval of its primary federal supervisor, merge, consolidate with, or acquire the deposit liabilities of an institution that is a member of the other insurance fund without changing insurance fund status for the acquired deposits. These institutions with deposits insured by both insurance funds are referred to as Oakar financial institutions. In addition, SAIF-member thrifts can convert to a bank charter and retain their SAIF membership. These institutions are referred to as Sasser financial institutions. Likewise, BIF-member banks can convert to a thrift charter and retain their BIF membership.

Operations of the BIF

The primary purpose of the BIF is to: 1) insure the deposits and protect the depositors of BIF-insured institutions and 2) resolve BIF-insured failed institutions upon appointment of FDIC as receiver in a manner that will result in the least possible cost to the BIF. In addition, the FDIC, acting on behalf of the BIF, examines state-chartered banks that are not members of the Federal Reserve System.

The BIF is primarily funded from: 1) interest earned on investments in U.S. Treasury obligations and 2) deposit insurance assessments. Additional funding sources are U.S. Treasury and Federal Financing Bank (FFB) borrowings, if necessary. The FDIC has borrowing authority from the U.S. Treasury up to $30 billion for insurance purposes on behalf of the BIF and the SAIF.

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the BIF can incur to the sum of its cash, 90% of the fair market value of other assets, and the amount authorized to be borrowed from the U.S. Treasury. The MOL for the BIF was $57.0 billion as of December 31, 2004 and 2003.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from BIF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Accordingly, income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

Recent Legislative Initiatives

In April 2001, FDIC issued recommendations for deposit insurance reform. The FDIC recommendations included merging BIF and SAIF and improving FDIC's ability to manage the merged fund by permitting the FDIC Board of Directors to price insurance premiums properly to reflect risk, to set the reserve ratio in a *range* around 1.25 percent, establish a system for providing credits, rebates and surcharges, and to eliminate the SAIF exit fee reserve. FDIC also recommended that Congress consider indexing deposit insurance coverage for inflation. During the 107th Congress (2001-2002), hearings were held in the House and Senate and legislation was introduced containing major elements of FDIC's deposit insurance reform proposals. The legislation was not enacted prior to congressional adjournment. During the 108th Congress (2003 - 2004), the House and Senate again considered deposit insurance reform legislation; however, Congress adjourned without enacting that legislation. Legislation similar to the deposit insurance reform proposals of the 107th and 108th Congress may be introduced in the 109th Congress, which begins in January 2005. If Congress enacts deposit insurance reform legislation that contains the above recommendations, the new law would have a significant impact on the BIF and the SAIF. FDIC management, however, cannot predict which provisions, if any, will ultimately be enacted.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the BIF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed banks for which the FDIC acts as receiver. Periodic and final accountability reports of the FDIC's activities as receiver are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include allowance for loss on receivables from bank resolutions, the estimated losses for anticipated failures and litigation, and the postretirement benefit obligation.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of Special U.S. Treasury Certificates.

Investment in U.S. Treasury Obligations

BIF funds are required to be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States; the Secretary of the U.S.Treasury must approve all such investments in excess of $100,000. The Secretary has granted approval to invest BIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Bureau of the Public Debt's Government Account Series (GAS) program.

BIF's investments in U.S. Treasury obligations are either classified as held-to-maturity or available-for-sale. Securities designated as held-to-maturity are shown at amortized cost. Amortized cost is the face value of securities plus the unamortized premium or less the unamortized discount. Amortizations are computed on a daily basis from the date of acquisition to the date of maturity, except for callable U.S.Treasury securities, which are amortized to the first anticipated call date. Securities designated as available-for-sale are shown at market value, which approximates fair value. Unrealized gains and losses are included in Comprehensive Income. Realized gains and losses are included in the Statement of Income and Fund Balance as components of Net Income. Interest on both types of securities is calculated on a daily basis and recorded monthly using the effective interest method.

Cost Allocations Among Funds
Operating expenses not directly charged to the BIF, the SAIF, and the FRF are allocated to all funds using workload-based allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

Capital Assets and Depreciation
The FDIC has designated the BIF as administrator of property and equipment used in its operations. Consequently, the BIF includes the cost of these assets in its financial statements and provides the necessary funding for them. The BIF charges the other funds usage fees representing an allocated share of its annual depreciation expense. These usage fees are recorded as cost recoveries, which reduce operating expenses.

The FDIC buildings are depreciated on a straight-line basis over a 35 to 50 year estimated life. Leasehold improvements are capitalized and depreciated over the lesser of the remaining life of the lease or the estimated useful life of the improvements, if determined to be material. Capital assets depreciated on a straight-line basis over a five-year estimated life include mainframe equipment; furniture, fixtures, and general equipment; and internal-use software. Personal computer equipment is depreciated on a straight-line basis over a three-year estimated life.

Disclosure about Recent Accounting Pronouncements
Recent accounting pronouncements have been adopted or deemed to be not applicable to the financial statements as presented.

Related Parties
The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

Reclassifications
Reclassifications have been made in the 2003 financial statements to conform to the presentation used in 2004.

In 2004, the BIF changed the format of its Statement of Cash Flows from the direct method to the indirect method for purposes of reporting cash flows from operating activities. Accordingly, the Statement of Cash Flows for 2003 contains certain reclassifications to conform to the BIF's current financial statement format. For 2003 and 2004, the reconciliation of net income to net cash provided by operating activities is included in the Statement of Cash Flows. Consequently, information pertaining to gross amounts of receipts and payments, not required for presentation of the indirect method, is available within other footnotes to these financial statements.

3. Investment in U.S. Treasury Obligations, Net

As of December 31, 2004 and 2003, the book value of investments in U.S. Treasury obligations, net, was $32.1 billion and $30.5 billion, respectively. As of December 31, 2004, the BIF held $6.6 billion of Treasury inflation-indexed securities (TIIS). These securities are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U). Additionally, the BIF held $6.6 billion of callable U.S. Treasury bonds at December 31, 2004. Callable U.S. Treasury bonds may be called five years prior to the respective bonds' stated maturity on their semi-annual coupon payment dates upon 120 days notice.

U.S. Treasury Obligations at December 31, 2004

Dollars in Thousands

Maturity●	Yield at Purchase▼	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses■	Market Value
Held-to-Maturity						
Within 1 year	3.93%	$ 6,290,000	$ 6,486,753	$ 50,757	$ (11,129)	$ 6,526,381
After 1 year thru 5 years	4.94%	10,575,000	11,135,043	399,365	(10,104)	11,524,304
After 5 years thru 10 years	4.76%	4,360,000	4,374,344	197,842	(1,336)	4,570,850
Treasury Inflation-Indexed After 1 year thru 5 years	3.82%	640,107	641,190	76,255	0	717,445
Total		**$ 21,865,107**	**$ 22,637,330**	**$ 724,219**	**$ (22,569)**	**$ 23,338,980**
Available-for-Sale						
Within 1 year	3.65%	$ 1,560,000	$ 1,598,564	$ 10,129	$ (3,051)	$ 1,605,642
After 1 year thru 5 years	3.72%	1,685,000	1,893,380	31,116	(11,945)	1,912,551
Treasury Inflation-Indexed After 1 year thru 5 years	3.81%	2,270,854	2,268,756	236,566	0	2,505,322
After 5 years thru 10 years	3.75%	3,004,072	3,019,976	427,114	0	3,447,090
Total		**$ 8,519,926**	**$ 8,780,676**	**$ 704,925**	**$ (14,996)**	**$ 9,470,605**
Total Investment in U.S. Treasury Obligations, Net						
Total		**$ 30,385,033**	**$ 31,418,006**	**$ 1,429,144**	**$ (37,565)**	**$ 32,809,585**

● For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

▼ For TIIS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIIS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.2%, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2004.

■ All unrealized losses occurred during the last 12 months as a result of changes in market interest rates. FDIC has the ability and intent to hold the related securities until maturity. As a result, all losses are considered temporary.

U.S. Treasury Obligations at December 31, 2003

Dollars in Thousands

Maturity●	Yield at Purchase▼	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses■	Market Value
Held-to-Maturity						
Within 1 year	5.05%	$ 3,365,000	$ 3,449,985	$ 65,110	$ (275)	$ 3,514,820
After 1 year thru 5 years	5.66%	9,985,000	10,244,862	830,414	0	11,075,276
After 5 years thru 10 years	5.42%	1,910,000	1,976,450	191,954	0	2,168,404
Treasury Inflation-Indexed After 5 years thru 10 years	3.82%	620,450	621,776	78,947	0	700,723
Total		**$ 15,880,450**	**$ 16,293,073**	**$ 1,166,425**	**$ (275)**	**$ 17,459,223**
Available-for-Sale						
Within 1 year	2.31%	$ 5,810,000	$ 6,050,064	$ 32,642	$ (230)	$ 6,082,476
After 1 year thru 5 years	4.68%	1,995,000	2,229,143	114,071	0	2,343,214
Treasury Inflation-Indexed After 1 year thru 5 years	3.88%	1,225,321	1,215,319	139,813	0	1,355,132
After 5 years thru 10 years	3.75%	3,887,611	3,912,950	516,001	0	4,428,951
Total		**$ 12,917,932**	**$ 13,407,476**	**$ 802,527**	**$ (230)**	**$ 14,209,773**
Total Investment in U.S. Treasury Obligations, Net						
Total		**$ 28,798,382**	**$ 29,700,549**	**$ 1,968,952**	**$ (505)**	**$ 31,668,996**

● For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

▼ For TIIS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIIS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.4%, based on figures issued by the Office of Management and Budget and the Congressional Budget Office in early 2003.

■ All unrealized losses occurred during the last 12 months as a result of changes in market interest rates. FDIC has the ability and intent to hold the related securities until maturity within the coming year. As a result, all losses are considered temporary and will be eliminated upon redemption of the securities.

As of December 31, 2004 and 2003, the unamortized premium, net of the unamortized discount, was $1 billion and $902 million, respectively.

4. Receivables From Bank Resolutions, Net

The receivables from bank resolutions include payments made by the BIF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by BIF receiverships are the main source of repayment of the BIF's receivables from closed banks. As of December 31, 2004, there were 31 active receiverships, including 3 failures in the current year, with assets at failure of $151 million and BIF outlays of $133 million.

As of December 31, 2004 and 2003, BIF receiverships held assets with a book value of $504 million and $756 million, respectively (including cash, investments, and miscellaneous receivables of $269 million and $436 million at December 31, 2004 and 2003, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based on a sampling of receivership assets. The sampled assets are generally valued by estimating future cash recoveries, net of applicable liquidation cost estimates, and then discounting these net cash recoveries using current market-based risk factors based on a given asset's type and quality. Resultant recovery estimates are extrapolated to the non-sampled assets in order to derive the allowance for loss on the receivable. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic and market conditions. Such uncertainties could cause the BIF's actual recoveries to vary from the level currently estimated.

Receivables From Bank Resolutions, Net at December 31

Dollars in Thousands

	2004	2003
Receivables from closed banks	$ 4,621,702	$ 4,914,901
Allowance for losses	(4,246,399)	(4,403,812)
Total	**$ 375,303**	**$ 511,089**

As of December 31, 2004, an allowance for loss of $4.2 billion, or 92% of the gross receivable, was recorded. Of the remaining 8% of the gross receivable, the amount of credit risk is limited since almost two-thirds of the receivable will be repaid from receivership cash and investments.

5. Property and Equipment, Net

Property and Equipment, Net at December 31

Dollars in Thousands

		2004		2003
Land	$	37,352	$	37,352
Buildings (includes construction-in-process)		221,494		180,187
Application software (includes work-in-process)		223,149		177,111
Furniture, fixtures, and equipment		133,556		97,682
Accumulated depreciation		(258,445)		(204,952)
Total	**$**	**357,106**	**$**	**287,380**

The depreciation expense was $54 million and $55 million for 2004 and 2003, respectively.

6. Contingent Liabilities for:

Anticipated Failure of Insured Institutions

The BIF records a contingent liability and a loss provision for BIF-insured institutions (including Oakar and Sasser financial institutions) that are likely to fail within one year of the reporting date, absent some favorable event such as obtaining additional capital or merging, when the liability becomes probable and reasonably estimable.

The contingent liability is derived by applying expected failure rates and loss rates to institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels. In addition, institution-specific analysis is performed on those institutions where failure is imminent absent institution management resolution of existing problems, or where additional information is available that may affect the estimate of losses. As of December 31, 2004 and 2003, the contingent liabilities for anticipated failure of insured institutions were $8 million and $178 million, respectively.

In addition to these recorded contingent liabilities, the FDIC has identified additional risk in the financial services industry that could result in a material loss to the BIF should potentially vulnerable financial institutions ultimately fail. This risk results from the presence of various high-risk banking business activities that are particularly vulnerable to adverse economic and market conditions. Due to the uncertainty surrounding such conditions in the future, there are institutions other than those with losses included in the contingent liability for which the risk of failure is less certain, but still considered reasonably possible. As a result of these risks, the FDIC believes that it is reasonably possible that the BIF could incur additional estimated losses up to approximately $0.3 billion.

The accuracy of these estimates will largely depend on future economic and market conditions. The FDIC's Board of Directors has the statutory authority to consider the contingent liability from anticipated failures of insured institutions when setting assessment rates.

Litigation Losses

The BIF records an estimated loss for unresolved legal cases to the extent that those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $51.5 million are reasonably possible.

Other Contingencies

Representations and Warranties

As part of the FDIC's efforts to maximize the return from the sale of assets from bank resolutions, representations and warranties, and guarantees are offered on certain loan sales. In general, the guarantees, representations, and warranties on loans sold relate to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were sold. The total amount of loans sold subject to unexpired representations and warranties, and guarantees was $3.8 billion as of December 31, 2004. There were no contingent liabilities from any of the outstanding claims asserted in connection with representations and warranties at December 31, 2004 and 2003, respectively.

In addition, future losses on representations and warranties, and guarantees could be incurred over the remaining life of the loans sold, which is generally 20 years or more. Consequently, the FDIC believes it is possible that additional losses may be incurred by the BIF from the universe of outstanding contracts with unasserted representation and warranty claims. However, because of the uncertainties surrounding the timing of when claims may be asserted, the FDIC is unable to reasonably estimate a range of loss to the BIF from outstanding contracts with unasserted representation and warranty claims.

7. Assessments

In compliance with provisions of the FDI Act, as amended, the FDIC uses a risk-based assessment system that charges higher rates to those institutions that pose greater risks to the BIF. To arrive at a risk-based assessment for a particular institution, the FDIC places each institution in one of nine risk categories based on capital ratios and supervisory examination data. The majority of the financial institutions are not assessed. Of those assessed, the assessment rate averaged approximately 22 cents and 20 cents per $100 of assessable deposits for 2004 and 2003, respectively. During 2004 and 2003, $95 million and $80 million were recognized as assessment income from BIF-member institutions, respectively.

On November 15, 2004, the Board voted to retain the BIF assessment schedule at the annual rate of 0 to 27 cents per $100 of assessable deposits for the first semiannual period of 2005. The Board reviews assessment rates semiannually to ensure that funds are available to satisfy the BIF's obligations. If necessary, the Board may impose more frequent rate adjustments or emergency special assessments.

The FDIC is required to maintain the insurance funds at a designated reserve ratio (DRR) of not less than 1.25 percent of estimated insured deposits (or a higher percentage as circumstances warrant). If the reserve ratio falls below the DRR, the FDIC is required to set semiannual assessment rates that are sufficient to increase the reserve ratio to the DRR not later than one year after such rates are set, or in accordance with a recapitalization schedule of fifteen years or less. As of September 30, 2004, the BIF reserve ratio was 1.32 percent of estimated insured deposits.

Assessments are also levied on institutions for payments of the interest on obligations issued by the Financing Corporation (FICO). The FICO was established as a mixed-ownership government corporation to function solely as a financing vehicle for the FSLIC. The annual FICO interest obligation of approximately $790 million is paid on a pro rata basis using the same rate for banks and thrifts. The FICO assessment has no financial impact on the BIF and is separate from the regular assessments. The FDIC, as administrator of the BIF, acts solely as a collection agent for the FICO. During 2004 and 2003, $631 million and $627 million, respectively, were collected from BIF-member institutions and remitted to the FICO.

8. Operating Expenses

Operating expenses were $822 million for 2004, compared to $805 million for 2003. The chart below lists the major components of operating expenses.

Operating Expenses for the Years Ended December 31

Dollars in Thousands

	2004	2003
Salaries and benefits	$ 575,100	$ 555,683
Outside services	84,947	81,851
Travel	36,089	41,773
Buildings and leased space	60,693	61,582
Equipment (not capitalized)	11,595	15,111
Depreciation of property and equipment	54,424	54,947
Other	20,102	20,689
Services billed to receiverships	(20,569)	(26,140)
Total	**$ 822,381**	**$ 805,496**

9. Provision for Insurance Losses

Provision for insurance losses was a negative $269 million for 2004 and a negative $931 million for 2003. The following chart lists the major components of the provision for insurance losses.

Provision for Insurance Losses for the Years Ended December 31

Dollars in Thousands

	2004	2003
Valuation Adjustments:		
Closed banks	$ (82,758)	$ (108,309)
Open bank assistance and other assets	(13,260)	(162)
Total Valuation Adjustments	**(96,018)**	**(108,471)**
Contingent Liabilities Adjustments:		
Anticipated failure of insured institutions	(170,005)	(829,831)
Litigation losses	(3,998)	345
Other contingencies	653	6,793
Total Contingent Liabilities Adjustments	**(173,350)**	**(822,693)**
Total	**$ (269,368)**	**$ (931,164)**

10. Employee Benefits

Pension Benefits, Savings Plans and Postemployment Benefits

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the BIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The BIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to five percent. The BIF pays its share of the employer's portion of all related costs.

In October 2004, the FDIC announced a voluntary employee buyout program to a majority of its employees in an effort to further reduce identified staffing excesses. The offer period for the buyout program is from November 1, 2004 to May 2, 2005. Termination benefits include compensation of fifty percent of the current salary for voluntary departures. The reasonably estimated total cost associated with employees expected to accept the buyout offer is $23.7 million, with BIF's pro rata share totaling $20.6 million. During 2004, 129 employees left the FDIC. The total cost of this buyout was $6.9 million for 2004, with BIF's pro rata share totaling $6 million, which is included in the "Operating expenses" and the "Accounts payable and other liabilities" line items.

In the event the FDIC does not meet its staffing reduction goal through the voluntary employee buyout program, the FDIC plans to conduct a reduction-in-force (RIF). Because of uncertainties regarding the number of employees that will be subject to the RIF, the FDIC is unable to reasonably estimate the related costs.

Pension Benefits, Savings Plans Expenses and Postemployment Benefits for the Years Ended December 31

Dollars in Thousands

	2004	2003
Civil Service Retirement System	$ 7,958	$ 7,740
Federal Employees Retirement System (Basic Benefit)	33,638	29,477
FDIC Savings Plan	19,604	17,397
Federal Thrift Savings Plan	13,715	12,066
Separation Incentive Payment	6,082	91
Total	**$ 80,997**	**$ 66,771**

Postretirement Benefits Other Than Pensions

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental coverage is provided to all retirees eligible for an immediate annuity.

As of January 1, 2003, the FDIC ceased funding for postretirement benefits and eliminated the separate entity in order to simplify the investment, accounting, and reporting for the obligation. The separate entity had been established to restrict the funds and to provide for the accounting and administration of these benefits. As a result, the BIF received $89 million as its proportionate share of the plan assets and recognized a liability of $90 million in the "Accounts payable and other liabilities" line item on its Balance Sheet.

At December 31, 2004 and 2003, the BIF's net postretirement benefit liability recognized in the "Accounts payable and other liabilities" line item in the Balance Sheet was $104 million and $98 million, respectively. In addition, the BIF's expense for these benefits in 2004 and 2003 was $9.3 million and $11 million, respectively, which is included in the current and prior year's operating expenses. Key actuarial assumptions used in the accounting for the plan include the discount rate, the rate of compensation increase, and the dental coverage trend rate.

11. Commitments and Off-Balance-Sheet Exposure

Commitments:

Leased Space

The BIF's allocated share of the FDIC's lease commitments totals $105 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the BIF of the FDIC's future lease commitments is based upon current relationships of the workloads among the BIF and the SAIF. Changes in the relative workloads could cause the amounts allocated to the BIF in the future to vary from the amounts shown below. The BIF recognized leased space expense of $36 million and $38 million for the years ended December 31, 2004 and 2003, respectively.

Leased Space Commitments

Dollars in Thousands

2005	2006	2007	2008	2009	2010/Thereafter
$ 36,121	$ 25,948	$ 16,814	$ 11,487	$ 10,081	$ 4,424

Off-Balance-Sheet Exposure:

Asset Securitization Guarantees

As part of the FDIC's efforts to maximize the return from the sale or disposition of assets from bank resolutions, the FDIC has securitized some receivership assets. To facilitate the securitizations, the BIF provided limited guarantees to cover certain losses on the securitized assets up to a specified maximum. In exchange for backing the limited guarantees, the BIF received assets from the receiverships in an amount equal to the expected exposure under the guarantees. Currently, there is one limited guarantee deal remaining with a term of approximately 20 years. This deal will be evaluated for possible termination in 2005. As of December 31, 2004 and 2003, the maximum off-balance-sheet exposure was $37 million and $81 million, respectively.

Deposit Insurance

As of September 30, 2004, deposits insured by the BIF totaled approximately $2.6 trillion. This would be the accounting loss if all depository institutions were to fail and the acquired assets provided no recoveries.

12. Disclosures About the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The fair market value of the investment in U.S. Treasury obligations is disclosed in Note 3 and is based on current market prices. The carrying amount of interest receivable on investments, short-term receivables, and accounts payable and other liabilities approximates their fair market value, due to their short maturities and/or comparability with current interest rates.

The net receivables from bank resolutions primarily include the BIF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the BIF's allowance for loss against the net receivables from bank resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 4), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the BIF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from bank resolutions.

Savings Association Insurance Fund

December 31, 2004 and 2003

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Balance Sheet at December 31

Dollars in Thousands

	2004	2003
Assets		
Cash and cash equivalents	$ 644,346	$ 827,141
Cash and other assets: Restricted for SAIF-member exit fees (Note 3) *(Includes cash and cash equivalents of $56.5 million and $231.9 million at December 31, 2004 and 2003, respectively)*	328,394	319,286
Investment in U.S. Treasury obligations, net: (Note 4)		
Held-to-maturity securities	8,835,964	6,823,709
Available-for-sale securities	2,720,315	4,152,048
Interest receivable on investments and other assets, net	200,204	188,189
Receivables from thrift resolutions, net (Note 5)	346,923	273,242
Total Assets	**$ 13,076,146**	**$ 12,583,615**
Liabilities		
Accounts payable and other liabilities	$ 25,568	$ 20,540
Contingent liabilities for: (Note 6)		
Anticipated failure of insured institutions	1,957	3,192
Litigation losses	39	532
SAIF-member exit fees and investment proceeds held in escrow (Note 3)	328,394	319,286
Total Liabilities	**355,958**	**343,550**
Commitments and off-balance-sheet exposure (Note 11)		
Fund Balance		
Accumulated net income	12,482,227	11,965,776
Unrealized gain on available-for-sale securities, net (Note 4)	237,961	274,289
Total Fund Balance	**12,720,188**	**12,240,065**
Total Liabilities and Fund Balance	**$ 13,076,146**	**$ 12,583,615**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statement of Income and Fund Balance for the Years Ended December 31

Dollars in Thousands

	2004	2003
Revenue		
Interest on U.S. Treasury obligations	$ 555,592	$ 532,474
Assessments (Note 7)	8,891	14,594
Other revenue	292	192
Total Revenue	**564,775**	**547,260**
Expenses and Losses		
Operating expenses (Note 8)	120,282	129,584
Provision for insurance losses (Note 9)	(72,162)	(82,489)
Insurance and other expenses	204	105
Total Expenses and Losses	**48,324**	**47,200**
Net Income	**516,451**	**500,060**
Unrealized loss on available-for-sale securities, net	(36,328)	(6,733)
Comprehensive Income	**480,123**	**493,327**
Fund Balance - Beginning	**12,240,065**	**11,746,738**
Fund Balance - Ending	**$ 12,720,188**	**$ 12,240,065**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

Savings Association Insurance Fund Statement of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2004	2003
Operating Activities		
Net Income:	$ 516,451	$ 500,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of U.S. Treasury obligations	262,317	155,992
Treasury inflation-indexed securities (TIIS) inflation adjustment	(61,431)	(38,943)
Provision for losses	(72,162)	(82,489)
Change in Operating Assets and Liabilities:		
Decrease in unamortized premium and discount of U.S. Treasury Obligations (restricted)	2,443	931
(Increase) in entrance and exit fees receivable, including interest receivable on investments and other assets	(16,288)	(32,810)
(Increase)/Decrease in receivables from thrift resolutions	(2,635)	8,699
Increase in accounts payable and other liabilities	5,028	13,440
(Decrease) in contingent liabilities for litigation losses	0	(209)
Increase in exit fees and investment proceeds held in escrow	9,107	7,422
Net Cash Provided by Operating Activities	**642,830**	**532,093**
Investing Activities		
Provided by:		
Maturity of U.S. Treasury obligations, held-to-maturity	1,690,000	1,170,000
Maturity of U.S. Treasury obligations, available-for-sale	1,360,000	575,000
Used by:		
Purchase of U.S. Treasury obligations, held-to-maturity	(4,051,084)	(2,305,056)
Purchase of U.S. Treasury obligations, available-for-sale	0	(1,008,066)
Net Cash Used by Investing Activities	**(1,001,084)**	**(1,568,122)**
Net Decrease in Cash and Cash Equivalents	**(358,254)**	**(1,036,029)**
Cash and Cash Equivalents - Beginning	**1,059,052**	**2,095,081**
Unrestricted Cash and Cash Equivalents - Ending	**644,346**	**827,141**
Restricted Cash and Cash Equivalents - Ending	**56,452**	**231,911**
Cash and Cash Equivalents - Ending	**$ 700,798**	**$ 1,059,052**

The accompanying notes are an integral part of these financial statements.

1. Legislation and Operations of the Savings Association Insurance Fund

Overview

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended, (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, as amended, the FDIC insures the deposits of banks and savings associations, and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance funds. FDIC is the administrator of the Savings Association Insurance Fund (SAIF), the Bank Insurance Fund (BIF), and the FSLIC Resolution Fund (FRF), which are maintained separately to carry out their respective mandates. The SAIF and the BIF are insurance funds responsible for protecting insured thrift and bank depositors from loss due to institution failures. These insurance funds must be maintained at not less than 1.25 percent of estimated insured deposits or a higher percentage as circumstances warrant. The FRF is a resolution fund responsible for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation.

An active institution's insurance fund membership and primary federal supervisor are generally determined by the institution's charter type. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision (OTS). Deposits of BIF-member institutions are generally insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve Board.

In addition to traditional thrifts and banks, several other categories of institutions exist. A member of one insurance fund may, with the approval of its primary federal supervisor, merge, consolidate with, or acquire the deposit liabilities of an institution that is a member of the other insurance fund without changing insurance fund status for the acquired deposits. These institutions with deposits insured by both insurance funds are referred to as Oakar financial institutions. In addition, SAIF-member thrifts can convert to a bank charter and retain their SAIF membership. These institutions are referred to as Sasser financial institutions. Likewise, BIF-member banks can convert to a thrift charter and retain their BIF membership.

Operations of the SAIF

The primary purpose of the SAIF is to: 1) insure the deposits and protect the depositors of SAIF-insured institutions and 2) resolve SAIF-insured failed institutions upon appointment of FDIC as receiver in a manner that will result in the least possible cost to the SAIF.

The SAIF is primarily funded from: 1) interest earned on investments in U.S. Treasury obligations and 2) deposit insurance assessments. Additional funding sources are borrowings from the U.S. Treasury, the Federal Financing Bank (FFB), and the Federal Home Loan Banks, if necessary. The FDIC has borrowing authority from the U.S. Treasury up to $30 billion for insurance purposes on behalf of the SAIF and the BIF.

A statutory formula, known as the Maximum Obligation Limitation (MOL), limits the amount of obligations the SAIF can incur to the sum of its cash, 90% of the fair market value of other assets, and the amount authorized to be borrowed from the U.S. Treasury. The MOL for the SAIF was $21.0 billion and $20.3 billion as of December 31, 2004 and 2003, respectively.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from SAIF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Accordingly, income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

Recent Legislative Initiatives

In April 2001, FDIC issued recommendations for deposit insurance reform. The FDIC recommendations included merging SAIF and BIF and improving FDIC's ability to manage the merged fund by permitting the FDIC Board of Directors to price insurance premiums properly to reflect risk, to set the reserve ratio in a *range* around 1.25 percent, establish a system for providing credits, rebates and surcharges, and to eliminate the SAIF exit fee reserve. FDIC also recommended that Congress consider indexing deposit insurance coverage for inflation. During the 107th Congress (2001-2002), hearings were held in the House and Senate and legislation was introduced containing major elements of FDIC's deposit insurance reform proposals. The legislation was not enacted prior to congressional adjournment. During the 108th Congress (2003 - 2004), the House and Senate again considered deposit insurance reform legislation; however, Congress adjourned without enacting that legislation. Legislation similar to the deposit insurance reform proposals of the 107th and 108th Congress may be introduced in the 109th Congress, which begins in January, 2005. If Congress enacts deposit insurance reform legislation that contains the above recommendations, the new law would have a significant impact on the SAIF and the BIF. FDIC management, however, cannot predict which provisions, if any, will ultimately be enacted.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the SAIF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed thrift institutions for which the FDIC acts as receiver. Periodic and final accountability reports of the FDIC's activities as receiver are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include allowance for loss on receivables from thrift resolutions, the estimated losses for anticipated failures and litigation, and the postretirement benefit obligation.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents consist primarily of Special U.S. Treasury Certificates.

Investment in U.S. Treasury Obligations

SAIF funds are required to be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States; the Secretary of the U.S. Treasury must approve all such investments in excess of $100,000. The Secretary has granted approval to invest SAIF funds only in U.S. Treasury obligations that are purchased or sold exclusively through the Bureau of the Public Debt's Government Account Series (GAS) program.

SAIF's investments in U.S. Treasury obligations are either classified as held-to-maturity or available-for-sale. Securities designated as held-to-maturity are shown at amortized cost. Amortized cost is the face value of securities plus the unamortized premium or less the unamortized discount. Amortizations are computed on a daily basis from the date of acquisition to the date of maturity, except for callable U.S. Treasury securities, which are amortized to the first anticipated call date. Securities designated as available-for-sale are shown at market value, which approximates fair value. Unrealized gains and losses are included in Comprehensive Income. Realized gains and losses are included in the Statement of Income and Fund Balance as components of Net Income. Interest on both types of securities is calculated on a daily basis and recorded monthly using the effective interest method.

Cost Allocations Among Funds

Operating expenses not directly charged to the SAIF, the BIF, and the FRF are allocated to all funds using workload-based allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

Disclosure about Recent Accounting Pronouncements

Recent accounting pronouncements have been adopted or deemed to be not applicable to the financial statements as presented.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

Reclassifications

Reclassifications have been made in the 2003 financial statements to conform to the presentation used in 2004.

In 2004, the SAIF changed the format of its Statement of Cash Flows from the direct method to the indirect method for purposes of reporting cash flows from operating activities. Accordingly, the Statement of Cash Flows for 2003 contains certain reclassifications to conform to the SAIF's current financial statement format. For 2003 and 2004, the reconciliation of net income to net cash provided by operating activities is included in the Statement of Cash Flows. Consequently, information pertaining to gross amounts of receipts and payments, not required for presentation of the indirect method, is available within other footnotes to these financial statements.

3. Cash and Other Assets: Restricted for SAIF-Member Exit Fees

The SAIF collects entrance and exit fees for conversion transactions when an insured depository institution converts from the BIF to the SAIF (resulting in an entrance fee) or from the SAIF to the BIF (resulting in an exit fee). Regulations approved by the FDIC's Board of Directors (Board) and published in the *Federal Register* on March 21, 1990, directed that exit fees paid to the SAIF be held in escrow.

The FDIC and the Secretary of the Treasury will determine when it is no longer necessary to escrow such funds for the payment of interest on obligations previously issued by the FICO. These escrowed exit fees are invested in U.S. Treasury securities pending determination of ownership. The interest earned is also held in escrow. There were no conversion transactions during 2004 and 2003 that resulted in an entrance/exit fee to the SAIF.

Cash and Other Assets: Restricted for SAIF-Member Exit Fees at December 31

Dollars in Thousands

	2004	2003
Cash and cash equivalents	$ 56,452	$ 231,911
Investment in U.S. Treasury obligations, net	267,375	86,471
Interest receivable on U.S. Treasury obligations	4,567	904
Total	**$ 328,394**	**$ 319,286**

U.S. Treasury Obligations at December 31, 2004 (Restricted for SAIF-Member Exit Fees)

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses •	Market Value
Within 1 year	2.36%	$ 70,000	$ 73,879	$ 0	$ (162)	$ 73,717
After 1 year thru 5 years	4.40%	104,000	115,725	2,852	(60)	118,517
After 5 years thru 10 years	4.67%	80,000	77,771	3,184	0	80,955
Total		**$ 254,000**	**$ 267,375**	**$ 6,036**	**$ (222)**	**$ 273,189**

• All unrealized losses occurred during the last 12 months as a result of changes in market interest rates. FDIC has the ability and intent to hold the related securities until maturity. As a result, all losses are considered temporary.

U.S. Treasury Obligations at December 31, 2003 (Restricted for SAIF-Member Exit Fees)

Dollars in Thousands

Held-to-Maturity

Maturity	Yield at Purchase	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses	Market Value
Within 1 year	5.79%	$ 20,000	$ 20,267	$ 683	$ 0	$ 20,950
After 1 year thru 5 years	5.20%	64,000	66,204	5,349	0	71,553
Total		**$ 84,000**	**$ 86,471**	**$ 6,032**	**$ 0**	**$ 92,503**

As of December 31, 2004 and 2003, the unamortized premium, net of the unamortized discount, was $13.4 million and $2.5 million, respectively.

4. Investment in U.S. Treasury Obligations, Net

As of December 31, 2004 and 2003, the book value of investments in U.S. Treasury obligations, net, was $11.6 billion and $11.0 billion, respectively. As of December 31, 2004, the SAIF held $2.2 billion of Treasury inflation-indexed securities (TIIS). These securities are indexed to increases or decreases in the Consumer Price Index for All Urban Consumers (CPI-U). Additionally, the SAIF held $2.4 billion of callable U.S. Treasury bonds at December 31, 2004. Callable U.S. Treasury bonds may be called five years prior to the respective bonds' stated maturity on their semi-annual coupon payment dates upon 120 days notice.

U.S. Treasury Obligations at December 31, 2004 (Unrestricted)

Dollars in Thousands

Maturity •	Yield at Purchase▼	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses ■	Market Value
Held-to-Maturity						
Within 1 year	3.13%	$ 1,860,000	$ 1,935,365	$ 9,296	$ (4,608)	$ 1,940,053
After 1 year thru 5 years	4.93%	4,540,000	4,755,416	200,907	(6,373)	4,949,950
After 5 years thru 10 years	4.97%	1,900,000	1,910,232	107,408	(401)	2,017,239
Treasury Inflation-Indexed After 1 year thru 5 years	3.86%	236,288	234,951	22,428	0	257,379
Total		**$ 8,536,288**	**$ 8,835,964**	**$ 340,039**	**$ (11,382)**	**$ 9,164,621**
Available-for-Sale						
Within 1 year	5.00%	$ 270,000	$ 275,656	$ 1,831	$ 0	$ 277,487
After 1 year thru 5 years	4.10%	385,000	443,689	10,916	(1,034)	453,571
Treasury Inflation-Indexed After 1 year thru 5 years	4.07%	859,729	853,047	101,420	0	954,467
After 5 years thru 10 years	3.63%	904,362	909,962	124,828	0	1,034,790
Total		**$ 2,419,091**	**$ 2,482,354**	**$ 238,995**	**$ (1,034)**	**$ 2,720,315**
Total Investment in U.S. Treasury Obligations, Net						
Total		**$ 10,955,379**	**$ 11,318,318**	**$ 579,034**	**$ (12,416)**	**$ 11,884,936**

• For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

▼ For TIIS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIIS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.2%, based on figures issued by the Congressional Budget Office and *Blue Chip Economic Indicators* in early 2004.

■ All unrealized losses occurred during the last 12 months as a result of changes in market interest rates. FDIC has the ability and intent to hold the related securities until maturity. As a result, all losses are considered temporary.

U.S. Treasury Obligations at December 31, 2003 (Unrestricted)

Dollars in Thousands

Maturity ●	Yield at Purchase▼	Face Value	Net Carrying Amount	Unrealized Holding Gains	Unrealized Holding Losses ■	Market Value
Held-to-Maturity						
Within 1 year	2.86%	$ 1,670,000	$ 1,742,136	$ 12,009	$ (122)	$ 1,754,023
After 1 year thru 5 years	5.59%	3,185,000	3,250,611	284,578	0	3,535,189
After 5 years thru 10 years	5.54%	1,575,000	1,603,674	169,813	0	1,773,487
Treasury Inflation-Indexed After 1 year thru 5 years	3.86%	229,032	227,288	26,008	0	253,296
Total		**$ 6,659,032**	**$ 6,823,709**	**$ 492,408**	**$ (122)**	**$ 7,315,995**
Available-for-Sale						
Within 1 year	3.15%	$ 1,360,000	$ 1,413,730	$ 16,265	$ (99)	$ 1,429,896
After 1 year thru 5 years	4.43%	655,000	756,058	34,530	0	790,588
Treasury Inflation-Indexed After 1 year thru 5 years	4.11%	280,564	276,009	34,278	0	310,287
After 5 years thru 10 years	3.79%	1,429,352	1,431,962	189,315	0	1,621,277
Total		**$ 3,724,916**	**$ 3,877,759**	**$ 274,388**	**$ (99)**	**$ 4,152,048**
Total Investment in U.S. Treasury Obligations, Net						
Total		**$ 10,383,948**	**$ 10,701,468**	**$ 766,796**	**$ (221)**	**$ 11,468,043**

● For purposes of this table, all callable securities are assumed to mature on their first call dates. Their yields at purchase are reported as their yield to first call date.

▼ For TIIS, the yields in the above table are stated at their real yields at purchase, not their effective yields. Effective yields on TIIS include a long-term annual inflation assumption as measured by the CPI-U. The long-term CPI-U consensus forecast is 2.4%, based on figures issued by the Office of Management and Budget and the Congressional Budget Office in early 2003.

■ All unrealized losses occurred during the last 12 months as a result of changes in market interest rates. FDIC has the ability and intent to hold the related securities until maturity within the coming year. As a result, all losses are considered temporary and will be eliminated upon redemption of the securities.

As of December 31, 2004 and 2003, the unamortized premium, net of the unamortized discount, was $362.9 million and $317.5 million, respectively.

5. Receivables From Thrift Resolutions, Net

The receivables from thrift resolutions include payments made by the SAIF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by SAIF receiverships are the main source of repayment of the SAIF's receivables from closed thrifts. As of December 31, 2004, there were 3 active receiverships, including 1 thrift failure in the current year, with assets at failure of $15.3 million and SAIF outlays of $5.6 million.

As of December 31, 2004 and 2003, SAIF receiverships held assets with a book value of $483 million and $449 million, respectively (including cash, investments, and miscellaneous receivables of $182 million and $117 million at December 31, 2004 and 2003, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based on a sampling of receivership assets. The sampled assets are generally valued by estimating future cash recoveries, net of applicable liquidation cost estimates, and then discounting these net cash recoveries using current market-based risk factors based on a given asset's type and quality. Resultant recovery estimates are extrapolated to the non-sampled assets in order to derive the allowance for loss on the receivable. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic and market conditions. Such uncertainties could cause the SAIF's actual recoveries to vary from the level currently estimated.

Receivables From Thrift Resolutions, Net at December 31

Dollars in Thousands

	2004	2003
Receivables from closed thrifts	$ 710,217	$ 709,389
Allowance for losses	(363,294)	(436,147)
Total	**$ 346,923**	**$ 273,242**

At December 31, 2004, about 99% of the SAIF's $347 million net receivable will be repaid from assets related to the Superior receivership (which failed in July 2001). These assets primarily consist of cash, investments, and a promissory note arising from a settlement with the owners of the failed institution. The credit risk related to the promissory note is limited since half of the outstanding note is secured by a letter of credit and the remaining half is subject to the creditworthiness of the payor of the note. Annual monitoring of the creditworthiness of the payor is performed and currently indicates a low risk of non-performance.

6. Contingent Liabilities for:

Anticipated Failure of Insured Institutions

The SAIF records a contingent liability and a loss provision for SAIF-insured institutions (including Oakar and Sasser financial institutions) that are likely to fail within one year of the reporting date, absent some favorable event such as obtaining additional capital or merging, when the liability becomes probable and reasonably estimable.

The contingent liability is derived by applying expected failure rates and loss rates to institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels. In addition, institution-specific analysis is performed on those institutions where failure is imminent absent institution management resolution of existing problems, or where additional information is available that may affect the estimate of losses. As of December 31, 2004 and 2003, the contingent liabilities for anticipated failure of insured institutions were $2 million and $3 million, respectively.

In addition to these recorded contingent liabilities, the FDIC has identified additional risk in the financial services industry that could result in a material loss to the SAIF should potentially vulnerable financial institutions ultimately fail. This risk results from the presence of various high-risk banking business activities that are particularly vulnerable to adverse economic and market conditions. Due to the uncertainty surrounding such conditions in the future, there are institutions other than those with losses included in the contingent liability for which the risk of failure is less certain, but still considered reasonably possible. As a result of these risks, the FDIC believes that it is reasonably possible that the SAIF could incur additional estimated losses up to approximately $0.1 billion.

The accuracy of these estimates will largely depend on future economic and market conditions. The FDIC's Board of Directors has the statutory authority to consider the contingent liability from anticipated failures of insured institutions when setting assessment rates.

Litigation Losses

The SAIF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $206.5 thousand are reasonably possible.

Other Contingencies

Representations and Warranties

As part of the FDIC's efforts to maximize the return from the sale of assets from thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. In general, the guarantees, representations, and warranties on loans sold relate to the completeness and accuracy of loan documentation, the quality of the underwriting standards used, the accuracy of the delinquency status when sold, and the conformity of the loans with characteristics of the pool in which they were sold. The total amount of loans sold subject to unexpired representations and warranties, and guarantees was $4.7 billion as of December 31, 2004. SAIF did not establish a liability for all outstanding claims asserted in connection with representations and warranties because the receiverships have sufficient funds to pay for such claims.

In addition, future losses on representations and warranties, and guarantees could be incurred over the remaining life of the loans sold, which is generally 20 years or more. Consequently, the FDIC believes it is possible that additional losses may be incurred by the SAIF from the universe of outstanding contracts with unasserted representation and warranty claims. However, because of the uncertainties surrounding the timing of when claims may be asserted, the FDIC is unable to reasonably estimate a range of loss to the SAIF from outstanding contracts with unasserted representation and warranty claims.

7. Assessments

In compliance with provisions of the FDI Act, as amended, the FDIC uses a risk-based assessment system that charges higher rates to those institutions that pose greater risks to the SAIF. To arrive at a risk-based assessment for a particular institution, the FDIC places each institution in one of nine risk categories based on capital ratios and supervisory examination data. The majority of the financial institutions are not assessed. Of those assessed, the assessment rate averaged approximately 8 cents and 14 cents per $100 of assessable deposits for 2004 and 2003, respectively. During 2004 and 2003, $9 million and $15 million were recognized as assessment income from SAIF-member institutions, respectively. On November 15, 2004, the Board voted to retain the SAIF assessment schedule at the annual rate of 0 to 27 cents per $100 of assessable deposits for the first semiannual period of 2005. The Board reviews assessment rates semiannually to ensure that funds are available to satisfy the SAIF's obligations. If necessary, the Board may impose more frequent rate adjustments or emergency special assessments.

The FDIC is required to maintain the insurance funds at a designated reserve ratio (DRR) of not less than 1.25 percent of estimated insured deposits (or a higher percentage as circumstances warrant). If the reserve ratio falls below the DRR, the FDIC is required to set semiannual assessment rates that are sufficient to increase the reserve ratio to the DRR not later than one year after such rates are set, or in accordance with a recapitalization schedule of fifteen years or less. As of September 30, 2004, the SAIF reserve ratio was 1.33 percent of estimated insured deposits.

Assessments are also levied on institutions for payments of the interest on obligations issued by the Financing Corporation (FICO). The FICO was established as a mixed-ownership government corporation to function solely as a financing vehicle for the FSLIC. The annual FICO interest obligation of approximately $790 million is paid on a pro rata basis using the same rate for banks and thrifts. The FICO assessment has no financial impact on the SAIF and is separate from the regular assessments. The FDIC, as administrator of the SAIF, acts solely as a collection agent for the FICO. During 2004 and 2003, $161 million and $162 million, respectively, were collected from SAIF-member institutions and remitted to the FICO.

8. Operating Expenses

Operating expenses totaled $120 million for 2004, compared to $130 million for 2003. The chart below lists the major components of operating expenses.

Operating Expenses for the Years Ended December 31

Dollars in Thousands

	2004	2003
Salaries and benefits	$ 81,649	$ 87,963
Outside services	14,457	15,038
Travel	4,357	5,801
Buildings and leased space	10,662	12,132
Equipment	9,649	9,374
Other	2,920	3,189
Services billed to receiverships	(3,412)	(3,913)
Total	**$ 120,282**	**$ 129,584**

9. Provision for Insurance Losses

Provision for insurance losses was a negative $72 million for 2004 and a negative $82 million for 2003. The following chart lists the major components of the provision for insurance losses.

Provision for Insurance Losses for the Years Ended December 31

Dollars in Thousands

	2004	2003
Valuation Adjustments:		
Closed thrifts	$ (70,435)	$ 4,684
Total Valuation Adjustments	**(70,435)**	**4,684**
Contingent Liabilities Adjustments:		
Anticipated failure of insured institutions	(1,235)	(87,301)
Litigation losses	(492)	128
Total Contingent Liabilities Adjustments	**(1,727)**	**(87,173)**
Total	**$ (72,162)**	**$ (82,489)**

10. Employee Benefits

Pension Benefits, Savings Plans and Postemployment Benefits
Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the SAIF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The SAIF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management.

Eligible FDIC employees also may participate in a FDIC-sponsored tax-deferred 401(k) savings plan with matching contributions up to five percent. The SAIF pays its share of the employer's portion of all related costs.

In October 2004, the FDIC announced a voluntary employee buyout program to a majority of its employees in an effort to further reduce identified staffing excesses. The offer period for the buyout program is from November 1, 2004 to May 2, 2005. Termination benefits include compensation of fifty percent of the current salary for voluntary departures. The reasonably estimated total cost associated with employees expected to accept the buyout offer is $23.7 million, with SAIF's pro rata share totaling $3.1 million. During 2004, 129 employees left the FDIC. The total cost of this buyout was $6.9 million for 2004, with SAIF's pro rata share totaling $903 thousand, which is included in the "Operating expenses" and the "Accounts payable and other liabilities" line items.

In the event the FDIC does not meet its staffing reduction goal through the voluntary employee buyout program, the FDIC plans to conduct a reduction-in-force (RIF). Because of uncertainties regarding the number of employees that will be subject to the RIF, the FDIC is unable to reasonably estimate the related costs.

Pension Benefits, Savings Plans Expenses and Postemployment Benefits for the Years Ended December 31

Dollars in Thousands

	2004	2003
Civil Service Retirement System	$ 1,182	$ 1,258
Federal Employees Retirement System (Basic Benefit)	4,793	4,682
FDIC Savings Plan	2,813	2,788
Federal Thrift Savings Plan	1,934	1,900
Separation Incentive Payment	909	14
Total	**$ 11,631**	**$ 10,642**

Postretirement Benefits Other Than Pensions

The FDIC provides certain life and dental insurance coverage for its eligible retirees, the retirees' beneficiaries, and covered dependents. Retirees eligible for life insurance coverage are those who have qualified due to: 1) immediate enrollment upon appointment or five years of participation in the plan and 2) eligibility for an immediate annuity. The life insurance program provides basic coverage at no cost to retirees and allows converting optional coverages to direct-pay plans. Dental coverage is provided to all retirees eligible for an immediate annuity.

As of January 1, 2003, the FDIC ceased funding for postretirement benefits and eliminated the separate entity in order to simplify the investment, accounting, and reporting for the obligation. The separate entity had been established to restrict the funds and to provide for the accounting and administration of these benefits. As a result, the SAIF received $14 million as its proportionate share of the plan assets and recognized a liability of $14 million in the "Accounts payable and other liabilities" line item on its Balance Sheet.

At December 31, 2004 and 2003, the SAIF's net postretirement benefit liability recognized in the "Accounts payable and other liabilities" line item in the Balance Sheet was $15.7 million and $15 million, respectively. In addition, the SAIF's expense for these benefits in 2004 and 2003 was $1.4 million and $1 million, respectively, which is included in the current and prior year's operating expenses. Key actuarial assumptions used in the accounting for the plan include the discount rate, the rate of compensation increase, and the dental coverage trend rate.

11. Commitments and Off-Balance-Sheet Exposure

Commitments:

Leased Space
The SAIF's allocated share of the FDIC's lease commitments totals $14.4 million for future years. The lease agreements contain escalation clauses resulting in adjustments, usually on an annual basis. The allocation to the SAIF of the FDIC's future lease commitments is based upon current relationships of the workloads among the SAIF and the BIF. Changes in the relative workloads could cause the amounts allocated to the SAIF in the future to vary from the amounts shown below. The SAIF recognized leased space expense of $6.9 million and $7.9 million for the years ended December 31, 2004 and 2003, respectively.

Leased Space Commitments

Dollars in Thousands

2005	2006	2007	2008	2009	2010/Thereafter
$ 4,963	$ 3,559	$ 2,308	$ 1,579	$ 1,380	$ 603

Off-Balance-Sheet Exposure:

Deposit Insurance
As of September 30, 2004, deposits insured by the SAIF totaled approximately $944 billion. This would be the accounting loss if all depository institutions were to fail and the acquired assets provided no recoveries.

12. Disclosures About the Fair Value of Financial Instruments

Cash equivalents are short-term, highly liquid investments and are shown at current value. The fair market value of the investment in U.S. Treasury obligations is disclosed in Note 3 and 4 and is based on current market prices. The carrying amount of interest receivable on investments, short-term receivables, and accounts payable and other liabilities approximates their fair market value, due to their short maturities and/or comparability with current interest rates.

The net receivables from thrift resolutions primarily include the SAIF's subrogated claim arising from payments to insured depositors. The receivership assets that will ultimately be used to pay the corporate subrogated claim are valued using discount rates that include consideration of market risk. These discounts ultimately affect the SAIF's allowance for loss against the net receivables from thrift resolutions. Therefore, the corporate subrogated claim indirectly includes the effect of discounting and should not be viewed as being stated in terms of nominal cash flows.

Although the value of the corporate subrogated claim is influenced by valuation of receivership assets (see Note 5), such receivership valuation is not equivalent to the valuation of the corporate claim. Since the corporate claim is unique, not intended for sale to the private sector, and has no established market, it is not practicable to estimate its fair market value.

The FDIC believes that a sale to the private sector of the corporate claim would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. In addition, the timing of receivership payments to the SAIF on the subrogated claim does not necessarily correspond with the timing of collections on receivership assets. Therefore, the effect of discounting used by receiverships should not necessarily be viewed as producing an estimate of market value for the net receivables from thrift resolutions.

FSLIC Resolution Fund

December 31, 2004 and 2003

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Balance Sheet at December 31

Dollars in Thousands

	2004	2003
Assets		
Cash and cash equivalents	$ 3,501,387	$ 3,278,532
Receivables from thrift resolutions and other assets, net (Note 3)	82,275	198,432
Total Assets	**3,583,662**	**3,476,964**
Liabilities		
Accounts payable and other liabilities	5,606	19,381
Contingent liabilities for litigation losses and other (Note 4)	410	1,169
Total Liabilities	**6,016**	**20,550**
Resolution Equity (Note 6)		
Contributed capital	126,382,877	126,377,851
Accumulated deficit	(122,805,158)	(122,962,936)
Unrealized (loss)/gain on available-for-sale securities, net	(73)	41,499
Accumulated deficit, net	(122,805,231)	(122,921,437)
Total Resolution Equity	**3,577,646**	**3,456,414**
Total Liabilities and Resolution Equity	**$ 3,583,662**	**$ 3,476,964**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Income and Accumulated Deficit for the Years Ended December 31

Dollars in Thousands

	2004	2003
Revenue		
Interest on U.S. Treasury obligations	$ 40,076	$ 32,902
Realized gain on investment in securitization-related assets acquired from receiverships (Note 3)	66,708	756
Other revenue	21,114	16,849
Total Revenue	**127,898**	**50,507**
Expenses and Losses		
Operating expenses	22,932	27,828
Provision for losses (Note 5)	(6,911)	(33,306)
Expenses for goodwill settlements and litigation (Note 4)	31,632	15,324
Recovery of tax benefits	(82,937)	(19,609)
Other expenses	5,404	7,933
Total Expenses and Losses	**(29,880)**	**(1,830)**
Net Income	**157,778**	**52,337**
Unrealized loss on available-for-sale securities, net (Note 3)	(41,572)	(1,258)
Comprehensive Income	**116,206**	**51,079**
Accumulated Deficit - Beginning	**(122,921,437)**	**(122,972,516)**
Accumulated Deficit - Ending	**$ (122,805,231)**	**$ (122,921,437)**

The accompanying notes are an integral part of these financial statements.

Federal Deposit Insurance Corporation

FSLIC Resolution Fund Statement of Cash Flows for the Years Ended December 31

Dollars in Thousands

	2004	2003
Operating Activities		
Net Income:	$ 157,778	**$ 52,337**
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for losses	(6,911)	(33,306)
Change in Assets and Liabilities:		
(Increase)/Decrease in receivables from thrift resolutions and other assets	(35,238)	80,339
(Decrease)/Increase in accounts payable and other liabilities	(13,775)	4,973
Net Cash Provided by Operating Activities	**101,854**	**104,343**
Investing Activities		
Investment in securitization-related assets acquired from receiverships	115,975	5,829
Net Cash Provided by Investing Activities	**115,975**	**5,829**
Financing Activities		
Provided by:		
U.S.Treasury payments for goodwill settlements	5,026	30
Used by:		
Payments to Resolution Funding Corporation (Note 6)	0	(450,000)
Net Cash Provided/(Used) by Financing Activities	**5,026**	**(449,970)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**222,855**	**(339,798)**
Cash and Cash Equivalents - Beginning	**3,278,532**	**3,618,330**
Cash and Cash Equivalents - Ending	**$ 3,501,387**	**$ 3,278,532**

The accompanying notes are an integral part of these financial statements.

FRF

1. Legislative History and Operations/Dissolution of the FSLIC Resolution Fund

Legislative History

The Federal Deposit Insurance Corporation (FDIC) is the independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system. Provisions that govern the operations of the FDIC are generally found in the Federal Deposit Insurance (FDI) Act, as amended, (12 U.S.C. 1811, *et seq*). In carrying out the purposes of the FDI Act, as amended, the FDIC insures the deposits of banks and savings associations, and in cooperation with other federal and state agencies promotes the safety and soundness of insured depository institutions by identifying, monitoring and addressing risks to the deposit insurance funds established in the FDI Act, as amended. In addition, FDIC is charged with responsibility for the sale of remaining assets and satisfaction of liabilities associated with the former Federal Savings and Loan Insurance Corporation (FSLIC) and the Resolution Trust Corporation (RTC).

The U.S. Congress created the FSLIC through the enactment of the National Housing Act of 1934. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FSLIC Resolution Fund (FRF), and transferred the assets and liabilities of the FSLIC to the FRF-except those assets and liabilities transferred to the RTC-effective on August 9, 1989.

The FIRREA was enacted to reform, recapitalize, and consolidate the federal deposit insurance system. In addition to the FRF, FIRREA created the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). It also designated the FDIC as the administrator of these funds. All three funds are maintained separately to carry out their respective mandates.

The FIRREA created the RTC to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed during the period January 1, 1989, through August 8, 1992. Resolution responsibility was subsequently extended and ultimately transferred from the RTC to the SAIF on July 1, 1995. The FIRREA established the Resolution Funding Corporation (REFCORP) to provide part of the initial funds used by the RTC for thrift resolutions.

The RTC Completion Act of 1993 (RTC Completion Act) terminated the RTC as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Today, the FRF consists of two distinct pools of assets and liabilities: one composed of the assets and liabilities of the FSLIC transferred to the FRF upon the dissolution of the FSLIC (FRF-FSLIC), and the other composed of the RTC assets and liabilities (FRF-RTC). The assets of one pool are not available to satisfy obligations of the other.

Operations/Dissolution of the FRF

The FRF will continue operations until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied. Any funds remaining in the FRF-FSLIC will be paid to the U.S. Treasury. Any remaining funds of the FRF-RTC will be distributed to the REFCORP to pay the interest on the REFCORP bonds. In addition, the FRF-FSLIC has available until expended $602.2 million in appropriations to facilitate, if required, efforts to wind up the resolution activity of the FRF-FSLIC.

The FDIC has conducted an extensive review and cataloging of FRF's remaining assets and liabilities and is continuing to explore approaches for concluding FRF's activities. An executive-level Steering Committee was established in 2003 to facilitate the FRF dissolution. Some of the issues and items that remain open in FRF are: 1) criminal restitution orders (generally have from 5 to 10 years remaining); 2) litigation claims and judgments obtained against officers and directors and other professionals responsible for causing thrift losses (judgments generally vary from 5 to 10 years); 3) numerous assistance agreements entered into by the former FSLIC (FRF could continue to receive tax-sharing benefits through year 2020); 4) Goodwill and Guarini litigation (no final date for resolution has been established; see Note 4); and 5) environmentally impaired owned real estate assets. The FDIC is considering whether enabling legislation or other measures may be needed to accelerate liquidation of the remaining FRF assets and liabilities. The FRF could realize substantial recoveries from the aforementioned tax-sharing benefits ranging from $170 million to $672 million; however, any associated recoveries are not reflected in FRF's financial statements given the significant uncertainties surrounding the ultimate outcome.

Receivership Operations

The FDIC is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The assets held by receivership entities, and the claims against them, are accounted for separately from FRF assets and liabilities to ensure that receivership proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receiverships are accounted for as transactions of those receiverships. Receiverships are billed by the FDIC for services provided on their behalf.

2. Summary of Significant Accounting Policies

General

These financial statements pertain to the financial position, results of operations, and cash flows of the FRF and are presented in conformity with U.S. generally accepted accounting principles (GAAP). These statements do not include reporting for assets and liabilities of closed thrift institutions for which the FDIC acts as receiver. Periodic and final accountability reports of the FDIC's activities as receiver are furnished to courts, supervisory authorities, and others as required.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Where it is reasonably possible that changes in estimates will cause a material change in the financial statements in the near term, the nature and extent of such changes in estimates have been disclosed. The more significant estimates include allowance for losses on receivables from thrift resolutions and the estimated losses for litigation.

Fair Value of Financial Instruments

Cash equivalents, which consist of Special U.S. Treasury Certificates, are short-term, highly liquid investments with original maturities of three months or less and are shown at fair value. The carrying amount of short-term receivables and accounts payable and other liabilities approximates their fair market value, due to their short maturities.

The investment in securitization-related assets acquired from receiverships consists of credit enhancement reserves. The credit enhancement reserves, which resulted from swap transactions, are valued by performing projected cash flow analyses using market-based assumptions (see Note 3).

The net receivable from thrift resolutions is influenced by the underlying valuation of receivership assets. This corporate receivable is unique and the estimate presented is not indicative of the amount that could be realized in a sale to the private sector. Such a sale would require indeterminate, but substantial, discounts for an interested party to profit from these assets because of credit and other risks. Consequently, it is not practicable to estimate its fair market value.

Cost Allocations Among Funds

Operating expenses not directly charged to the FRF, the BIF, and the SAIF are allocated to all funds using workload-based allocation percentages. These percentages are developed during the annual corporate planning process and through supplemental functional analyses.

Disclosure about Recent Accounting Pronouncements

Recent accounting pronouncements have been adopted or deemed to be not applicable to the financial statements as presented.

Related Parties

The nature of related parties and a description of related party transactions are discussed in Note 1 and disclosed throughout the financial statements and footnotes.

Reclassifications

Reclassifications have been made in the 2003 financial statements to conform to the presentation used in 2004.

In 2004, the FRF changed the format of its Statement of Cash Flows from the direct method to the indirect method for purposes of reporting cash flows from operating activities. Accordingly, the Statement of Cash Flows for 2003 contains certain reclassifications to conform to the Corporation's current financial statement format. For 2003 and 2004, the reconciliation of net income to net cash provided by operating activities is included in the Statement of Cash Flows. Consequently, information pertaining to gross amounts of receipts and payments, not required for presentation of the indirect method, is available within other footnotes to these financial statements.

3. Receivables From Thrift Resolutions and Other Assets, Net

Receivables From Thrift Resolutions

The receivables from thrift resolutions include payments made by the FRF to cover obligations to insured depositors, advances to receiverships for working capital, and administrative expenses paid on behalf of receiverships. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment. Assets held by the FDIC in its receivership capacity for the former FSLIC and SAIF-insured institutions are a significant source of repayment of the FRF's receivables from thrift resolutions. As of December 31, 2004, 36 of the 850 FRF receiverships remain active primarily due to unresolved litigation, including Goodwill matters.

As of December 31, 2004 and 2003, FRF receiverships held assets with a book value of $175 million and $215 million, respectively (including cash, investments, and miscellaneous receivables of $142 million and $114 million at December 31, 2004 and 2003, respectively). The estimated cash recoveries from the management and disposition of these assets that are used to derive the allowance for losses are based on a sampling of receivership assets. The sampled assets are generally valued by estimating future cash recoveries, net of applicable liquidation cost estimates, and then discounting these net cash recoveries using current market-based risk factors based on a given asset's type and quality. Resultant recovery estimates are extrapolated to the non-sampled assets in order to derive the allowance for loss on the receivable. These estimated recoveries are regularly evaluated, but remain subject to uncertainties because of potential changes in economic and market conditions. Such uncertainties could cause the FRF's actual recoveries to vary from the level currently estimated.

Investment in Securitization-Related Assets Acquired from Receiverships
This investment is classified as available-for-sale with unrealized gains and losses included in Resolution Equity. Realized gains and losses are recorded based upon the difference between the proceeds at termination of the deal and the book value of the investment and are included as components of Net Income. As expected, the last securitization deal terminated in March 2004. At December 31, 2004, this investment includes credit enhancement reserves valued at $15.6 million. The credit enhancement reserves resulted from swap transactions where the former RTC received mortgage-backed securities in exchange for single-family mortgage loans. The former RTC supplied credit enhancement reserves for the mortgage loans in the form of cash collateral to cover future credit losses over the remaining life of the loans. These reserves may cover future credit losses through 2020.

The FRF received $97.8 million in proceeds from terminations in 2004.

Receivables From Thrift Resolutions and Other Assets, Net at December 31

Dollars in Thousands

	2004	2003
Receivables from closed thrifts	$ 19,952,501	$ 22,940,793
Allowance for losses	(19,894,023)	(22,846,309)
Receivables from Thrift Resolutions, Net	**58,478**	**94,484**
Investment in securitization-related assets acquired from receiverships	$ 15,643	$ 90,272
Other assets	8,154	13,676
Total	**$ 82,275**	**$ 198,432**

Gross receivables from thrift resolutions and the investment in securitization-related assets subject the FRF to credit risk. An allowance for loss of $19.9 billion, or 99.7% of the gross receivable, was recorded as of December 31, 2004. Of the remaining 0.3% of the gross receivable, approximately three-fourths of the receivable is expected to be repaid from receivership cash and investments.

4. Contingent Liabilities for:

Litigation Losses

The FRF records an estimated loss for unresolved legal cases to the extent those losses are considered probable and reasonably estimable. In addition to the amount recorded as probable, the FDIC has determined that losses from unresolved legal cases totaling $32.7 million are reasonably possible.

Additional Contingency

Goodwill Litigation

In *United States v. Winstar Corp.*, 518 U.S. 839 (1996), the Supreme Court held that when it became impossible following the enactment of FIRREA in 1989 for the federal government to perform certain agreements to count goodwill toward regulatory capital, the plaintiffs were entitled to recover damages from the United States. Approximately 49 cases are pending against the United States based on alleged breaches of these agreements.

On July 22, 1998, the Department of Justice's (DOJ's) Office of Legal Counsel (OLC) concluded that the FRF is legally available to satisfy all judgments and settlements in the Goodwill Litigation involving supervisory action or assistance agreements. OLC determined that nonperformance of these agreements was a contingent liability that was transferred to the FRF on August 9, 1989, upon the dissolution of the FSLIC. Under the analysis set forth in the OLC opinion, as liabilities transferred on August 9, 1989, these contingent liabilities for future nonperformance of prior agreements with respect to supervisory goodwill were transferred to the FRF-FSLIC, which is that portion of the FRF encompassing the obligations of the former FSLIC. The FRF-RTC, which encompasses the obligations of the former RTC and was created upon the termination of the RTC on December 31, 1995, is not available to pay any settlements or judgments arising out of the Goodwill Litigation. On July 23, 1998, the U.S. Treasury determined, based on OLC's opinion, that the FRF is the appropriate source of funds for payments of any such judgments and settlements.

The lawsuits comprising the Goodwill Litigation are against the United States and as such are defended by the DOJ. On November 17, 2004, the DOJ again informed the FDIC that it is "unable at this time to provide a reasonable estimate of the likely aggregate contingent liability resulting from the *Winstar*-related cases." This uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

The FDIC believes that it is probable that additional amounts, possibly substantial, may be paid from the FRF-FSLIC as a result of judgments and settlements in the Goodwill Litigation. Based on the response from the DOJ, the FDIC is unable to estimate a range of loss to the FRF-FSLIC from the Goodwill Litigation. However, the FRF can draw from an appropriation provided by Section 110 of the Department of Justice Appropriations Act, 2000 (Public Law 106-113, Appendix A, Title I, 113 Stat. 1501A-3, 1501A-20) such sums as may be necessary for the payment of judgments and compromise settlements in the Goodwill Litigation. This appropriation is to remain available until expended. Because an appropriation is available to pay such judgments and settlements, any liabilities for the Goodwill Litigation should have no impact on the financial condition of the FRF-FSLIC.

In addition, the FRF-FSLIC pays the goodwill litigation expenses incurred by DOJ based on a Memorandum of Understanding (MOU) dated October 2, 1998, between the FDIC and DOJ. Under the terms of the MOU, the FRF-FSLIC paid $30.1 million and $33.3 million to DOJ for fiscal years 2005 and 2004, respectively. DOJ returns any unused fiscal year funding to the FRF unless special circumstances warrant these funds be carried over and applied against current fiscal year charges. In March 2004, DOJ returned $8.2 million of unused fiscal year funds. At September 30, 2004, DOJ had $12.7 million in unused funds that were applied against FY 2005 charges of $42.8 million.

Guarini Litigation

Paralleling the goodwill cases are similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements allegedly contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs, from the FSLIC, even though the FSLIC provided the plaintiffs with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses.

Eight "Guarini" cases were filed seeking damages. Two "Guarini" cases have concluded. In one, no damages were awarded and the second was settled for $20,000. The U.S. Court of Federal Claims has entered judgments for the plaintiffs in five of the remaining cases aggregating approximately $180 million. One judgment for $28.1 million has been affirmed by a panel of the U.S. Court of Appeals for the Federal Circuit, but is not yet final. Three cases are on appeal, and one will likely be appealed. One case is still pending in the U.S. Court of Federal Claims and seeks damages in the approximate amount of $247 million.

The FDIC believes that it is possible that substantial amounts may be paid from the FRF-FSLIC as a result of the judgments and settlements from the "Guarini litigation." However, because the litigation of damages computation is still ongoing, the amount of the damages is not estimable at this time.

Representations and Warranties

As part of the RTC's efforts to maximize the return from the sale of assets from thrift resolutions, representations and warranties, and guarantees were offered on certain loan sales. The majority of loans subject to these agreements have most likely been paid off or refinanced due to the current interest rate climate or the period for filing claims has expired. However, there is no reporting mechanism to determine the aggregate amount of remaining loans. Therefore, the FDIC is unable to provide an estimate of maximum exposure to the FRF. Based on the above and our history of claims processed, the FDIC believes that any future representation and warranty liability to the FRF would be minimal.

5. Provision for Losses

The provision for losses was a negative $7 million and a negative $33 million for 2004 and 2003, respectively. In 2004 and 2003, the negative provision was primarily due to lower estimated losses for assets in liquidation.

6. Resolution Equity

As stated in the Legislative History section of Note 1, the FRF is comprised of two distinct pools: the FRF-FSLIC and the FRF-RTC. The FRF-FSLIC consists of the assets and liabilities of the former FSLIC. The FRF-RTC consists of the assets and liabilities of the former RTC. Pursuant to legal restrictions, the two pools are maintained separately and the assets of one pool are not available to satisfy obligations of the other.

The following table shows the contributed capital, accumulated deficit, and resulting resolution equity for each pool.

Resolution Equity at December 31, 2004

Dollars in Thousands

	FRF-FSLIC	FRF-RTC	FRF Consolidated
Contributed capital - beginning	$ 44,178,514	$ 82,199,337	$ 126,377,851
Add: U.S. Treasury payments for goodwill settlements	5,026	0	5,026
Contributed capital - ending	**44,183,540**	**82,199,337**	**126,382,877**
Accumulated deficit	(41,148,332)	(81,656,826)	(122,805,158)
Add: Unrealized loss on available-for-sale securities	0	(73)	(73)
Accumulated deficit, net	**(41,148,332)**	**(81,656,899)**	**(122,805,231)**
Total	**$ 3,035,208**	**$ 542,438**	**$ 3,577,646**

Contributed Capital

To date, the FRF-FSLIC and the former RTC received $43.5 billion and $60.1 billion from the U.S. Treasury, respectively. These payments were used to fund losses from thrift resolutions prior to July 1, 1995. Additionally, the FRF-FSLIC issued $670 million in capital certificates to the FICO and the RTC issued $31.3 billion of these instruments to the REFCORP. FIRREA prohibited the payment of dividends on any of these capital certificates. Through December 31, 2004, the FRF-RTC has returned $4.556 billion to the U.S. Treasury and made payments of $4.572 billion to the REFCORP. These actions serve to reduce contributed capital.

Accumulated Deficit

The accumulated deficit represents the cumulative excess of expenses over revenue for activity related to the FRF-FSLIC and the FRF-RTC. Approximately $29.8 billion and $87.9 billion were brought forward from the former FSLIC and the former RTC on August 9, 1989, and January 1, 1996, respectively. The FRF-FSLIC accumulated deficit has increased by $11.4 billion, whereas the FRF-RTC accumulated deficit has decreased by $6.3 billion, since their dissolution dates.

7. Employee Benefits

Pension Benefits

Eligible FDIC employees (permanent and term employees with appointments exceeding one year) are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although the FRF contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. The FRF also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported on and accounted for by the U.S. Office of Personnel Management.

The FRF's pro rata share of pension-related expenses was $2.8 million and $2.2 million, as of December 31, 2004 and 2003, respectively.

Postretirement Benefits Other Than Pensions

Beginning in 2003, the FRF no longer recorded a liability for the postretirement benefits of life and dental insurance as a result of FDIC's change in funding policy for these benefits and elimination of the separate entity. In implementing this change, management decided not to allocate either the plan assets or the revised net accumulated postretirement benefit obligation (a long-term liability) to FRF due to the expected dissolution of the Fund in the short-term. However, FRF does continue to pay its proportionate share of the yearly claim expenses associated with these benefits.

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To the Board of Directors
The Federal Deposit Insurance Corporation

We have audited the balance sheets as of December 31, 2004, and 2003, for the three funds administered by the Federal Deposit Insurance Corporation (FDIC), the related statements of income and fund balance (accumulated deficit), and the statements of cash flows for the years then ended. In our audits of the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the FSLIC Resolution Fund (FRF), we found

- the financial statements of each fund are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- FDIC had effective internal control over financial reporting and compliance with laws and regulations for each fund; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss our conclusions in more detail. They also present information on the scope of our audits and our evaluation of FDIC management's comments on a draft of this report.

Opinion on BIF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, BIF's financial position as of December 31, 2004, and 2003, and the results of its operations and its cash flows for the years then ended.

Opinion on SAIF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, SAIF's financial position as of December 31, 2004, and 2003, and the results of its operations and its cash flows for the years then ended.

Opinion on FRF's Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, FRF's financial position as of December 31, 2004, and 2003, and the results of its operations and its cash flows for the years then ended.

Opinion on Internal Control

FDIC management maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of December 31, 2004, that provided reasonable but not absolute assurance that misstatements, losses, or noncompliance material in relation to FDIC's financial statements of each fund would be prevented or detected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d) [Federal Managers' Financial Integrity Act (FMFIA)].

In prior years, we reported on weaknesses we identified in FDIC's information system controls, which we described as a reportable condition.[1] Specifically, FDIC had not adequately restricted access to critical financial programs and data, provided sufficient network security, or established a comprehensive program to monitor access activities. A primary reason for FDIC's information system control weaknesses was that the corporation had not established a comprehensive information security program to manage computer security. During the past several years, FDIC has made progress in correcting information system control weaknesses and in 2004, FDIC made substantial progress in correcting most of the weaknesses we identified in prior years, including taking steps to fully establish a comprehensive information security program. These improvements, combined with the progress we reported last year, enabled us to conclude that the remaining issues related to information system controls no longer constitute a reportable condition. FDIC's implementation of new financial systems[2] in the coming year will significantly change its information systems environment and the related information systems controls necessary for their effective operation. Consequently, continued management commitment to an effective information security program will be essential to ensure that the corporation's financial and sensitive information will be adequately protected in this new environment.

[1]Reportable conditions involve matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control and could adversely affect FDIC's ability to meet the control objectives described in this report.

[2]During 2005 FDIC anticipates implementing a new, integrated financial environment to support the financial management needs of the corporation.

We did not identify any reportable conditions during our 2004 audits. However, we noted other less significant matters involving FDIC's internal controls, including information system controls. We will be reporting separately to FDIC management on these matters.

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audits was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

FDIC management is responsible for (1) preparing the annual financial statements in conformity with U.S. generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; and (2) management maintained effective internal control, the objectives of which are the following:

- financial reporting—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and

- compliance with laws and regulations—transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

We are also responsible for testing compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations;
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
- considered FDIC's process for evaluating and reporting on internal control based on criteria established by FMFIA; and
- tested compliance with laws and regulations, including selected provisions of the Federal Deposit Insurance Act, as amended, and the Chief Financial Officers Act of 1990.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to FDIC. We limited our tests of compliance to those laws and regulations that could have a direct and material effect on the financial statements for the year ended December 31, 2004. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards.

FDIC Comments and Our Evaluation

In commenting on a draft of this report, FDIC's Chief Financial Officer (CFO) was pleased to receive unqualified opinions on BIF's, SAIF's, and FRF's 2004 and 2003 financial statements and to note that there were no material weaknesses identified during the 2004 audits. FDIC's CFO also stated that FDIC management is committed to ensuring the continued success of an effective and strong information security program. The CFO said FDIC will remain focused on accomplishing the work needed to face the new security challenges in the coming year. The complete text of FDIC's comments is reprinted in appendix I.

David M. Walker
Comptroller General
of the United States

January 31, 2005

Appendix I

FDIC
Federal Deposit Insurance Corporation
550 17th St. NW Washington DC, 20429 Deputy to the Chairman & Chief Financial Officer

February 7, 2005

Mr. David M. Walker
Comptroller General of the United States
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: FDIC Management Response on the GAO 2004 Financial Statements Audit Report

Dear Mr. Walker:

Thank you for the opportunity to comment on the U.S. Government Accountability Office's (GAO) draft audit report titled, **Financial Audit: Federal Deposit Insurance Corporation Funds' 2004 and 2003 Financial Statements,** GAO-05-281. The report presents GAO's opinions on the calendar year 2004 financial statements of the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation Resolution Fund (FRF). The report also presents GAO's opinion on the effectiveness of FDIC's internal controls as of December 31, 2004, and GAO's evaluation of FDIC's compliance with applicable laws and regulations.

We are pleased to accept GAO's unqualified opinions on the BIF, SAIF, and FRF financial statements and to note that there were no material weaknesses identified during the 2004 audits. The GAO reported that the funds' financial statements were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; FDIC had effective internal control over financial reporting and compliance with laws and regulations; and there were no instances of noncompliance with laws and regulations that were tested.

Also, we are pleased that GAO recognized the significant improvements that have been made during the past year and acknowledged our progress in fully implementing a comprehensive information security (IS) program. As always, management is committed to ensuring the continued success of an effective and strong IS program. We will remain focused on accomplishing the work needed to face the new security challenges in the coming year.

If you have any questions or concerns, please let me know.

Sincerely,

Steven O. App

Steven O. App
Deputy to the Chairman and Chief Financial Officer

Overview of the Industry

The 9,025 commercial banks and savings institutions insured by the FDIC reported total earnings of $91.8 billion for the first three quarters of 2004, an increase of $2.0 billion (2.3 percent) over the same period of 2003. The industry set new earnings records in two of the first three quarters of the year, as a strengthening economy and positive interest rate conditions boosted loan demand and helped reduce the level of troubled loans. Net interest income, (the difference between the interest that institutions earn on their loans and other investments and the interest they pay on deposits and other interest-bearing liabilities), registered strong growth, and lower provisions for loan losses also contributed to the improvement in earnings.

Insured commercial banks reported $78.1 billion in net income for the first three quarters of 2004, $2.0 billion (2.6 percent) more than they reported for the first three quarters of 2003. The improvement would have been greater, except that a few large mergers caused more than $3 billion in income to be excluded from year-to-date reported earnings for 2004. Almost two out of every three of the nation's 7,660 commercial banks (62.3 percent) reported higher earnings than a year earlier. Loan-loss provisions were $6.7 billion (25.2 percent) lower, while net interest income increased by $5.6 billion (3.2 percent). These were the two largest factors contributing to the improved earnings. In contrast, noninterest income was $2.6 billion (1.9 percent) lower than a year earlier, and gains on sales of securities and other assets were $1.8 billion (33.9 percent) smaller. The average return on assets (ROA) for the first three quarters of 2004 was 1.31 percent, compared to 1.39 percent for the same period of 2003.

An overall strengthening in loan demand was evident in 2004. Through the first three quarters of the year, total loans and leases grew by $386.2 billion (8.7 percent), while during the first three quarters of 2003, loans increased by $194.8 billion (4.7 percent). Accelerating growth in home equity and other consumer loans and a return to growth in loans to commercial and industrial (C&I) borrowers outweighed the effect of a slowdown in residential mortgage lending. Home equity loans increased by $90.6 billion (31.9 percent) in the first nine months of 2004, compared to an increase of $46.1 billion (21.4 percent) in the first nine months of 2003. Commercial and Industrial (C&I) loans increased by $19.5 billion in the first three quarters of 2004; in the first three quarters of 2003, C&I loans declined by $32.8 billion (3.6 percent). Reduced mortgage refinancing activity in 2004 was reflected in somewhat slower growth in mortgage assets. Banks' holdings of residential mortgage-related assets, including home mortgage loans and mortgage-backed securities, increased by $126.3 billion (7.1 percent) during the first three quarters of 2004, compared to an increase of $137.3 billion (8.3 percent) during the same period in 2003.

The strong growth in total loans was responsible for the increase in banks' net interest income, since the average net interest margin for the first three quarters of 2004 was 3.59 percent, well below the 3.83 percent average in the first three quarters of 2003. Asset-quality indicators, which began improving in 2003 following three years of deterioration, continued to improve in 2004. During the first nine months of the year, the amount of commercial banks' loans that were 90 days or more past due or in nonaccrual status declined by $9.0 billion (17.0 percent). The amount of loans that banks charged-off in the first three quarters of 2004 was $6.9 billion (24.6 percent) less than their charge-offs in the first three quarters of 2003.

Insured savings institutions reported slightly higher net income during the first three quarters compared to a year earlier, thanks to strong loan growth, but reduced gains on sales of securities and other assets limited the improvement. Net income increased by only $79 million (0.6 percent), as a $2.2 billion (7.0 percent) improvement in net interest income and a $3.2 billion (28.5 percent) increase in noninterest income were offset by a $3.5 billion (14.0 percent) rise in noninterest expenses and a $2.4 billion (43.8 percent) decline in gains on securities sales. The average ROA for the 1,365 insured savings institutions was 1.19 percent, down from 1.29 percent in the first three quarters of 2003. Fewer than half of all savings institutions (46.6 percent) had higher earnings than a year earlier. The average net interest margin for the first three quarters of 2004 was 3.20 percent, down from 3.29 percent for the first three quarters of 2003. Asset quality indicators registered modest improvement. Net charge-offs were $85 million (3.9 percent) lower than a year earlier, and loan-loss provisions were $179 million (8.4 percent) lower.

V. Management Controls

The FDIC's control standards incorporate the *GAO's Standards for Internal Controls in the Federal Government*. Good internal control systems are essential for ensuring the proper conduct of FDIC business and the accomplishment of management objectives by serving as checks and balances against undesirable actions or outcomes.

As part of the Corporation's continued commitment to establish and maintain effective and efficient internal controls, FDIC management routinely conducts reviews of internal control systems. The results of these reviews, as well as consideration of audits, evaluations and reviews conducted by the U.S. Government Accountability Office (GAO), the Office of Inspector General (OIG) and other outside entities, are used as a basis for the FDIC's reporting on the condition of the Corporation's internal control activities. The FDIC's management concludes that the system of internal controls, taken as a whole, complies with internal control standards prescribed by the GAO and provides reasonable assurance that the related objectives are being met.

The Corporation's evaluation processes, the OIG audits and evaluations, and the GAO financial statements audits have identified certain areas where existing internal controls should be improved. These areas are listed below.

Material Weaknesses

To determine the existence of material weaknesses, the FDIC has assessed the results of management evaluations and external audits of the Corporation's risk management and internal control systems conducted in 2004, as well as management actions taken to address issues identified in these audits and evaluations. Based on this assessment and application of other criteria, the FDIC concludes that no material weaknesses existed within the Corporation's operations for 2004. This is the seventh consecutive year that the FDIC has not had a material weakness.

High Vulnerability Issues

FDIC management has designated high vulnerability issues as areas requiring heightened attention of management. Although GAO did not identify a reportable condition for 2004, the FDIC identified Information Systems Security as an area of high vulnerability.

The FDIC has made significant progress in the last year to improve information systems security, but work remains to tighten and improve these controls. This assessment was confirmed by our independent auditors who reported that "FDIC made significant progress in improving its information security controls and practices; (however, these) controls provided limited assurance of adequate security over (FDIC) resources." The FDIC must ensure that processes and systems keep pace with new technologies and the growth in the types and range of attacks on systems throughout the industry.

Information system security is an inherently high-risk area due to its complexity and the existence of constant technological change. Controls need to improve to keep pace with change. Consequently, the FDIC is keeping Information Systems Security in the forefront and thus classified it as high vulnerability for 2004, despite the many accomplishments made in this area.

Matters for Continued Monitoring

FDIC management has identified four matters that warrant continued monitoring. The matters listed below are areas that are kept in the forefront of management's attention and proactively assessed throughout the year.

1. Bank Secrecy Act

The FDIC is engaged in several initiatives to strengthen its anti-money laundering (AML) supervisory program. As stated in the Management Discussion and Analysis section of this report, the Corporation has participated in interagency working groups, issued guidance and incorporated changes in examination procedures to assist in efforts to identify money laundering and terrorist financing risks. The FDIC will continue to engage in progressive initiatives, working closely with other Federal and State Regulators, FinCEN, Federal law enforcement, the Department of Homeland Security, and the State Department. A few of the initiatives include issuing comprehensive BSA/AML examination procedures; conducting nationwide industry outreach sessions focused on BSA, AML, and counter-financing of terrorism issues; increasing the number of BSA/AML subject matter experts; and providing advanced training to these subject matter experts.

2. Project Management and Contractor Oversight

The FDIC manages a variety of projects, including systems development and renovation projects. Because of the size (multi-million dollar) and complexity of some of these projects, it is imperative that the FDIC emphasize strong internal controls over project management and contractor oversight. Large, agency-wide, and complex projects pose a greater risk to the Corporation if not efficiently and effectively managed. As stated in the Message from the CFO, (pages 6-7) the FDIC's CIRC focuses on systematic review and monitoring of large-scale projects and improvements. As the FDIC is transitioning to utilizing more performance-based contracts, the Corporation is keeping a heightened level of attention on project management and contractor oversight, which is a good business practice.

3. Workforce Management

Substantial progress has been made in realigning the FDIC's workforce to reflect changes in the industry. The FDIC will be reducing staff in certain areas and increasing staff in other areas during 2005 and 2006. In addition, it will be taking the initial steps to implement the new Corporate Employee Program, which will become the foundation for a smaller, more flexible permanent workforce in the future. The Corporation will continue to monitor on an ongoing basis changes in the workload, technology, and the structure of the financial services industry and will adjust its human capital strategy, as appropriate, to address these changes.

4. Business Continuity Plan

The FDIC has developed an Emergency Preparedness Program (Program) which is comprised of an Emergency Response Plan (which addresses employee safety and security) and a Business Continuity Plan. This Corporate-wide Program continues to be refined to ensure FDIC can respond to any disruption, whether natural or man-made.

Internal Controls and Risk Management Program

Enterprise Risk Management
The FDIC is adopting an Enterprise Risk Management (ERM) approach to identifying and analyzing risks on an integrated corporate-wide basis. During 2004, the FDIC redesignated the former Office of Internal Control Management as the Office of Enterprise Risk Management. This change was intended to facilitate a shift to a more proactive and enterprise-wide approach to risk management. The focus will be on directing resources to areas of greatest risk.

The FDIC has risk managers for certain Capital Investment Review Committee (CIRC) projects. The role of these risk managers includes monitoring the schedule and budget of CIRC projects more frequently and at a more detailed level than the CIRC, interjecting risk-management concepts where needed, attending project Steering Committee meetings, and adding value as decisions are being made. Additionally, monthly risk evaluations are conducted and the results are reported to the CIRC and the Corporation's senior management.

The FDIC's circular on *FDIC Internal Control Programs and Systems* is being updated to include the concepts of ERM. The circular will provide corporate-wide guidance on risk management and internal controls from an enterprise-wide perspective. The FDIC's ERM process will continue to provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are met.

VI. Appendixes

Appendix A – Key Statistics

Selected Statistics

Dollars in millions	For the year ended December 31 2004	2003	2002
Bank Insurance Fund			
Financial Results			
Revenue	**$ 1,676**	$ 1,626	$ 1,796
Operating Expenses	**822**	805	821
Insurance and other expenses	**(263)**	(921)	(70)
Net Income	**1,117**	1,742	1,045
Comprehensive Income	**1,005**	1,732	1,611
Insurance Fund Balance	**$ 34,787**	$ 33,782	$ 32,050
Fund as a Percentage of Insured Deposits	**1.32%▼**	1.32%	1.27%
Selected Statistics			
Total BIF-Member Institutions●	**7,875 ▼**	7,995	8,125
Problem Institutions	**86 ▼**	102	116
Total Assets of Problem Institutions	**$ 24,446 ▼**	$ 28,812	$ 32,176
Institution Failures	**3**	3	10
Total Assets of Current Year Failed Institutions	**$ 151**	$ 1,097	$ 2,508
Number of Active Failed Institution Receiverships	**31**	31	37
Savings Association Insurance Fund			
Financial Results			
Revenue	**$ 564**	$ 547	$ 589
Operating Expenses	**120**	130	124
Insurance and other expenses	**(72)**	(83)	(155)
Net Income	**516**	500	620
Comprehensive Income	**480**	493	812
Insurance Fund Balance	**$ 12,720**	$ 12,240	$ 11,747
Fund as a Percentage of Insured Deposits	**1.33%▼**	1.37%	1.37%
Selected Statistics			
Total SAIF-Member Institutions■	**1,150 ▼**	1,186	1,229
Problem Institutions	**9 ▼**	14	20
Total Assets of Problem Institutions	**$ 625 ▼**	$ 1,105	$ 6,751
Institution Failures	**1**	0	1
Total Assets of Current Year Failed Institutions	**$ 15**	$ 0	$ 50
Number of Active Failed Institution Receiverships	**3**	2	3

▼ As of September 30, 2004.

● Commercial banks and savings institutions. Does not include U.S. branches of foreign banks.

■ Savings institutions and commercial banks.

Number and Deposits of BIF-Insured Banks Closed Because of Financial Difficulties, 1934 through 2004[1]

Dollars in Thousands

	Number of Insured Banks			Deposits of Insured Banks			
Year	Total	Without Disbursements by FDIC	With Disbursements by FDIC	Total	Without Disbursements by FDIC	With Disbursements by FDIC	Assets
Total	**2,116**	**19**	**2,097**	**$ 217,856,719**	**$ 4,298,814**	**$ 213,557,905**	**$ 408,937,918**
2004	**3**	**–**	**3**	**132,880**	**–**	**132,880**	**150,519,500**
2003	3	–	3	903,504	–	903,504	1,096,724
2002	10	–	10	2,124,501	–	2,124,501	2,507,565
2001	3	–	3	49,926	–	49,926	54,470
2000	6	–	6	311,950	–	311,950	378,088
1999	7	–	7	1,268,151	–	1,268,151	1,423,819
1998	3	–	3	335,076	–	335,076	370,400
1997	1	–	1	26,800	–	26,800	25,921
1996	5	–	5	168,228	–	168,228	182,502
1995	6	–	6	632,700	–	632,700	753,024
1994	13	1	12	1,236,488	–	1,236,488	1,392,140
1993	41	–	41	3,132,177	–	3,132,177	3,539,373
1992	120	10	110	41,150,898	4,257,667	36,893,231	44,197,009
1991	124	–	124	53,751,763	–	53,751,763	63,119,870
1990	168	–	168	14,473,300	–	14,473,300	15,660,800
1989	206	–	206	24,090,551	–	24,090,551	29,168,596
1988	200	–	200	24,931,302	–	24,931,302	35,697,789
1987	184	–	184	6,281,500	–	6,281,500	6,850,700
1986	138	–	138	6,471,100	–	6,471,100	6,991,600
1985	120	–	120	8,059,441	–	8,059,441	8,741,268
1984	79	–	79	2,883,162	–	2,883,162	3,276,411
1983	48	–	48	5,441,608	–	5,441,608	7,026,923
1982	42	–	42	9,908,379	–	9,908,379	11,632,415
1981	10	–	10	3,826,022	–	3,826,022	4,859,060
1980	10	–	10	216,300	–	216,300	236,164
1979	10	–	10	110,696	–	110,696	132,988
1978	7	–	7	854,154	–	854,154	994,035
1977	6	–	6	205,208	–	205,208	232,612
1976	16	–	16	864,859	–	864,859	1,039,293
1975	13	–	13	339,574	–	339,574	419, 950
1974	4	–	4	1,575,832	–	1,575,832	3,822,596
1973	6	–	6	971,296	–	971,296	1,309,675
1972	1	–	1	20,480	–	20,480	22,054
1971	6	–	6	132,058	–	132,058	196,520
1970	7	–	7	54,806	–	54,806	62,147
1969	9	–	9	40,134	–	40,134	43,572
1968	3	–	3	22,524	–	22,524	25,154
1967	4	–	4	10,878	–	10,878	11,993
1966	7	–	7	103,523	–	103,523	120,647
1965	5	–	5	43,861	–	43,861	58,750
1964	7	–	7	23,438	–	23,438	25,849
1963	2	–	2	23,444	–	23,444	26,179
1962	1	1	0	3,011	3,011	0	N/A
1961	5	–	5	8,936	–	8,936	9,820
1960	1	–	1	6,930	–	6,930	7,506
1959	3	–	3	2,593	–	2,593	2,858
1958	4	–	4	8,240	–	8,240	8,905
1957	2	1	1	11,247	10,084	1,163	1,253
1956	2	–	2	11,330	–	11,330	12,914
1955	5	–	5	11,953	–	11,953	11,985
1954	2	–	2	998	–	998	1,138
1953	4	2	2	44,711	26,449	18,262	18,811
1952	3	–	3	3,170	–	3,170	2,388
1951	2	–	2	3,408	–	3,408	3,050
1950	4	–	4	5,513	–	5,513	4,005
1949	5	1	4	6,665	1,190	5,475	4,886
1948	3	–	3	10,674	–	10,674	10,360
1947	5	–	5	7,040	–	7,040	6,798
1946	1	–	1	347	–	347	351
1945	1	–	1	5,695	–	5,695	6,392
1944	2	–	2	1,915	–	1,915	2,098
1943	5	–	5	12,525	–	12,525	14,058
1942	20	–	20	19,185	–	19,185	22,254
1941	15	–	15	29,717	–	29,717	34,804
1940	43	–	43	142,430	–	142,430	161,898
1939	60	–	60	157,772	–	157,772	181,514
1938	74	–	74	59,684	–	59,684	69,513
1937	77	2	75	33,677	328	33,349	40,370
1936	69	–	69	27,508	–	27,508	31,941
1935	26	1	25	13,405	85	13,320	17,242
1934	9	–	9	1,968	–	1,968	2,661

[1] Does not include institutions that received FDIC assistance and were not closed. Also does not include institutions insured by the Savings Association Insurance Fund (SAIF), which was established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Recoveries and Losses by the Bank Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2004

Dollars in Thousands

	All Cases[1]					Deposit Payoff Cases[2]				
Year	Number of Banks	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses	Number of Banks	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**2,224**	**111,269,132**	**72,628,327**	**362,681**	**38,278,124**	**608**	**16,131,723**	**11,303,684**	**96,052**	**4,731,987**
2004	**3**	**132,781**	**121,446**	**1,965**	**9,370**	**0**	**0**	**0**	**0**	**0**
2003	3	883,797	680,186	127,272	76,339	0	0	0	0	0
2002	10	2,019,523	1,345,196	127,395	546,932	5	1,573,393	1,076,675	96,052	400,666
2001	3	25,080	19,288	0	5,792	0	0	0	0	0
2000	6	268,730	235,925	1,359	31,446	0	0	0	0	0
1999	7	1,244,450	494,612	94,155	655,683	0	0	0	0	0
1998	3	286,598	52,821	8,545	225,232	0	0	0	0	0
1997	1	25,546	20,520	0	5,026	0	0	0	0	0
1996	5	169,386	130,727	0	38,659	0	0	0	0	0
1995	6	609,045	524,573	0	84,472	0	0	0	0	0
1994	13	1,224,769	1,045,718	0	179,051	0	0	0	0	0
1993	41	1,797,312	1,151,128	82	646,102	5	261,203	159,268	0	101,935
1992	122	14,172,917	10,504,048	839	3,668,030	25	1,890,869	1,398,731	0	492,138
1991	127	21,413,224	15,402,252	3,034	6,007,938	21	1,468,407	1,000,733	0	467,674
1990	169	10,817,419	8,040,426	0	2,776,993	20	2,183,400	1,647,044	0	536,356
1989	207	11,445,829	5,248,247	0	6,197,582	32	2,116,556	1,262,140	0	854,416
1988	280	12,163,006	5,244,866	0	6,918,140	36	1,252,160	822,612	0	429,548
1987	203	5,037,871	3,015,215	0	2,022,656	51	2,103,792	1,401,000	0	702,792
1986	145	4,790,969	3,015,252	0	1,775,717	40	1,155,981	739,659	0	416,322
1985	120	2,920,687	1,913,452	0	1,007,235	29	523,789	411,175	0	112,614
1984	80	7,696,215	6,056,061	0	1,640,154	16	791,838	699,483	0	92,355
1983	48	3,807,082	2,400,044	0	1,407,038	9	148,423	122,484	0	25,939
1982	42	2,275,150	1,106,579	0	1,168,571	7	277,240	206,247	0	70,993
1981	10	888,999	107,221	0	781,778	2	35,736	34,598	0	1,138
1980	11	152,355	121,675	0	30,680	3	13,732	11,427	0	2,305
1979	10	90,489	74,372	0	16,117	3	9,936	9,003	0	933
1978	7	548,568	512,927	0	35,641	1	817	613	0	204
1977	6	26,650	20,654	0	5,996	0	0	0	0	0
1976	17	599,397	561,532	0	37,865	3	11,416	9,660	0	1,756
1975	13	332,046	292,431	0	39,615	3	25,918	25,849	0	69
1974	5	2,403,277	2,259,633	0	143,644	0	0	0	0	0
1973	6	435,238	368,852	0	66,386	3	16,771	16,771	0	0
1972	2	16,189	14,501	0	1,688	1	16,189	14,501	0	1,688
1971	7	171,646	171,430	0	216	5	53,767	53,574	0	193
1970	7	51,566	51,294	0	272	4	29,265	28,993	0	272
1969	9	42,072	41,910	0	162	4	7,596	7,513	0	83
1968	3	6,476	6,464	0	12	0	0	0	0	0
1967	4	8,097	7,087	0	1,010	4	8,097	7,087	0	1,010
1966	7	10,020	9,541	0	479	1	735	735	0	0
1965	5	11,479	10,816	0	663	3	10,908	10,391	0	517
1964	7	13,712	12,171	0	1,541	7	13,712	12,171	0	1,541
1963	2	19,172	18,886	0	286	2	19,172	18,886	0	286
1962	0	0	0	0	0	0	0	0	0	0
1961	5	6,201	4,700	0	1,501	5	6,201	4,700	0	1,501
1960	1	4,765	4,765	0	0	1	4,765	4,765	0	0
1959	3	1,835	1,738	0	97	3	1,835	1,738	0	97
1958	4	3,051	3,023	0	28	3	2,796	2,768	0	28
1957	1	1,031	1,031	0	0	1	1,031	1,031	0	0
1956	2	3,499	3,286	0	213	1	2,795	2,582	0	213
1955	5	7,315	7,085	0	230	4	4,438	4,208	0	230
1954	2	1,029	771	0	258	0	0	0	0	0
1953	2	5,359	5,359	0	0	0	0	0	0	0
1952	3	1,525	733	0	792	0	0	0	0	0
1951	2	1,986	1,986	0	0	0	0	0	0	0
1950	4	4,404	3,019	0	1,385	0	0	0	0	0
1949	4	2,685	2,316	0	369	0	0	0	0	0
1948	3	3,150	2,509	0	641	0	0	0	0	0
1947	5	2,038	1,979	0	59	0	0	0	0	0
1946	1	274	274	0	0	0	0	0	0	0
1945	1	1,845	1,845	0	0	0	0	0	0	0
1944	2	1,532	1,492	0	40	1	404	364	0	40
1943	5	7,230	7,107	0	123	4	5,500	5,377	0	123
1942	20	11,684	10,996	0	688	6	1,612	1,320	0	292
1941	15	25,061	24,470	0	591	8	12,278	12,065	0	213
1940	43	87,899	84,103	0	3,796	19	4,895	4,313	0	582
1939	60	81,828	74,676	0	7,152	32	26,196	20,399	0	5,797
1938	74	34,394	31,969	0	2,425	50	9,092	7,908	0	1,184
1937	75	20,204	16,532	0	3,672	50	12,365	9,718	0	2,647
1936	69	15,206	12,873	0	2,333	42	7,735	6,397	0	1,338
1935	25	9,108	6,423	0	2,685	24	6,026	4,274	0	1,752
1934	9	941	734	0	207	9	941	734	0	207

continued on next page

Recoveries and Losses by the Bank Insurance Fund on Disbursements for the Protection of Depositors, 1934 through 2004 (continued)

Dollars in Thousands

	Deposit Assumption Cases					Assistance Transactions[1]				
Year	Number of Banks	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses	Number of Banks	Disbursements	Recoveries	Estimated Additional Recoveries	Estimated Losses
Total	**1,475**	**83,507,053**	**55,124,768**	**266,629**	**28,115,656**	**141**	**11,630,356**	**6,199,875**	**0**	**5,430,481**
2004	**3**	**132,781**	**121,446**	**1,965**	**9,370**	**0**	**0**	**0**	**0**	**0**
2003	3	883,797	680,186	127,272	76,339	0	0	0	0	0
2002	5	446,130	268,521	31,343	146,266	0	0	0	0	0
2001	3	25,080	19,288	0	5,792	0	0	0	0	0
2000	6	268,730	235,925	1,359	31,446	0	0	0	0	0
1999	7	1,244,450	494,612	94,155	655,683	0	0	0	0	0
1998	3	286,598	52,821	8,545	225,232	0	0	0	0	0
1997	1	25,546	20,520	0	5,026	0	0	0	0	0
1996	5	169,386	130,727	0	38,659	0	0	0	0	0
1995	6	609,045	524,573	0	84,472	0	0	0	0	0
1994	13	1,224,769	1,045,718	0	179,051	0	0	0	0	0
1993	36	1,536,109	991,860	82	544,167	0	0	0	0	0
1992	95	12,280,562	9,104,081	839	3,175,642	2	1,486	1,236	0	250
1991	103	19,938,700	14,398,426	3,034	5,537,240	3	6,117	3,093	0	3,024
1990	148	8,629,084	6,390,785	0	2,238,299	1	4,935	2,597	0	2,338
1989	174	9,326,725	3,985,855	0	5,340,870	1	2,548	252	0	2,296
1988	164	9,180,495	4,232,545	0	4,947,950	80	1,730,351	189,709	0	1,540,642
1987	133	2,773,202	1,613,502	0	1,159,700	19	160,877	713	0	160,164
1986	98	3,476,140	2,209,924	0	1,266,216	7	158,848	65,669	0	93,179
1985	87	1,631,166	1,095,601	0	535,565	4	765,732	406,676	0	359,056
1984	62	1,373,198	941,674	0	431,524	2	5,531,179	4,414,904	0	1,116,275
1983	35	2,893,969	1,850,553	0	1,043,416	4	764,690	427,007	0	337,683
1982	25	268,372	213,578	0	54,794	10	1,729,538	686,754	0	1,042,784
1981	5	79,208	71,358	0	7,850	3	774,055	1,265	0	772,790
1980	7	138,623	110,248	0	28,375	1	0	0	0	0
1979	7	80,553	65,369	0	15,184	0	0	0	0	0
1978	6	547,751	512,314	0	35,437	0	0	0	0	0
1977	6	26,650	20,654	0	5,996	0	0	0	0	0
1976	13	587,981	551,872	0	36,109	1	0	0	0	0
1975	10	306,128	266,582	0	39,546	0	0	0	0	0
1974	4	2,403,277	2,259,633	0	143,644	1	0	0	0	0
1973	3	418,467	352,081	0	66,386	0	0	0	0	0
1972	0	0	0	0	0	1	0	0	0	0
1971	1	117,879	117,856	0	23	1	0	0	0	0
1970	3	22,301	22,301	0	0	0	0	0	0	0
1969	5	34,476	34,397	0	79	0	0	0	0	0
1968	3	6,476	6,464	0	12	0	0	0	0	0
1967	0	0	0	0	0	0	0	0	0	0
1966	6	9,285	8,806	0	479	0	0	0	0	0
1965	2	571	425	0	146	0	0	0	0	0
1964	0	0	0	0	0	0	0	0	0	0
1963	0	0	0	0	0	0	0	0	0	0
1962	0	0	0	0	0	0	0	0	0	0
1961	0	0	0	0	0	0	0	0	0	0
1960	0	0	0	0	0	0	0	0	0	0
1959	0	0	0	0	0	0	0	0	0	0
1958	1	255	255	0	0	0	0	0	0	0
1957	0	0	0	0	0	0	0	0	0	0
1956	1	704	704	0	0	0	0	0	0	0
1955	1	2,877	2,877	0	0	0	0	0	0	0
1954	2	1,029	771	0	258	0	0	0	0	0
1953	2	5,359	5,359	0	0	0	0	0	0	0
1952	3	1,525	733	0	792	0	0	0	0	0
1951	2	1,986	1,986	0	0	0	0	0	0	0
1950	4	4,404	3,019	0	1,385	0	0	0	0	0
1949	4	2,685	2,316	0	369	0	0	0	0	0
1948	3	3,150	2,509	0	641	0	0	0	0	0
1947	5	2,038	1,979	0	59	0	0	0	0	0
1946	1	274	274	0	0	0	0	0	0	0
1945	1	1,845	1,845	0	0	0	0	0	0	0
1944	1	1,128	1,128	0	0	0	0	0	0	0
1943	1	1,730	1,730	0	0	0	0	0	0	0
1942	14	10,072	9,676	0	396	0	0	0	0	0
1941	7	12,783	12,405	0	378	0	0	0	0	0
1940	24	83,004	79,790	0	3,214	0	0	0	0	0
1939	28	55,632	54,277	0	1,355	0	0	0	0	0
1938	24	25,302	24,061	0	1,241	0	0	0	0	0
1937	25	7,839	6,814	0	1,025	0	0	0	0	0
1936	27	7,471	6,476	0	995	0	0	0	0	0
1935	1	3,082	2,149	0	933	0	0	0	0	0
1934	0	0	0	0	0	0	0	0	0	0

[1] Totals do not include dollar amounts for the five open bank assistance transactions between 1971 and 1980. Excludes eight transactions prior to 1962 that required no disbursements. Also, disbursements, recoveries, and estimated additional recoveries do not include working capital advances to and repayments by receiverships.

[2] Includes insured deposit transfer cases.

Note: Beginning with the 1997 Annual Report the number of banks in the Assistance Transactions column for 1988 was changed from 21 to 80 and the number of banks in the All Cases column was changed from 221 to 280 to reflect that one assistance transaction encompassed 60 institutions. Also, certain 1982, 1983, 1989 and 1992 resolutions previously reported in either the Deposit Payoff or Deposit Assumption categories were reclassified.

Income and Expenses, Bank Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2004

Dollars in Millions

	Income					Expenses and Losses				
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest and Other Insur. Expenses	Net Income/ (Loss)
Total	**$ 88,804.5**	**$ 53,520.1**	**$ 6,709.1**	**$ 41,993.5**		**$ 54,707.5**	**$ 35,923.1**	**$ 11,788.5**	**$ 7,001.9**	**$ 34,097.0**
2004	**1,675.4**	**95.3**	**0.0**	**1,580.1**	**0.0022%**	**558.6**	**(269.4)**	**822.4**	**5.6**	**1,116.8**
2003	1,626.0	80.2	0.0	1,545.8	0.0020%	(115.7)	(928.5)	805.5	7.3	1,741.7
2002	1,795.9	84.0	0.0	1,711.9	0.0022%	750.6	(87.0)	821.1	16.5	1,045.3
2001	1,996.7	47.8	0.0	1,948.9	0.0014%	2,559.4	1,756.3	785.9	17.2	(562.7)
2000	1,905.9	45.1	0.0	1,860.8	0.0014%	645.2	(153.0)	772.9	25.3	1,260.7
1999	1,815.6	33.3	0.0	1,782.3	0.0011%	1,922.0	1,168.7	730.4	22.9	(106.4)
1998	2,000.3	21.7	0.0	1,978.6	0.0008%	691.5	(37.7)	697.6	31.6	1,308.8
1997	1,615.6	24.7	0.0	1,590.9	0.0008%	177.3	(503.7)	605.2	75.8	1,438.3
1996	1,655.3	72.7	0.0	1,582.6	0.0024%	254.6	(325.2)	505.3	74.5	1,400.7
1995	4,089.1	2,906.9	0.0	1,182.2	0.1240%	483.2	(33.2)	470.6	45.8	3,605.9
1994	6,467.0	5,590.6	0.0	876.4	0.2360%	(2,259.1)	(2,873.4)	423.2	191.1	8,726.1
1993	6,430.8	5,784.3	0.0	646.5	0.2440%	(6,791.4)	(7,677.4)	388.5	497.5	13,222.2
1992	6,301.5	5,587.8	0.0	713.7	0.2300%	(625.8)	(2,259.7)	570.8 [3]	1,063.1	6,927.3
1991	5,790.0	5,160.5	0.0	629.5	0.2125%	16,862.3	15,476.2	284.1	1,102.0	(11,072.3)
1990	3,838.3	2,855.3	0.0	983.0	0.1200%	13,003.3	12,133.1	219.6	650.6	(9,165.0)
1989	3,494.6	1,885.0	0.0	1609.6	0.0833%	4,346.2	3,811.3	213.9	321.0	(851.6)
1988	3,347.7	1,773.0	0.0	1,574.7	0.0833%	7,588.4	6,298.3	223.9	1,066.2	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	0.0833%	3,270.9	2,996.9	204.9	69.1	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	0.0833%	2,963.7	2,827.7	180.3	(44.3)	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	0.0833%	1,957.9	1,569.0	179.2	209.7	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	0.0800%	1,999.2	1,633.4	151.2	214.6	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	0.0714%	969.9	675.1	135.7	159.1	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	0.0769%	999.8	126.4	129.9	743.5	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	0.0714%	848.1	320.4	127.2	400.5	1,226.6
1980	1,310.4	951.9	521.1	879.6	0.0370%	83.6	(38.1)	118.2	3.5	1,226.8
1979	1,090.4	881.0	524.6	734.0	0.0333%	93.7	(17.2)	106.8	4.1	996.7
1978	952.1	810.1	443.1	585.1	0.0385%	148.9	36.5	103.3	9.1	803.2
1977	837.8	731.3	411.9	518.4	0.0370%	113.6	20.8	89.3	3.5	724.2
1976	764.9	676.1	379.6	468.4	0.0370%	212.3	28.0	180.4 [4]	3.9	552.6
1975	689.3	641.3	362.4	410.4	0.0357%	97.5	27.6	67.7	2.2	591.8
1974	668.1	587.4	285.4	366.1	0.0435%	159.2	97.9	59.2	2.1	508.9
1973	561.0	529.4	283.4	315.0	0.0385%	108.2	52.5	54.4	1.3	452.8
1972	467.0	468.8	280.3	278.5	0.0333%	59.7	10.1	49.6	6.0 [5]	407.3
1971	415.3	417.2	241.4	239.5	0.0345%	60.3	13.4	46.9	0.0	355.0
1970	382.7	369.3	210.0	223.4	0.0357%	46.0	3.8	42.2	0.0	336.7
1969	335.8	364.2	220.2	191.8	0.0333%	34.5	1.0	33.5	0.0	301.3
1968	295.0	334.5	202.1	162.6	0.0333%	29.1	0.1	29.0	0.0	265.9
1967	263.0	303.1	182.4	142.3	0.0333%	27.3	2.9	24.4	0.0	235.7
1966	241.0	284.3	172.6	129.3	0.0323%	19.9	0.1	19.8	0.0	221.1
1965	214.6	260.5	158.3	112.4	0.0323%	22.9	5.2	17.7	0.0	191.7
1964	197.1	238.2	145.2	104.1	0.0323%	18.4	2.9	15.5	0.0	178.7
1963	181.9	220.6	136.4	97.7	0.0313%	15.1	0.7	14.4	0.0	166.8
1962	161.1	203.4	126.9	84.6	0.0313%	13.8	0.1	13.7	0.0	147.3

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Income and Expenses, Bank Insurance Fund, from Beginning of Operations, September 11, 1933, through December 31, 2004 (continued)

Dollars in Millions

	Income					Expenses and Losses				
Year	Total	Assessment Income	Assessment Credits	Investment and Other Sources	Effective Assessment Rate[1]	Total	Provision for Losses	Administrative and Operating Expenses[2]	Interest and Other Insur. Expenses	Net Income/ (Loss)
Total	**$ 88,804.5**	**$ 53,520.1**	**$ 6,709.1**	**$ 41,993.5**		**$ 54,707.5**	**$ 35,923.1**	**$ 11,788.5**	**$ 7,001.9**	**$ 34,097.0**
1961	147.3	188.9	115.5	73.9	0.0323%	14.8	1.6	13.2	0.0	132.5
1960	144.6	180.4	100.8	65.0	0.0370%	12.5	0.1	12.4	0.0	132.1
1959	136.5	178.2	99.6	57.9	0.0370%	12.1	0.2	11.9	0.0	124.4
1958	126.8	166.8	93.0	53.0	0.0370%	11.6	0.0	11.6	0.0	115.2
1957	117.3	159.3	90.2	48.2	0.0357%	9.7	0.1	9.6	0.0	107.6
1956	111.9	155.5	87.3	43.7	0.0370%	9.4	0.3	9.1	0.0	102.5
1955	105.8	151.5	85.4	39.7	0.0370%	9.0	0.3	8.7	0.0	96.8
1954	99.7	144.2	81.8	37.3	0.0357%	7.8	0.1	7.7	0.0	91.9
1953	94.2	138.7	78.5	34.0	0.0357%	7.3	0.1	7.2	0.0	86.9
1952	88.6	131.0	73.7	31.3	0.0370%	7.8	0.8	7.0	0.0	80.8
1951	83.5	124.3	70.0	29.2	0.0370%	6.6	0.0	6.6	0.0	76.9
1950	84.8	122.9	68.7	30.6	0.0370%	7.8	1.4	6.4	0.0	77.0
1949	151.1	122.7	0.0	28.4	0.0833%	6.4	0.3	6.1	0.0	144.7
1948	145.6	119.3	0.0	26.3	0.0833%	7.0	0.7	6.3[6]	0.0	138.6
1947	157.5	114.4	0.0	43.1	0.0833%	9.9	0.1	9.8	0.0	147.6
1946	130.7	107.0	0.0	23.7	0.0833%	10.0	0.1	9.9	0.0	120.7
1945	121.0	93.7	0.0	27.3	0.0833%	9.4	0.1	9.3	0.0	111.6
1944	99.3	80.9	0.0	18.4	0.0833%	9.3	0.1	9.2	0.0	90.0
1943	86.6	70.0	0.0	16.6	0.0833%	9.8	0.2	9.6	0.0	76.8
1942	69.1	56.5	0.0	12.6	0.0833%	10.1	0.5	9.6	0.0	59.0
1941	62.0	51.4	0.0	10.6	0.0833%	10.1	0.6	9.5	0.0	51.9
1940	55.9	46.2	0.0	9.7	0.0833%	12.9	3.5	9.4	0.0	43.0
1939	51.2	40.7	0.0	10.5	0.0833%	16.4	7.2	9.2	0.0	34.8
1938	47.7	38.3	0.0	9.4	0.0833%	11.3	2.5	8.8	0.0	36.4
1937	48.2	38.8	0.0	9.4	0.0833%	12.2	3.7	8.5	0.0	36.0
1936	43.8	35.6	0.0	8.2	0.0833%	10.9	2.6	8.3	0.0	32.9
1935	20.8	11.5	0.0	9.3	0.0833%	11.3	2.8	8.5	0.0	9.5
1933/4	7.0	0.0	0.0	7.0	N/A	10.0	0.2	9.8	0.0	(3.0)

[1] The effective rates from 1950 through 1984 vary from the statutory rate of 0.0833 percent due to assessment credits provided in those years. The statutory rate increased to 0.12 percent in 1990 and to a minimum of 0.15 percent in 1991. The effective rates in 1991 and 1992 vary because the FDIC exercised new authority to increase assessments above the statutory rate when needed. Beginning in 1993, the effective rate is based on a risk-related premium system under which institutions pay assessments in the range of 0.23 percent to 0.31 percent. In May 1995, the BIF reached the mandatory recapitalization level of 1.25%. As a result, the assessment rate was reduced to 4.4 cents per $100 of insured deposits and assessment premiums totaling $1.5 billion were refunded in September 1995.

[2] These expenses, which are presented as operating expenses in the Statements of Income and Fund Balance, pertain to the FDIC in its corporate capacity only and **do not** include costs that are charged to the failed bank receiverships that are managed by the FDIC. The receivership expenses are presented as part of the "Receivables from Bank Resolutions, net" line on the Balance Sheets. The narrative and graph presented in the "Corporate Planning and Budget" section of this report (next page) show the aggregate (corporate and receivership) expenditures of the FDIC.

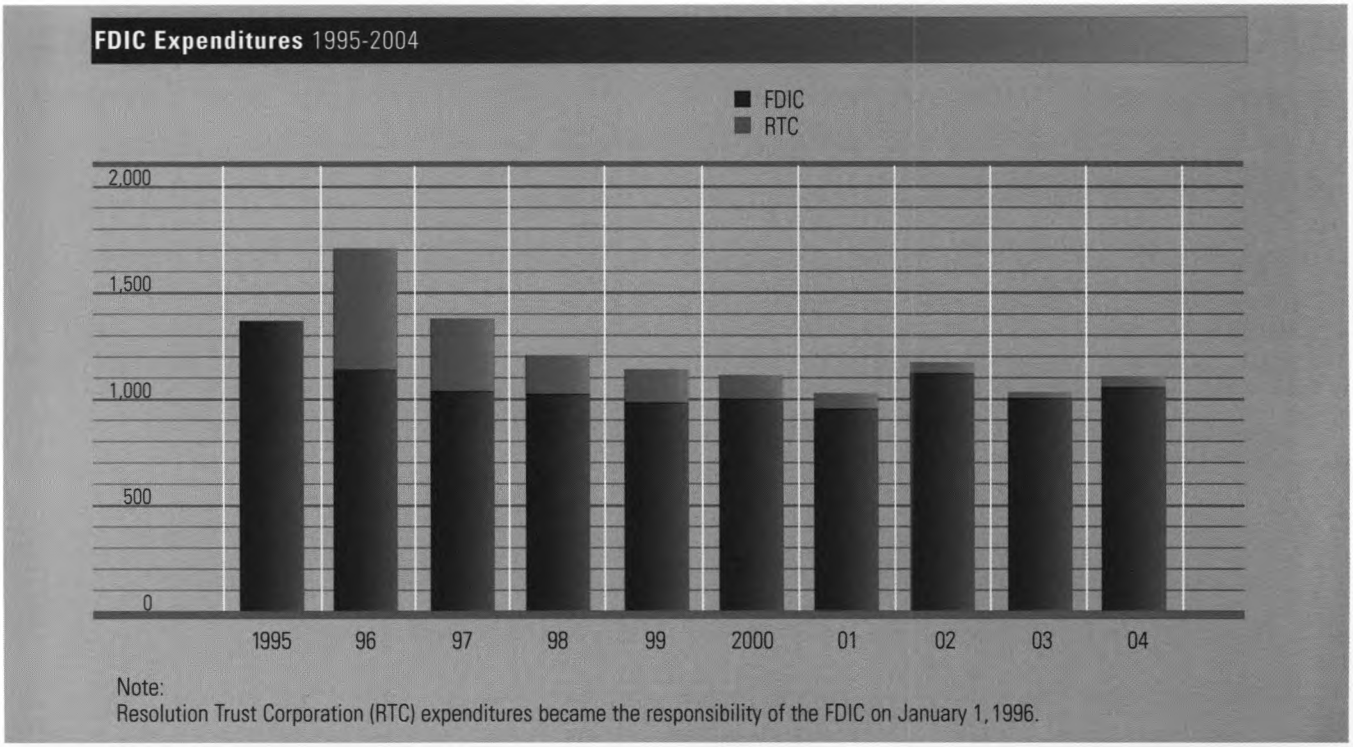
[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

[4] Includes $105.6 million net loss on government securities.

[5] This amount represents interest and other insurance expenses from 1933 to 1972.

[6] Includes the aggregate amount of $80.6 million of interest paid on Capital Stock between 1933 and 1948.

Dollars in Millions



The FDIC's Strategic Plan and Annual Performance Plan provide the basis for annual planning and budgeting for needed resources. The 2004 aggregate budget (for corporate, receivership and investment spending) was $1.21 billion, while actual expenditures for the year were $1.11 billion, about $77 million more than 2003 expenditures.

Over the past 10 years, the FDIC's expenditures have varied in response to workload. During the past decade, expenditures generally declined due to decreasing resolution and receivership activity, although they temporarily increased in 1996 in conjunction with the absorption of the Resolution Trust Corporation (RTC) and its residual operations and workload. Total expenditures increased in 2002 due to an increase in receivership-related expenses.

The largest component of FDIC spending is the costs associated with staffing. Staffing decreased by just over 4 percent in 2004, from 5,311 employees at the beginning of the year to 5,078 at the end of the year.

Estimated Insured Deposits and the Bank Insurance Fund, December 31,1934, through September 30, 2004[1]

		Deposits in Insured Banks ($ millions)				Insurance Fund as a Percentage of	
Year[2]	Insurance Coverage	Total Domestic Deposits	Estimated Insured Deposits[3]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Estimated Insured Deposits
2004	**$ 100,000**	**$ 4,387,949**	**$ 2,612,740**	**59.5**	**$ 34,467.1**	**0.79**	**1.32**
2003	100,000	4,139,287	2,554,624	61.7	33,782.2	0.82	1.32
2002	100,000	3,867,096	2,527,948	65.4	32,050.3	0.83	1.27
2001	100,000	3,584,610	2,408,878	67.2	30,438.8	0.85	1.26
2000	100,000	3,326,745	2,301,604	69.2	30,975.2	0.93	1.35
1999	100,000	3,038,385	2,157,536	71.0	29,414.2	0.97	1.36
1998	100,000	2,996,396	2,141,268	71.5	29,612.3	0.99	1.38
1997	100,000	2,785,990	2,055,874	73.8	28,292.5	1.02	1.38
1996	100,000	2,642,107	2,007,447	76.0	26,854.4	1.02	1.34
1995	100,000	2,575,966	1,952,543	75.8	25,453.7	0.99	1.30
1994	100,000	2,463,813	1,896,060	77.0	21,847.8	0.89	1.15
1993	100,000	2,493,636	1,906,885	76.5	13,121.6	0.53	0.69
1992	100,000	2,512,278	1,945,623	77.4	(100.6)	(0.00)	(0.01)
1991	100,000	2,520,074	1,957,722	77.7	(7,027.9)	(0.28)	(0.36)
1990	100,000	2,540,930	1,929,612	75.9	4,044.5	0.16	0.21
1989	100,000	2,465,922	1,873,837	76.0	13,209.5	0.54	0.70
1988	100,000	2,330,768	1,750,259	75.1	14,061.1	0.60	0.80
1987	100,000	2,201,549	1,658,802	75.3	18,301.8	0.83	1.10
1986	100,000	2,167,596	1,634,302	75.4	18,253.3	0.84	1.12
1985	100,000	1,974,512	1,503,393	76.1	17,956.9	0.91	1.19
1984	100,000	1,806,520	1,389,874	76.9	16,529.4	0.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	0.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	0.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	0.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	0.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	0.80	1.21
1978	40,000	1,145,835	760,706	66.4	8,796.0	0.77	1.16
1977	40,000	1,050,435	692,533	65.9	7,992.8	0.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	0.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	0.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	0.73	1.18
1973	20,000	766,509	465,600	60.7	5,615.3	0.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	0.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	0.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	0.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	0.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	0.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	0.78	1.33
1966	15,000	401,096	234,150	58.4	3,252.0	0.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	0.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	0.82	1.48
1963	10,000	313,304	177,381	56.6	2,667.9	0.85	1.50
1962	10,000	297,548	170,210	57.2	2,502.0	0.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	0.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	0.85	1.48
1959	10,000	247,589	142,131	57.4	2,089.8	0.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	0.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	0.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	0.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	0.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	0.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	0.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	0.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	0.72	1.33
1950	10,000	167,818	91,359	54.4	1,243.9	0.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	0.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	0.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	0.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	0.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	0.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	0.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	0.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	0.69	1.88
1941	5,000	71,209	28,249	39.7	553.5	0.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	0.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	0.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	0.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	0.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	0.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	0.68	1.52
1934[4]	5,000	40,060	18,075	45.1	291.7	0.73	1.61

1 For 2004, the numbers are as of September 30, and prior years reflect December 31 data.

2 Starting in 1990, deposits in insured banks exclude those deposits held by Bank Insurance Fund members that are insured by the Savings Association Insurance Fund and include those deposits held by Savings Association Insurance Fund members that are insured by the Bank Insurance Fund.

3 Estimated insured deposits reflect deposit information as reported in the fourth quarter *FDIC Quarterly Banking Profile*. Before 1991, insured deposits were estimated using percentages determined from the June 30 *Call Reports*.

4 Initial coverage was $2,500 from January 1 to June 30, 1934.

Income and Expenses, Savings Association Insurance Fund, by Year, from Beginning of Operations, August 9, 1989, through December 31, 2004

Dollars in Thousands

	Income				Expenses and Losses					
Year	Total	Assessment Income	Investment and Other Sources	Effective Assessment Rate	Total	Provision for Losses	Interest and Other Insurance Expenses	Administrative and Operating Expenses	Funding Transfer from the FSLIC Resolut. Fund	Net Income/ (Loss)
Total	**$ 13,906,514**	**$ 8,651,474**	**$ 5,255,040**		**$ 1,563,784**	**$ 396,588**	**$ 30,109**	**$ 1,137,087**	**$ 139,498**	**$ 12,482,228**
2004	**564,775**	**8,891**	**555,884**	**0.001%**	**48,324**	**(72,162)**	**204**	**120,282**	**0**	**516,451**
2003	547,260	14,594	532,666	0.001%	47,200	(82,489)	105	129,584	0	500,060
2002	588,821	23,783	565,038	0.003%	(31,380)	(156,494)	751	124,363	0	620,201
2001	733,121	35,402	697,719	0.004%	564,083	443,103	19,389	101,591	0	169,038
2000	664,080	19,237	644,843	0.002%	300,018	180,805	8,293	110,920	0	364,062
1999	600,995	15,116	585,879	0.002%	124,156	30,648	626	92,882	0	476,839
1998	583,859	15,352	568,507	0.002%	116,629	31,992	9	84,628	0	467,230
1997	549,912	13,914	535,998	0.004%	69,986	(1,879)	0	71,865	0	479,926
1996	5,501,684	5,221,560	280,124	0.204%	(28,890)	(91,636)	128	62,618	0	5,530,574
1995	1,139,916	970,027	169,889	0.234%	(281,216)	(321,000)	0	39,784	0	1,421,132
1994	1,215,289	1,132,102	83,187	0.244%	434,303	414,000	0	20,303	0	780,986
1993	923,516	897,692	25,824	0.250%	46,814	16,531	0	30,283	0	876,702
1992	178,643	172,079	6,564	0.230%	28,982	(14,945)	(5)	43,932	35,446	185,107
1991	96,446	93,530	2,916	0.230%	63,085	20,114	609	42,362	42,362	75,723
1990	18,195	18,195	0	0.208%	56,088	0	0	56,088	56,088	18,195
1989	2	0	2	0.208%	5,602	0	0	5,602	5,602	2

FDIC-Insured Institutions Closed During 2004

Dollars in Thousands

Name and Location	Bank Class	Number of Deposit Accounts	Total Assets	Total Deposits	FDIC Disbursements	Estimated Loss[1]	Date of Closing or Acquisition	Receiver/ Assuming Bank and Location
Bank Insurance Fund								
Purchase and Assumption - Insured Deposits								
Bank of Ephraim Ephraim, UT	SM	8,412	$ 46,181	$ 39,432	$ 39,327	$ 5,379	06.25.04	**Far West Bank** Provo, UT
Whole Bank Purchase and Assumption - All Deposits[2]								
Guaranty National Bank Tallahassee, FL	N	7,135	$ 77,280	$ 69,301	$ 69,306	$ 0	03.12.04	**Hancock Bank of Florida** Tallahassee, FL
Purchase and Assumption - All Deposits[3]								
Reliance Bank White Plains, NY	NM	1,184	$ 27,059	$ 24,147	$ 24,147	$ 3,991	03.19.04	**Union State Bank** Orangeburg, NY
Savings Association Insurance Fund								
Direct Payoff								
Dollar Savings Bank Newark, NJ	SB	1,064	$ 15,346	$ 13,005	$ 5,634	$ 0	02.14.04	**Federal Deposit Insurance Corporation**

Codes for Bank Class:
N – National bank
NM – State-chartered bank that is not a member of the Federal Reserve System
SB – Savings Bank
SM – State-chartered bank that is a member of the Federal Reserve System

[1] Estimated losses are as of December 31, 2004. Estimated losses are routinely adjusted with updated information from new appraisals and asset sales, which ultimately affect the asset values and projected recoveries.

[2] The buyer purchased essentially all the assets and liabilities of the bank.

[3] The buyer bids one price for the deposit franchise and then bids for optional asset pools for the bank.

Estimated Insured Deposits and the Savings Association Insurance Fund, December 31, 1989, through September 30, 2004[1]

		Deposits in Insured Institutions ($ Millions)				Insurance Fund as a Percentage of	
Year[2]	Insurance Coverage	Total Domestic Deposits	Estimated Insured Deposits[3]	Percentage of Insured Deposits	Deposit Insurance Fund	Total Domestic Deposits	Estimated Insured Deposits
2004	**$ 100,000**	**$ 1,127,884**	**$ 943,881**	**83.7**	**$ 12,522.7**	**1.11**	**1.33**
2003	100,000	1,042,729	896,493	86.0	12,240.1	1.17	1.37
2002	100,000	990,231	860,351	86.9	11,746.7	1.19	1.37
2001	100,000	897,278	801,849	89.4	10,935.0	1.22	1.36
2000	100,000	822,610	752,756	91.5	10,758.6	1.31	1.43
1999	100,000	764,359	711,345	93.1	10,280.7	1.35	1.45
1998	100,000	751,413	708,959	94.4	9,839.8	1.31	1.39
1997	100,000	721,503	690,132	95.7	9,368.3	1.30	1.36
1996	100,000	708,749	683,090	96.4	8,888.4	1.25	1.30
1995	100,000	742,547	711,017	95.8	3,357.8	0.45	0.47
1994	100,000	720,823	692,626	96.1	1,936.7	0.27	0.28
1993	100,000	726,473	695,158	95.7	1,155.7	0.16	0.17
1992	100,000	760,902	729,458	95.9	279.0	0.04	0.04
1991	100,000	810,664	776,351	95.8	93.9	0.01	0.01
1990	100,000	874,738	830,028	94.9	18.2	0.00	0.00
1989	100,000	948,144	882,920	93.1	0.0	0.00	0.00

1 For 2004, the numbers are as of September 30, and prior years reflect December 31

2 Starting in 1990, deposits in insured institutions exclude those deposits held by Savings Association Insurance Fund members that are insured by the Bank Insurance Fund and include those deposits held by Bank Insurance Fund members that are insured by the Savings Association Insurance Fund.

3 Estimated insured deposits reflect deposit information as reported in the fourth quarter *FDIC Quarterly Banking Profile*. Before 1991, insured deposits were estimated using percentages determined from the June 30 Call Reports.

Number, Assets, Deposits, Losses, and Loss to Funds of Insured Thrifts Taken Over or Closed Because of Financial Difficulties, 1989 through 2004[1]

Dollars in Thousands

Year[2]	Total	Assets	Deposits	Estimated Receivership Loss[3]	Loss to Funds[4]
Total	**754**	**397,387,543**	**320,185,772**	**75,137,917**	**82,051,424**
2004	**1**	**15,346**	**13,005**	**0**	**0**
2003	0	0	0	0	0
2002	1	50,246	50,542	0	0
2001	1	2,179,783	1,670,802	363,119	363,119
2000	1	29,530	28,583	1,322	1,322
1999	1	62,956	63,427	1,194	1,194
1998	0	0	0	0	0
1997	0	0	0	0	0
1996	1	32,576	32,745	21,921	21,921
1995	2	423,819	414,692	28,192	27,784
1994	2	136,815	127,508	11,472	16,277
1993	10	7,178,794	5,708,253	268,760	66,468
1992	59	44,196,946	34,773,224	3,121,116	3,674,655
1991	144	78,898,704	65,173,122	8,429,888	9,027,005
1990	213	129,662,398	98,963,960	16,025,234	19,220,753
1989[5]	318	134,519,630	113,165,909	46,865,699	49,630,926

1 Prior to July 1, 1995, all thrift closings were the responsibility of the Resolution Trust Corporation (RTC). Since the RTC was terminated on December 31, 1995, and all assets and liabilities transferred to the FSLIC Resolution Fund (FRF), all the results of the thrift closing activity from 1989 through 1995 are now reflected on FRF's books. The Savings Association Insurance Fund (SAIF) became responsible for all thrifts closed after June 30, 1995; there have been only six such failures. Additionally, SAIF was appointed receiver of one thrift (Heartland FSLA) on October 8, 1993, because, at that time, RTC's authority to resolve FSLIC-insured thrifts had not yet been extended by the RTC Completion Act.

2 Year is the year of failure, not the year of resolution.

3 The estimated losses represent the projected loss at the fund level from receiverships for unreimbursed subrogated claims of the FRF/SAIF and unpaid advances to receiverships from the FRF.

4 The Loss to Funds represents the total resolution cost of the failed thrifts in the SAIF and FRF-RTC funds, which includes corporate revenue and expense items such as interest expense on Federal Financing Bank debt, interest expense on escrowed funds, and interest revenue on advances to receiverships, in addition to the estimated losses for receiverships.

5 Total for 1989 excludes nine failures of the former FSLIC.

FDIC Actions on Financial Institutions Applications 2002-2004

	2004	2003	2002
Deposit Insurance	**176**	141	112
Approved	**176**	140	112
Denied	**0**	1	0
New Branches	**1,447**	1,227	1,285
Approved	**1,447**	1,227	1,285
Denied	**0**	0	0
Mergers	**311**	304	201
Approved	**311**	304	201
Denied	**0**	0	0
Requests for Consent to Serve●	**301**	369	295
Approved	**301**	368	295
Section 19	**13**	13	12
Section 32	**288**	355	283
Denied	**0**	1	0
Section 19	**0**	0	0
Section 32	**0**	1	0
Notices of Change in Control	**18**	30	31
Letters of Intent Not to Disapprove	**18**	30	31
Disapproved	**0**	0	0
Brokered Deposit Waivers	**32**	28	33
Approved	**32**	28	33
Denied	**0**	0	0
Savings Association Activities■	**70**	56	69
Approved	**70**	56	69
Denied	**0**	0	0
State Bank Activities/Investments▼	**27**	19	26
Approved	**27**	19	26
Denied	**0**	0	0
Conversions of Mutual Institutions	**12**	7	4
Non-Objection	**12**	7	4
Objection	**0**	0	0

● Under Section 19 of the Federal Deposit Insurance (FDI) Act, an insured institution must receive FDIC approval before employing a person convicted of dishonesty or breach of trust. Under Section 32, the FDIC must also approve any change of directors or senior executive officers at a state nonmember bank that is not in compliance with capital requirements or is otherwise in troubled condition.

■ Amendments to Part 303 of the FDIC Rules and Regulations changed FDIC oversight responsibility in October 1998.

▼ Section 24 of the FDI Act, in general, precludes an insured state bank from engaging in an activity not permissible for a national bank and requires notices to be filed with the FDIC.

Compliance, Enforcement and Other Related Legal Actions 2002-2004

	2004	2003	2002
Total Number of Actions Initiated by the FDIC	**217**	174	162
Termination of Insurance			
Involuntary Termination			
Sec. 8a For Violations, Unsafe/Unsound Practices or Condition	**0**	0	0
Voluntary Termination			
Sec.8a By Order Upon Request	**0**	0	0
Sec.8p No Deposits	**2**	5	7
Sec.8q Deposits Assumed	**38**	12	7
Sec. 8b Cease-and-Desist Actions			
Notices of Charges Issued	**0**	2	4•
Consent Orders	**28**	33	44
Sec. 8e Removal/Prohibition of Director or Officer			
Notices of Intention to Remove/Prohibit	**3**	4	4
Consent Orders	**58**	31	15
Sec. 8g Suspension/Removal When Charged With Crime	**1**	0	0
Civil Money Penalties Issued			
Sec.7a Call Report Penalties	**0**	0	1
Sec.8i Civil Money Penalties	**68**	55	65
Sec. 10c Orders of Investigation	**15**	20	7
Sec. 19 Denials of Service After Criminal Conviction	**1**	0	0
Sec. 32 Notices Disapproving Officer/Director's Request for Review	**0**	1	0
Truth-in-Lending Act Reimbursement Actions			
Denials of Requests for Relief	**0**	0	0
Grants of Relief	**0**	0	0
Banks Making Reimbursement■	**73**	96	106
Suspicious Activity Reports (Open and closed institutions)■	**83,453**	62,179	42,123
Other Actions Not Listed	**3**	11	8

• Two actions included Sec.8 (c) temporary orders.

■ These actions do not constitute the initiation of a formal enforcement action and, therefore, are not included in the total number of actions initiated.

Appendix B– More About the FDIC

FDIC Board of Directors
Donald E. Powell, Chairman, John M. Reich (seated),
James E. Gilleran, Thomas L. Curry, and John D. Hawke, Jr., (standing, left to right)

James Kegley

Donald E. Powell

Don Powell was sworn in as the 18th Chairman of the FDIC in August 2001. During his tenure he has worked to maintain the FDIC's reputation of excellence while positioning the organization to meet the needs of a rapidly evolving banking industry.

Prior to being named Chairman of the FDIC by President George W. Bush, Mr. Powell – a life-long Texan – was President and CEO of The First National Bank of Amarillo, where he started his banking career in 1971.

In addition to his professional experience as a banker, Mr. Powell has served on numerous boards at universities, civic associations, hospitals and charities.

Of note, Mr. Powell has served as the Chairman of the Board of Regents of the Texas A&M University System, which has more than 90,000 students, the Chairman of the Amarillo Chamber of Commerce, and currently serves on the Advisory Board of the George Bush School of Government and Public Service.

Mr. Powell has also served on the boards of many other nonprofit, public and community organizations, including the United Way, the Harrington Regional Medical Center, the City of Amarillo Housing Board, and a number of other educational institutions.

He received his B.S. in economics from West Texas State University and is a graduate of The Southwestern Graduate School of Banking at Southern Methodist University.

John M. Reich

Mr. Reich became Vice Chairman of the FDIC Board of Directors on November 15, 2002, and has served as a Board member since January 16, 2001. Following Chairman Donna Tanoue's resignation in July 2001 until Mr. Powell took office in August 2001, Mr. Reich was Acting Chairman of the FDIC.

Mr. Reich enjoyed a 23-year career as a community banker in Illinois and Florida, the last 10 years of which were as President and CEO of the National Bank of Sarasota, Sarasota, FL.

Before joining the FDIC, Mr. Reich served for 12 years on the staff of U.S. Senator Connie Mack (R-FL). From 1998 through 2000, he was Senator Mack's Chief of Staff, directing and overseeing all of the Senator's offices and committee activities, including the Senate Banking Committee.

Mr. Reich's substantial community service includes serving as Chairman of the Board of Trustees of a public hospital facility in Ft. Myers, FL, and Chairman of the Board of Directors of the Sarasota Family YMCA. He has also served as a Board member for a number of civic organizations, and was active for many years in youth baseball programs.

Mr. Reich holds a B.S. degree from Southern Illinois University and an M.B.A. from the University of South Florida. He is also a graduate of Louisiana State University's School of Banking of the South.

Thomas J. Curry

Mr. Curry took office as a member of the FDIC Board of Directors on January 12, 2004. Previously, he had served five Massachusetts Governors as the Commonwealth's Commissioner of Banks, from 1995 to 2003. He served as Acting Commissioner from 1994 to 1995, and as First Deputy Commissioner from 1987 to 1994.

Mr. Curry currently serves on the Board of Directors of the Neighborhood Reinvestment Corporation.

Mr. Curry was also Chairman of the Conference of State Bank Supervisors from 2000 to 2001, and a member of the State Liaison Committee of the Federal Financial Institutions Examination Council from 1996 to 2003.

Mr. Curry joined the Commonwealth's Division of Banks in 1986. He entered state government in 1982 as an attorney with the Massachusetts Secretary of State's Office.

Mr. Curry is a graduate of Manhattan College (summa cum laude), where he was elected to Phi Beta Kappa. He received his law degree from the New England School of Law.

James E. Gilleran

Mr. Gilleran became Director of the Office of Thrift Supervision (OTS) on December 7, 2001. As OTS Director, Mr. Gilleran is an ex-officio member of the FDIC Board.

Mr. Gilleran was Chairman and CEO of the Bank of San Francisco from October 1994 until December 2000. From 1989 to 1994, he was the California State Banking Superintendent. He served as Chairman of the Conference of State Bank Supervisors (CSBS) from 1993 to 1994, and was a member of the CSBS's Bankers Advisory Council until 2000.

Prior to his service as the California Banking Superintendent, Mr. Gilleran was managing partner of the Northern California practice of the public accounting firm KPMG Peat Marwick. Before serving as managing partner, he was in charge of KPMG's banking practice in the western region of the U.S. He was with KPMG from 1958 through 1987.

Mr. Gilleran has also been involved in a number of educational, civic and charitable organizations, including serving as Chairman of both the American Red Cross of the San Francisco Bay Area and the Metropolitan YMCA.

Mr. Gilleran is a certified public accountant and a member of the American Institute of CPAs. He graduated from Pace University in 1955, and received his law degree from Northwestern California University in 1996.

John D. Hawke, Jr.

Mr. Hawke was sworn in as the 28th Comptroller of the Currency on December 8, 1998. After serving 10 months under a recess appointment, he was sworn in for a full five-year term on October 13, 1999. As Comptroller, Mr. Hawke served as an FDIC Board member until his resignation on October 13, 2004. Mr. Hawke's successor to the Board is Julie Williams, Acting Comptroller of the Currency.

Prior to his appointment as Comptroller, Mr. Hawke served for three and a half years as Under Secretary of the Treasury for Domestic Finance. Before joining Treasury, Mr. Hawke was a senior partner at the Washington, DC, law firm of Arnold & Porter, where he began as an associate in 1962. While there, he headed the financial institutions practice, and from 1987 to 1995, served as the firm's Chairman. In 1975, he left the firm to serve as General Counsel to the Board of Governors of the Federal Reserve System, returning in 1978.

Mr. Hawke graduated from Yale University in 1954 with a B.A. in English. From 1955 to 1957, he served on active duty with the U.S. Air Force. After graduating in 1960 from Columbia University School of Law, where he was Editor-in-Chief of the Columbia Law Review, Mr. Hawke was a law clerk for Judge E. Barrett Prettyman on the U.S. Court of Appeals for the District of Columbia Circuit. From 1961 to 1962, he served as counsel to the Select Subcommittee on Education in the House of Representatives.

From 1970 to 1987, Mr. Hawke taught courses on federal regulation of banking at Georgetown University Law Center. He has also taught courses on bank acquisitions and financial regulation, and served as the Chairman of the Board of Advisors of the Morin Center for Banking Law Studies in Boston. Mr. Hawke also has written extensively on matters relating to the regulation of financial institutions.

Julie L. Williams

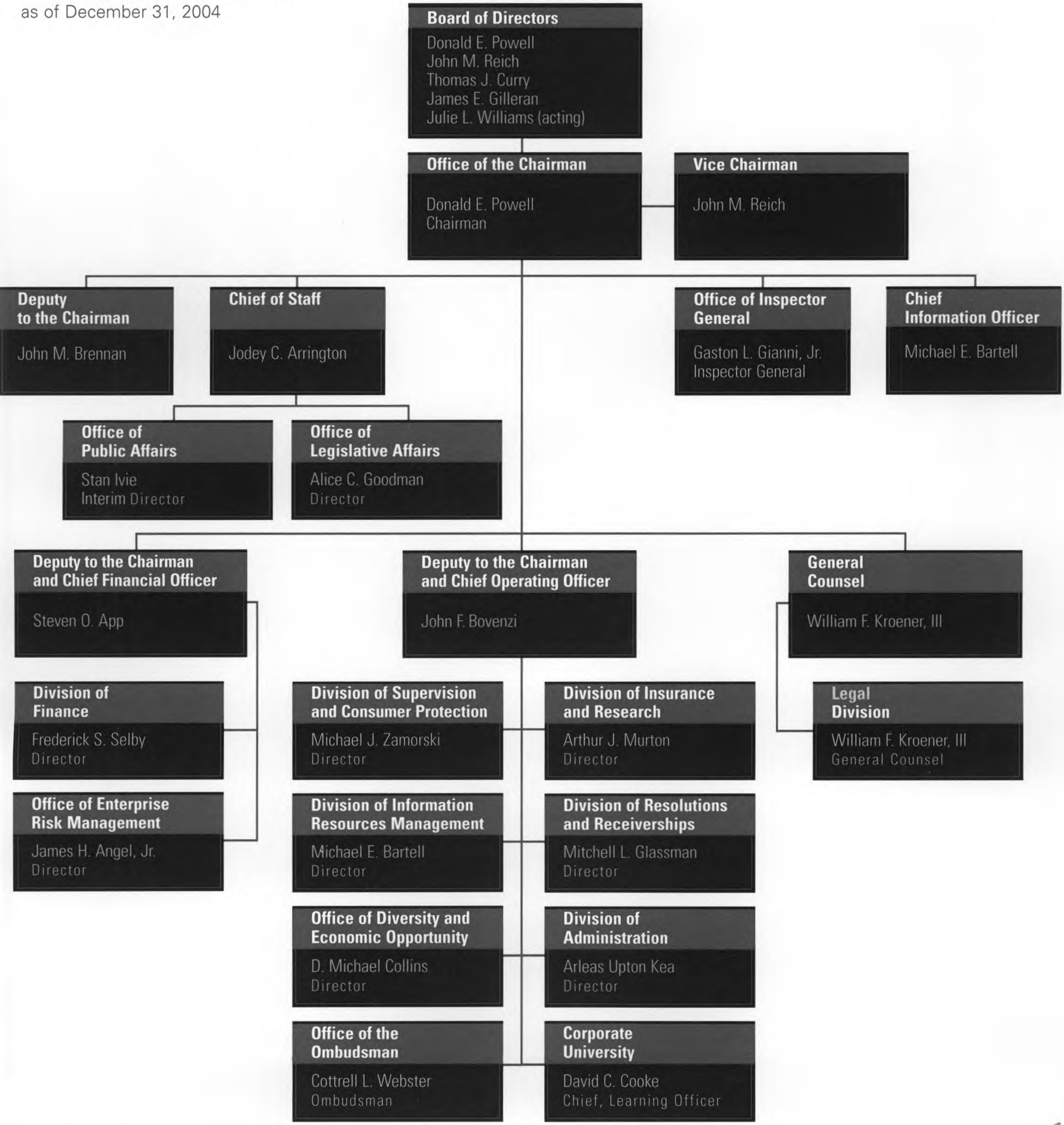
Ms. Williams is currently serving as Acting Comptroller of the Currency, succeeding John D. Hawke, Jr. and is also his successor on the FDIC Board of Directors. Ms. Williams has been First Senior Deputy Comptroller since 1999 and also Chief Counsel since 1994. She was also Acting Comptroller from April to December 1998.

As Chief Counsel, Ms. Williams was responsible for all of the agency's legal activities and also supervised the Licensing Department and the Community Affairs Department. Ms. Williams served as a member of the OCC's Executive Committee. She has led the Executive Committee in providing policy and strategic direction to the agency.

Previously, Ms. Williams had been Senior Deputy Chief Counsel at the Office of Thrift Supervision, and served since 1983 at that agency and its predecessor, the Federal Home Loan Bank Board. She worked on securities and banking law issues at Fried, Frank, Harris, Shriver and Kampelman in Washington from 1975 to 1983.

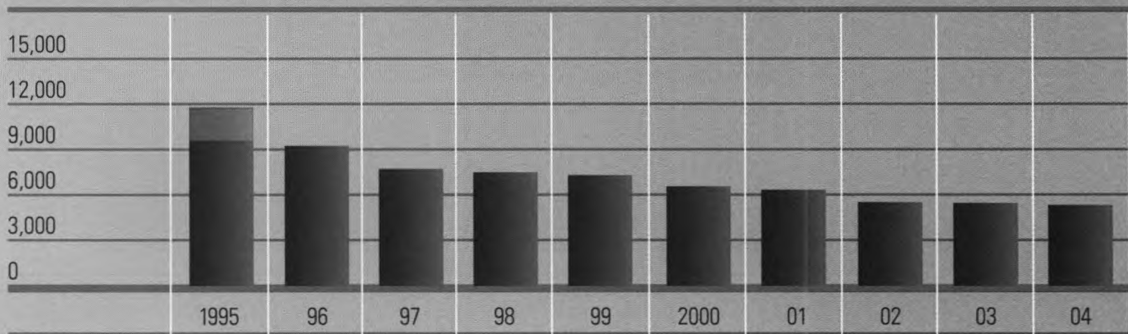
Ms. Williams is a graduate of Goddard College, Vermont, and graduated first in her class at Antioch School of Law, Washington, DC. She is the author of numerous articles on banking, securities and financial institutions law.

FDIC Organization Chart/Officials
as of December 31, 2004



Corporate Staffing

Staffing Trends 1995-2004



	1995	96	97	98	99	2000	01	02	03	04
RTC ■	2,043									
FDIC ■	9,813	9,151	7,793	7,359	7,266	6,452	6,167	5,430	5,311	5,078
Total Staffing	**11,856**	**9,151**	**7,793**	**7,359**	**7,266**	**6,452**	**6,167**	**5,430**	**5,311**	**5,078**

Note:

All staffing totals reflect year-end balances.

The Resolution Trust Corporation (RTC) was fully staffed with FDIC employees and, until February 1992, the RTC was managed by the FDIC Board of Directors. Upon the RTC sunset at year-end 1995, all of its remaining workload and employees were transferred to the FDIC.

Number of Officials and Employees of the FDIC 2003-2004 (year-end)

	Total		Washington		Regional/Field	
	2004	2003	2004	2003	2004	2003
Executive Offices•	42	41	42	40	0	1
Division of Supervision and Consumer Protection	2,604	2,797	179	188	2,425	2,609
Division of Resolutions and Receiverships	504	520	99	100	405	420
Legal Division	488	506	303	315	185	191
Division of Finance	195	205	195	205	0	0
Division of Information Resources Management	386	391	324	331	62	60
Division of Insurance and Research	191	186	157	156	34	30
Division of Administration▾	415	424	274	281	141	143
Office of Inspector General	157	150	111	107	46	43
Office of Diversity and Economic Opportunity	34	33	34	33	0	0
Office of the Ombudsman	18	18	15	15	3	3
Office of Enterprise Risk Management■	12	14	12	14	0	0
Corporate University▾	32	26	32	26	0	0
Total	5,078	5,311	1,777	1,811	3,301	3,500

• Includes the Offices of the Chairman, Vice Chairman, Director (Appointive), Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Legislative Affairs, and Public Affairs.

▾ Corporate University was established on February 3, 2003. The Corporate training function was previously in the Division of Administration.

■ The Office of Internal Control Management was renamed to the Office of Enterprise Risk Management on April 2, 2004.

Home Page on the Internet

www.fdic.gov

A wide range of banking, consumer and financial information is available on the FDIC's Internet home page. This includes the FDIC's Electronic Deposit Insurance Estimator, "EDIE," which estimates an individual's deposit insurance coverage; the Institution Directory, financial profiles of FDIC-insured institutions; Community Reinvestment Act evaluations and ratings for institutions supervised by the FDIC; Call Reports, banks' reports of condition and income; and *Money Smart,* a training program to help individuals outside the financial mainstream enhance their money management skills and create positive banking relationships. Readers also can access a variety of consumer pamphlets, FDIC press releases, speeches and other updates on the agency's activities, as well as corporate databases and customized reports of FDIC and banking industry information.

FDIC Call Center

Phone: 877-275-3342 (877-ASK FDIC)

202-736-0000

Hearing Impaired: 800-925-4618

The FDIC Call Center in Washington, DC, is the primary telephone point of contact for general questions from the banking community, the public and FDIC employees. The Call Center directly, or in concert with other FDIC subject matter experts, responds to questions about deposit insurance and other consumer issues and concerns, as well as questions about FDIC programs and activities. The Call Center also makes referrals to other federal and state agencies as needed. Hours of operation are 8:00 a.m. to 8:00 p.m. Eastern Time. Information is also available in Spanish. Recorded information about deposit insurance and other topics is available 24 hours a day at the same telephone number.

Public Information Center
801 17th Street, NW
Room 100
Washington, DC 20434

Phone: 877-275-3342 (877-ASK FDIC), or 202-416-6940

Fax: 202-416-2076

E-mail: publicinfo@fdic.gov

FDIC publications, press releases, speeches and Congressional testimony, directives to financial institutions, policy manuals and other documents are available on request or by subscription through the Public Information Center. These documents include the *Quarterly Banking Profile, FDIC Consumer News* and a variety of deposit insurance and consumer pamphlets.

Office of the Ombudsman
550 17th Street, NW
Washington, DC 20429

Phone: 877-275-3342 (877-ASK FDIC)

Fax: 202-942-3040, or 202-942-3041

E-mail: ombudsman@fdic.gov

The Office of the Ombudsman responds to inquiries about the FDIC in a fair, impartial and timely manner. It researches questions and complaints from bankers and the public. The office also recommends ways to improve FDIC operations, regulations and customer service.

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North Carolina
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Appendix C – Office of Inspector General's Assessment of the Management and Performance Challenges Facing the FDIC

The following chart shows the FDIC's most significant management and performance challenges as identified by the Office of Inspector General (OIG):

No.	Challenge	Brief Description
1.	**Corporate Governance in Insured Depository Institutions**	Corporate governance is generally defined as the fulfillment of the broad stewardship responsibilities entrusted to the board of directors, officers, and external and internal auditors of a corporation. A number of well-publicized announcements of business and accountability failings, including those of financial institutions, have raised questions about the credibility of management oversight and accounting practices in the United States. In certain cases, board members and senior management engaged in high-risk activities without proper risk-management processes, did not maintain adequate loan policies and procedures, and circumvented or disregarded various laws and banking regulations. In an increasingly consolidated financial industry, effective corporate governance is needed to ensure adequate stress testing and risk-management processes covering the entire organization. Adequate corporate governance protects the depositor, institution, nation's financial system, and FDIC in its role as deposit insurer. A lapse in corporate governance can lead to a rapid decline in public confidence, with potentially disastrous results to the institution. The FDIC's efforts in achieving sound corporate governance without undue regulatory burden remain a management challenge.
2.	**Management and Analysis of Risks to the Insurance Funds**	A primary goal of the FDIC under its insurance program is to ensure that its deposit insurance funds do not require augmentation by the U.S. Treasury. Achieving this goal is a considerable challenge that requires effective communication and coordination with the other federal banking agencies. The FDIC engages in an ongoing process of proactively identifying risks to the deposit insurance funds and adjusting the risk-based deposit insurance premiums charged to the institutions. The consolidations that have occurred among banks, securities firms, insurance companies, and other financial services providers resulting from the Gramm-Leach-Bliley Act (GLBA) pose additional risks to the FDIC's insurance funds. Large banks may pose greater risks to the insurance funds as a result of the Basel II capital accord, which aims to align capital reserves more closely with the risks faced by banks and thrifts operating internationally. Basel II can result in reduced capital requirements at large institutions and increase competitive pressure on smaller institutions. Basel II will have far-reaching effects on the management and supervision of the largest, most complex banking organizations in the world. The United States has an important role in Basel II implementation because it supervises more bank assets than the other accord participants.

	Challenge	Brief Description
3.	**Security Management**	The FDIC relies heavily upon automated information systems to collect, process, and store vast amounts of banking information. This information is used by financial regulators, academia, and the public to assess market and institution conditions, develop regulatory policy, and conduct research and analysis on important banking issues. Ensuring the confidentiality, integrity, and availability of this information in an environment of increasingly sophisticated security threats requires a strong, enterprise-wide information security program at the FDIC and insured depository institutions. Additional security-related threats include those focusing on disrupting the economic security of our nation. The FDIC and insured depository institutions need to ensure that sound disaster recovery and business continuity planning is present to safeguard depositors, investors, and others who depend on the financial services.
4.	**Money Laundering and Terrorist Financing**	The nation faces a new and changing threat unlike any we have faced before—the global threat of terrorism. In response to this threat, the Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (USA PATRIOT Act), which expands the Treasury Department's authority initially established under the Bank Secrecy Act of 1970 (BSA) to regulate the activities of U.S. financial institutions, particularly their relations with individuals and entities with foreign ties. Specifically, the USA PATRIOT Act expands the BSA beyond its original purpose of deterring and detecting money laundering to also address terrorist financing activities. In today's global banking environment, where funds are transferred instantly and communication systems make services available internationally, a lapse at even a small financial institution outside of a major metropolitan area can have significant implications across the nation. The reality today is that all institutions are at risk of being used to facilitate criminal activities, including terrorist financing.
5.	**Protection of Consumers' Interests**	In addition to its mission of maintaining public confidence in the nation's financial system, the FDIC also serves as an advocate for consumers through its oversight of a variety of statutory and regulatory requirements aimed at protecting consumers from unfair and unscrupulous banking practices. The FDIC is legislatively mandated to enforce various statutes and regulations regarding consumer protection and civil rights with respect to state-chartered, non-member banks and to encourage community investment initiatives by these institutions. Ensuring the protection of consumer interests is a major challenge in an environment of increasingly large financial institutions that lack the historic geographic boundaries or operations and offer an increasing array of consumer products. One key concern is identity protection. It is essential that customer information is safeguarded in order to maintain confidence in our nation's financial system.

Appendix C – Office of Inspector General's Assessment of the Management and Performance Challenges Facing the FDIC (continued)

	Challenge	Brief Description
6.	**Corporate Governance in the FDIC**	Corporate governance within the FDIC is the responsibility of the Board of Directors, officers, and operating managers in fulfilling the Corporation's broad mission functions. It also provides the structure for setting goals and objectives, the means to attaining those goals and objectives, and ways of monitoring performance. Management of the FDIC's corporate resources is essential for efficiently achieving the FDIC's program goals and objectives. In the spirit of the President's Management Agenda, the FDIC is undertaking a number of initiatives to improve operational efficiency and effectiveness, including major new procurement initiatives related to information technology, numerous new projects to field state-of-the-art information systems, and increasing security requirements to protect FDIC personnel and resources. Along with the recent announcements concerning corporate downsizing, effective corporate governance is a significant challenge.
7.	**Resolution and Receivership Activities**	One of the FDIC's responsibilities is planning and efficiently handling the franchise marketing of failing FDIC-insured institutions and providing prompt, responsive, and efficient resolution of failed financial institutions. These activities maintain confidence and stability in our financial system. Functions related to pre-closing, closing, and post-closing of failed financial institutions are accompanied by significant challenges to ensure the least-costly strategies are used to achieve the FDIC's mission.

Design: FDIC/DOA/CSB/Design and Printing Unit

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This **Annual Report** was produced by talented and dedicated staff. To these individuals, we would like to offer our sincere thanks and appreciation. Special recognition is given to the following individuals for their contributions:

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FDIC-003-2005