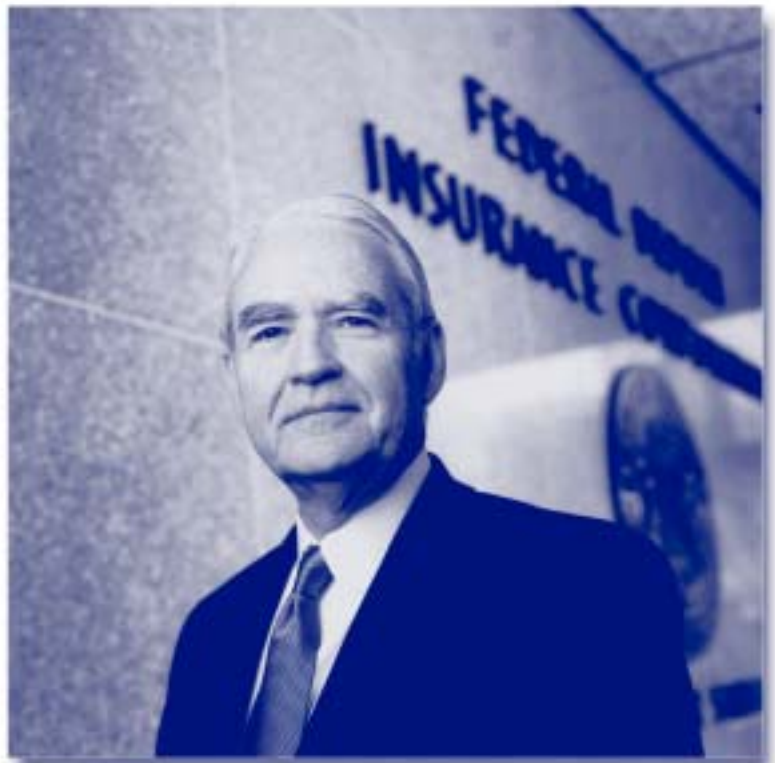


**Message
from the
Chairman**

Donald E. Powell



I am pleased to present the Federal Deposit Insurance Corporation's (FDIC) 2002 Annual Report. It was a productive year at the FDIC. We met all of our major statutory responsibilities, conducting over 2,500 safety and soundness examinations and over 1,800 compliance examinations of FDIC-supervised institutions and resolving the failure of 11 FDIC-insured institutions. In addition, we made substantial progress toward our goal of strengthening the Corporation and positioning it to carry out its responsibilities more efficiently and effectively in the future.

I would like to highlight just a few of our most significant accomplishments during 2002:

- We moved deposit insurance reform from a concept to Capitol Hill. The House of Representatives overwhelmingly passed deposit insurance reform legislation in 2002, and we are looking forward to passing deposit insurance reform out of the House and Senate before the end of 2003.
- We implemented a new streamlined organizational structure that is based on our three major lines of business – insurance, supervision, and receivership management – and substantially reduced the number of management and support positions within the Corporation. In conjunction with these changes, we put in place a new management team committed to transforming corporate operations for the future, and we delegated increased authority and responsibility to lower organizational levels in order to move decision-making closer to the bankers and other stakeholders with whom we work.
- We largely completed the staffing reductions that were required to bring the size of our workforce into line with the decline in our workload resulting from institutional consolidation within the banking industry, and the completion of residual work from the banking and thrift crises of the late 1980s and early 1990s. This ongoing effort will continue to be a priority at the FDIC as we seek to be more efficient and better stewards of the insurance funds. The centerpiece of this effort was a highly successful buyout program in which approximately 700 employees accepted buyout packages that were targeted to eliminate employee surpluses and address skills imbalances.
- We continued to shift our use of resources to pay even greater attention to the institutions that represent the greatest potential risk to the insurance funds. Two new major programs were initiated in 2002 to address this concern:
 - **Dedicated Examiner Program**
We, with the cooperation of our fellow regulators, have assigned “dedicated” examiners to each of the eight largest insured banking institutions to monitor their operations and provide more timely information about emerging risks. Our examiners will work closely with their counterparts at the federal financial regulatory agencies that are the primary supervisors of those institutions and provide real-time access to information on those institutions.

- MERIT Program

The new Maximum Efficiency, Risk-Focused, Institution-Targeted (MERIT) Guidelines Program provides for the use of risk-focused examination procedures at FDIC-supervised institutions with assets of less than \$250 million that are well-managed, well-capitalized and meet other program criteria. The program ensures that our resources are focused on those institutions that pose the greatest risk to the insurance funds, while preserving the integrity of the examination process.

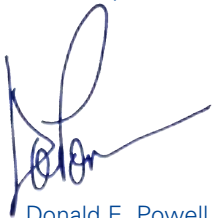
- We expanded our “Money Smart” program through alliances with over 300 national and regional organizations and have recently focused on measurement of the results of these programs. Money Smart is a financial education program developed to address growing national concern over the proliferation of predatory lending practices, and to help bring people with little or no banking experience into the financial mainstream.
- We expanded our efforts to disseminate information, stimulate discussion, and address the risks facing the financial services industry by hosting three symposia on some of the most important issues now facing the banking industry. These symposia brought together some of the best minds in the business to discuss financial transparency and disclosure, risk management, deposit insurance pricing, and other factors affecting the economic landscape for banks and the insurance funds. We also launched an electronic news bulletin called *FYI* to provide insured institutions and other interested parties high-quality analysis of emerging risks and other issues of concern to the banking industry.
- We continued to be vigilant concerning the adequacy of corporate governance. As such, we initiated various measures designed to mitigate the risk of increased public concern regarding accounting practices and oversight and the adequacy of corporate governance, which in part, prompted passage of the Sarbanes-Oxley Act of 2002. We are reviewing board activities, ethics policies and practices of the banks the FDIC supervises and auditor independence requirements. In early 2003, we issued guidance to institutions about the Sarbanes-Oxley Act, including the actions the FDIC encourages institutions to take to ensure sound corporate governance.
- We established an Advisory Committee on Banking Policy that will give us the benefit of some of the most talented and experienced people in government, business and banking as we attempt to reshape the FDIC for the future.

We will build on this solid record of accomplishments in 2003. We will continue to fulfill our stewardship responsibilities to the insurance funds through an effective supervisory program that promptly identifies and addresses emerging risks and a receivership management program that minimizes, to the extent possible, the cost of insured institution failures. We will continue to disseminate high-quality information and analysis on major issues and to provide leadership for the adoption of appropriate policy and regulatory changes. And, we will continue to strive to contain our operational costs and to improve our operational efficiency and effectiveness.

It has been an honor to serve as Chairman of the FDIC during this past year. As a former banker, I know how important the FDIC's work is to the stability of our economy and to the peace of mind of depositors who rely on the promise represented by the FDIC seal displayed at insured institutions all across the country.

We at the FDIC will continue to do everything possible to give the financial institutions the best value for their contributions to the deposit insurance funds, to diligently play our part in ensuring economic stability through good stewardship of those funds and forward-thinking policy solutions, and to remain a symbol of confidence upon which American consumers can depend.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald E. Powell", with a long horizontal flourish extending to the right.

Donald E. Powell