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.

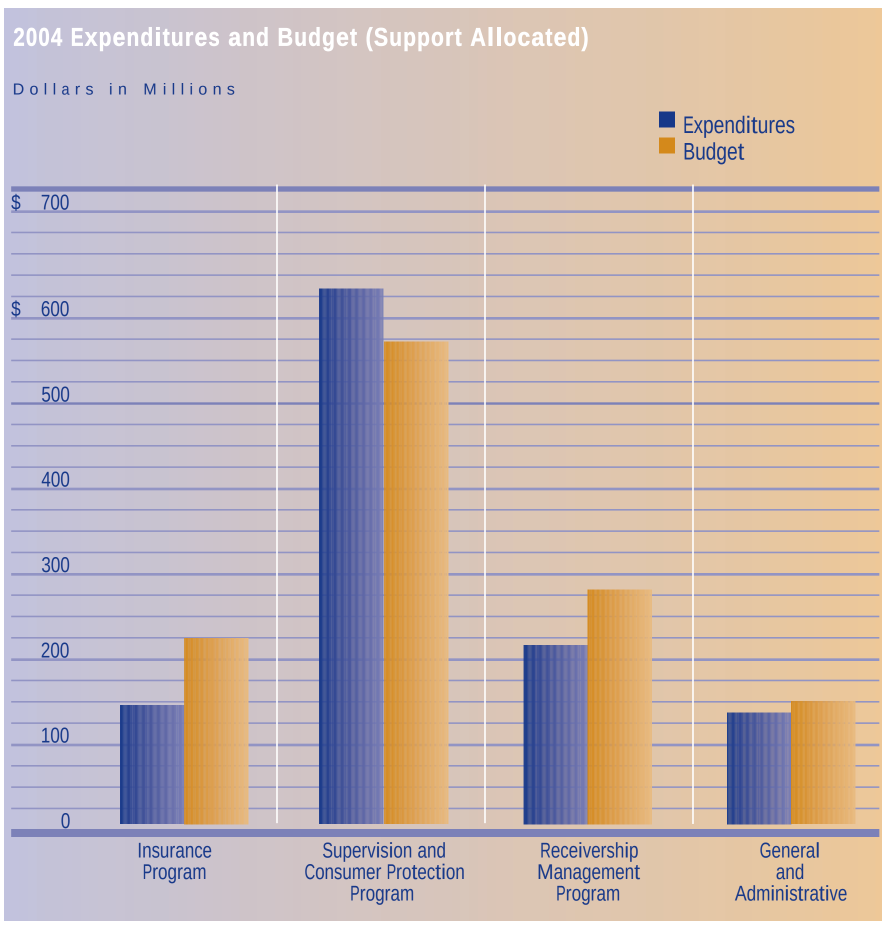
The Office of Inspector General (OIG) has shared its view of the most significant challenges the Corporation is confronting and has acknowledged actions underway to address these issues. (See Appendix C for a list of these challenges.) Management is committed to addressing each of the issues identified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



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.

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.

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.

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

Annual Goal	2001 Results	2002 Results	2003 Results	2004 Results
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

Annual Goal	2001 Results	2002 Results	2003 Results	2004 Results
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.
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.
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.