

II. Performance Results Summary

Summary of 2003 Performance Results by Program

The FDIC successfully achieved 27 of the 30 annual performance targets established in its 2003 Annual Performance Plan (two performance targets were not met and one was not applicable due to Congress not enacting deposit insurance reform during 2003). Key accomplishments by program are highlighted below. There were no instances where 2003 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, 2003 performance results were considered in the development of the FDIC's 2004 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 the numerous 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	<ul style="list-style-type: none"> ● Resolved three failed insured institutions, providing depositors with timely access to insured deposits in each case. For all of the failures, depositors had uninterrupted and continuous access to insured deposits as the deposits were assumed by an acquiring entity. ● Secured approval of deposit insurance reform legislation by the House of Representatives. Although the full Senate failed to act on the legislation before adjournment, the Corporation will continue to pursue deposit insurance reform in the second session of the 108th Congress. ● 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. ● Published economic and banking information and analysis: <ul style="list-style-type: none"> ● Quarterly editions of FDIC <i>Outlook</i> ● Quarterly editions of the FDIC <i>Banking Review</i> ● Twelve <i>FYI</i> electronic bulletins ● Four editions of the FDIC <i>Quarterly Banking Profile (QBP)</i> ● Semiannual <i>FDIC Report on Underwriting Practices</i> ● Semiannual <i>Report on Underwriting Practices by Region</i> ● Quarterly editions of the FDIC <i>State Profiles</i> ● Quarterly editions of the <i>Real Estate Data System</i> ● Semiannual <i>Survey of Real Estate Trends</i>
Supervision and Consumer Protection	<ul style="list-style-type: none"> ● Conducted 2,421 safety and soundness examinations. This included all statutorily-required safety and soundness examinations, except for a small number deferred due to pending mergers. ● Conducted 1,919 compliance and Community Reinvestment Act examinations in accordance with FDIC policy.
Receivership Management	<ul style="list-style-type: none"> ● Contacted all known and qualified potential bidders in each of the three institution failures in 2003. ● Marketed 98 percent or more of marketable assets of two of the three failed financial institutions within 90-days of failure. (For the remaining institution, the 90-day time frame had not expired at year-end.) ● Terminated four receiverships.

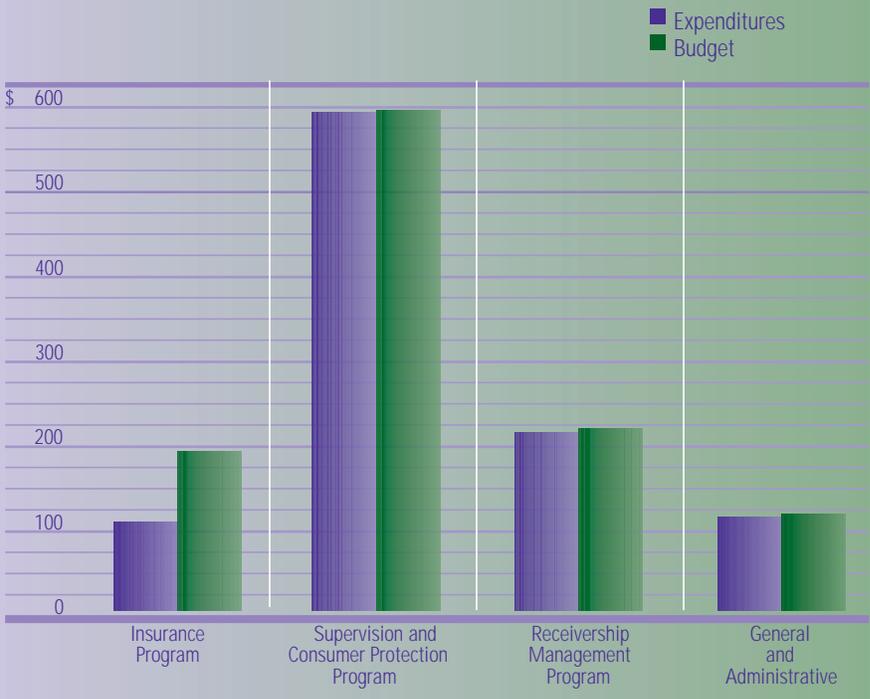
2003 Budget and Expenditures by Program

The FDIC budget for 2003 totaled \$1.113 billion. Excluding \$132 million for Corporate General and Administrative expenditures, budget amounts were allocated to corporate programs and related goals as follows: \$174 million, or 16 percent, to the Insurance program; \$578 million, or 52 percent, to the Supervision and Consumer Protection program; and \$229 million, or 21 percent, to the Receivership Management program.

Actual expenditures for the year totaled \$1.035 billion. Excluding \$126 million for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: \$110 million, or 11 percent, to the Insurance program; \$575 million, or 56 percent, to the Supervision and Consumer Protection program; and \$224 million, or 22 percent, to the Receivership Management program.

2003 Expenditures and Budget (Support Allocated)

Dollars in Millions



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 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. If the failure occurs on any other day of the week, the target is two business days.	Achieved. Achieved.
	2. Identify and address risks to the insurance funds.	Assess risks posed by large insured depository institutions.	Assess risk in 100 percent of large insured depository institutions and adopt appropriate strategies.
Identify and follow up on concerns referred for examination or other action (i.e., contact the insured institutions or primary supervisor).		Identify and follow up on 100 percent of referrals.	Achieved.
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.
		Conduct industry outreach aimed at the banking community and industry trade groups to discuss current trends and concerns and to inform bankers about available FDIC resources.	Achieved.
3. Maintain sufficient and reliable information on insured depository institutions.	Maintain and improve the Research Information System (RIS), which serves as the foundation of most analysis and statistical reporting for the FDIC.	Update and expand data availability in RIS.	Achieved.
	Develop a more efficient approach to bank data collection and management.	Determine Call Report Modernization system development approach; prepare migration plan for the implementation of data editing, storage and distribution facility for Call Report data; complete reconciliation of bank structure databases; and implement standard business rules and data definitions for Call Report information.	Achieved.

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.	Continue to pursue changes in the deposit insurance system in accordance with proposals submitted to Congress in 2002.	Work with Congress to develop and pass a reform package.	Not Achieved (see pages 12 & 13.)
		Develop final pricing recommendations and implementation plans for inclusion in a notice-and-comment rulemaking during 2003.	Achieved.
		If deposit insurance reform is passed, implement legislation in a timely manner.	Not Applicable.
		Develop and analyze baseline data of implemented modification results.	Achieved.
	Continue to identify and review possible modifications to the Risk Related Premium System (RRPS).	Assess improvements to the objective screens for the RRPS that identify financial institutions engaging in excessive risk taking, such as certain types of credit, market, and operational risk.	Achieved.
	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.
		Perform comprehensive review of all aspects of the reserving process and methodology and implement enhancements as necessary.	Achieved.

Insurance Program Results (continued)

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

Annual Performance Goal	Indicator	Target	Results
	Maintain fund adequacy.	Set assessment rates to maintain the insurance funds at or above the designated reserve ratio, or to return them to the designated reserve ratio if they fall below it, as required by statute. If deposit insurance reform legislation becomes law in 2003, promulgate rules and regulations establishing criteria for replenishing the deposit insurance fund when it falls below the low end of the range.	Achieved.
	Conduct a study on the "Future of Banking."	Determine the implications of major trends for the evolution of the industry, development of regulatory policy and management of the deposit insurance funds.	Achieved.
	Enhance FDIC's ties to the academic community and upgrade and provide greater visibility to the Corporation's research activities.	Establish an FDIC Center for Financial Research.	Achieved.
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.	Enhance the existing Electronic Deposit Insurance Estimator (EDIE) Banker version.	Issue a new version of the EDIE (Banker version) that accommodates corporate and organization accounts as well as any changes to the deposit insurance rules that may be adopted.	Achieved.

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 safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.	Conduct required examinations in accordance with statute and FDIC policy.	One hundred percent of required examinations are conducted on time.	Achieved.
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.	The number of months between last examination of a problem bank and follow-up examination.	Follow-up examination conducted within 12 months of completing the prior examination.	Achieved.

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

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 curricula provided.	By December 31, 2003, cumulative totals of 400 Money Smart Alliance members and 40,000 Money Smart curricula provided.	Achieved.
	Outreach activities and technical assistance.	Conduct or participate in 125 Money Smart events, technical assistance efforts (examination support), or banker/community outreach activities related to CRA, fair lending, or community development.	Achieved.
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.
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.

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
4. Take prompt supervisory actions and monitor all institutions rated “ 4” or “ 5” for compliance to address problems identified during compliance examinations.	Timely follow-up examination and related activity confirm whether the institution is in compliance with the enforcement action.	A follow-up examination or related activity is conducted within 12 months from the date of a formal enforcement action.	Achieved.

Receivership Management Program Results

Strategic Goal: Recovery to creditors of receiverships is achieved.

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.
2. Value, manage, and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.	Failed institutions’ assets marketed.	Eighty-five percent of book value of a failed institution’s marketable assets are marketed within 90 days of failure.	Achieved.
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.	Not Achieved (see page 19).
4. Conduct investigations into all potential professional liability claim areas in all failed insured depository institutions, and decide to close or pursue each claim as promptly as possible, 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 within 18 months after the failure date.	For 80 percent of all claim areas, a decision is made to close or pursue the claim.	Achieved.

Multi-Year Performance Trend

Depositor Payouts in Instance of Failure

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
Insured deposits are transferred to successor insured depository institution or depositor payouts are begun within three days of insured depository institution failure.	Timely payments made to all depositors of the seven insured depository institutions that failed in 2000.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
FDIC is prepared to deal with all financial institution closings and emerging issues. (Revised – 2001)	Annual goal was not established in 2000.	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 is pending in the Senate.	The FDIC responds promptly to financial institution closings and emerging issues.

Risk Classifications

Maintain and improve the deposit insurance system.	Reserve ratio maintained at or above the statutory mandate of 1.25 percent.	Reserve ratio maintained. FDIC published its final recommendations for deposit insurance reform.	Reserve ratio maintained at or above the statutory ratio of 1.25 percent. Chairman testified before the Senate Banking Committee in support of deposit insurance reform.	Reserve ratio maintained at or above the statutory ratio of 1.25 percent. Chairman testified before the Senate Banking Committee in support of deposit insurance reform.	Maintain and improve the deposit insurance system.
--	---	--	--	--	--

Risk Identification and Reporting

Identify and address risks to the insurance funds.	Economic trends and emerging risks were identified, monitored and addressed through the publication of surveys, guidance and reports, and outreach programs.	Developed several approaches to credit risk that will be incorporated into Virtual Supervisory Information On the Net 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 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.	Identify and address risks to the insurance funds.
--	--	---	--	--	--

Safety and Soundness Examinations

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
<p>Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.</p> <p>•Note: From 2000-2001, the totals reflect examinations initiated during the year. This will vary slightly from the chart on page 15, which displays examinations completed during these years.</p>	Conducted 2,568 or 97 percent of required safety and soundness examinations.•	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.	Conduct on-site safety and soundness examinations to assess an FDIC-supervised insured depository institution's overall financial condition, management practices and policies, and compliance with applicable regulations.

Safety and Soundness Enforcement Actions

Take prompt supervisory actions to address problems identified 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.	On average, examination reports were processed and mailed to institutions within 44 days of receipt in regional office. Target is 45 days.	<p>Sixty-seven institutions designated as problem (composite "4" or "5" rated). Fifty-six were removed from problem status and 76 added.</p> <p>Evaluations changed to monitor migration of troubled banks.</p>	<p>Eighty-four institutions designated as problem (composite "4" or "5" rated). Forty-eight were removed from problem status and 63 added.</p>	<p>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, FDIC issued the following formal and informal enforcement actions: 40 Cease and Desist Orders and 157 Memorandums of Understanding.</p>	Take prompt and effective supervisory actions to address problems identified 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.
---	--	---	--	---	---

Compliance Examinations

Conduct comprehensive and compliance-only examinations in accordance with FDIC examination frequency policy.	Conducted 2,257 examinations. There were three delinquent examinations at the end of 2000.	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.	Conduct comprehensive and compliance-only, and CRA examinations in accordance with FDIC examination frequency policy.
--	--	---	---	---	---

CRA Outreach

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
Effective outreach, technical assistance and training are provided on topics related to the Community Reinvestment Act (CRA) and community development.	One pilot forum on financial literacy and predatory lending was held in each region.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
Provide effective outreach and technical assistance on topics related to CRA, fair lending, and community development. (Revised – 2001)	Annual goal was not established in 2000.	Conducted 25 <i>Money Smart</i> workshops with over 600 participants.	<i>Money Smart</i> classes attended by approximately 2,800 participants.	The FDIC supplied more than 111,000 copies of <i>Money Smart</i> curricula to organizations. The FDIC initiated 65 public outreach initiatives, 111 Community Development activities, and 67 Technical Assistance activities.	Provide effective outreach and technical assistance on topics related to CRA, fair lending, and community development.

Compliance Enforcement Actions

Prompt supervisory actions are taken and monitored on all institutions rated "4" or "5" for compliance.	For institutions on average rated a composite "4" or "5," the FDIC conducted all follow-up examinations within the targeted time frame of 12 months from the issuance date of a formal enforcement action.	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.	Prompt and effective supervisory actions are taken and monitored on all institutions rated "4" or "5" for compliance.
---	--	---	--	--	---

Consumer Complaints and Inquiries

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
Effectively respond to written complaints and inquiries related to deposit insurance and consumer protection laws.	One hundred percent of the FDIC's responses to the 6,736 written complaints and inquiries received were made within targeted average turnaround time frames.	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).
Meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions. (Revised – 2002)	Annual goal was not established in 2000.	Annual goal was not established in 2001.	FDIC received 8,368 consumer complaints, closing 95 percent of them. Of the complaints closed, 94 percent were closed within policy time frames.	FDIC received 8,010 consumer complaints, closing 99 percent of them. Of the complaints closed, 94 percent were closed within policy time frames.	Effectively meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions.

Asset Management

Market 80 percent of a failed institution's assets to franchise and nonfranchise investors within 90 days of resolution.	Ninety-five percent of failed institutions' assets were marketed within 90 days, thus exceeding the target of 80 percent.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
Value, manage, and market assets of the failed institutions and their subsidiaries in a timely manner to maximize net return. (Revised – 2001)	Annual goal was not established in 2000.	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.	Value, manage, and market assets of the failed institutions and their subsidiaries in a timely manner to maximize net return.

Least-Cost Resolution

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
Market to all known qualified and interested potential assuming institutions.	There were seven failures in 2000. One hundred percent of the qualified potential bidders were contacted.	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.	Market to all known qualified and interested potential assuming institutions.

Professional Liability Claims

Investigations are conducted into all potential professional liability claim areas in all failed insured depository institutions and a decision to close or pursue each claim will be made within 18 months after the failure date in 80 percent of all investigations.	A decision to close or pursue each claim was made within 18 months after the failure date for 100 percent of all investigations.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
Conduct investigations into 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. (Revised – 2001)	Annual goal was not established in 2000.	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.	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.

Receivership Terminations

Annual Goal	2000 Results	2001 Results	2002 Results	2003 Results	2004 Goal
Achieve a 35 percent reduction in the number of active receiverships in 2000.	One hundred fifty-six receiverships were terminated, thus achieving the goal of 156.	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).	Annual goal revised (see below).
Manage the receivership estate and its subsidiaries toward an orderly termination. (Revised – 2001)	Annual goal was not established in 2000.	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.	Manage the receivership estate and its subsidiaries toward an orderly termination.

Program Evaluation

During 2003, the FDIC completed evaluations of programs designed to achieve the strategic objectives set forth in the Insurance Program area of the FDIC's 2001-2006 Strategic Plan.

The program evaluation of each strategic objective included a list of issues to be evaluated, background context of the evaluation, analysis of programs and actions to achieve the objective, evaluation methodology, and findings. The following section highlights the issues evaluated and summarizes the results of this evaluation.

Strategic Objective	Customers of failed insured depository institutions have timely access to insured funds and financial services.
Issues evaluated	<ul style="list-style-type: none"> ★ Do customers have timely access to insured funds? ★ Do customers of failed insured depository institutions have timely access to financial services?

Findings

The FDIC has appropriate procedures in place to ensure that customers have timely access to insured funds and financial services. If an institution failure occurs on a Friday, FDIC's target for access to insured funds by customers is one business day. If a failure occurs on any other day of the week, the target is two business days. When an institution fails, the FDIC fulfills its role as insurer by either facilitating the transfer of the institution's insured deposits to an assuming institution or by paying insured depositors directly. If an institution failure occurs, the FDIC ensures its customers timely access to financial services, such as automated teller machines, safe deposit boxes and wire services. From January 2003 to December 2003, there were three bank failures. In all cases, an acquiring institution assumed insured deposits and re-opened for business the Monday morning immediately following the Friday failure.

The FDIC has a wide array of materials available to provide timely financial information to customers of failed institutions. These materials are available through the FDIC Web site (www.fdic.gov) with an Electronic Deposit Insurance Estimator (EDIE) and the FDIC's toll free number (877-ASK-FDIC). The FDIC's diligence in promoting financial education is also evident in its outreach seminars, workshops, and its award-winning Money Smart program. All of these initiatives provide methods for consumers to have timely access to financial education.

Strategic Objective	The FDIC promptly identifies and responds to potential risks to the insurance funds.
Issues evaluated	★ How does the FDIC identify and respond to potential risks to the insurance funds?

Findings

The FDIC monitors the condition of the financial services industry and projects insured financial institution failures as well as associated resolution costs. Risks posed by large insured institutions are assessed through two supervisory programs: the Dedicated Examiner program, which covers the largest eight depository institutions, and the Large Insured Depository Institution (LIDI) program, which covers remaining institutions with over \$10 billion in assets. The results of these risk assessments are communicated to FDIC regional and divisional management. The Risk Analysis Center receives the summary data and analysis results of the LIDI process, which is then provided to the Financial Risk and National Risk Committees for their purposes.

Also, the FDIC identifies and follows up on concerns referred for examination or other action through an Off-site Review Program.

The FDIC disseminates 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 available on the FDIC's Web site.

Program Evaluation (continued)

Strategic Objective

The deposit insurance funds and system remain viable.

Issues evaluated

What actions has the FDIC taken to improve the deposit insurance system?

Findings

The FDIC continues to pursue enactment of deposit insurance reform legislation. Under the reform proposals, the BIF and SAIF will be merged, and the FDIC's ability to manage the combined fund and price premiums properly to reflect risk will improve.

During 2003, the FDIC developed a study on the future of banking. The study focused on underlying trends in the economy and the banking industry, and their implications for different sectors of the industry and for bank regulators in the future.

The FDIC established a Center for Financial Research (CFR) to encourage and support innovative research on topics that are important to the FDIC's role as deposit insurer and bank supervisor. The CFR will explore key developments affecting the banking industry, risk measurement and management methods, regulatory policy and related topics of interest to the FDIC and the larger financial community.

Copies of the complete Insurance Program Evaluation Report may be obtained from:

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

**Copies may also be requested by:
telephone: 202-416-6940,
fax: 202-416-2076, or
e-mail: publicinfo@fdic.gov.**
