Summary of 2005 Performance Results by Program

The FDIC successfully achieved 27 of the 34 annual performance targets established in its 2005 Annual Performance Plan. Six performance targets were not applicable and one was not met.

Key accomplishments by program are highlighted on the following page. There were no instances in which 2005 performance had a material adverse effect on successful achievement of the FDIC's mission or its strategic goals and objectives regarding its major program responsibilities. In addition, consideration of 2005 performance results was an integral part of the development of the FDIC's 2006 Annual Performance Goals.

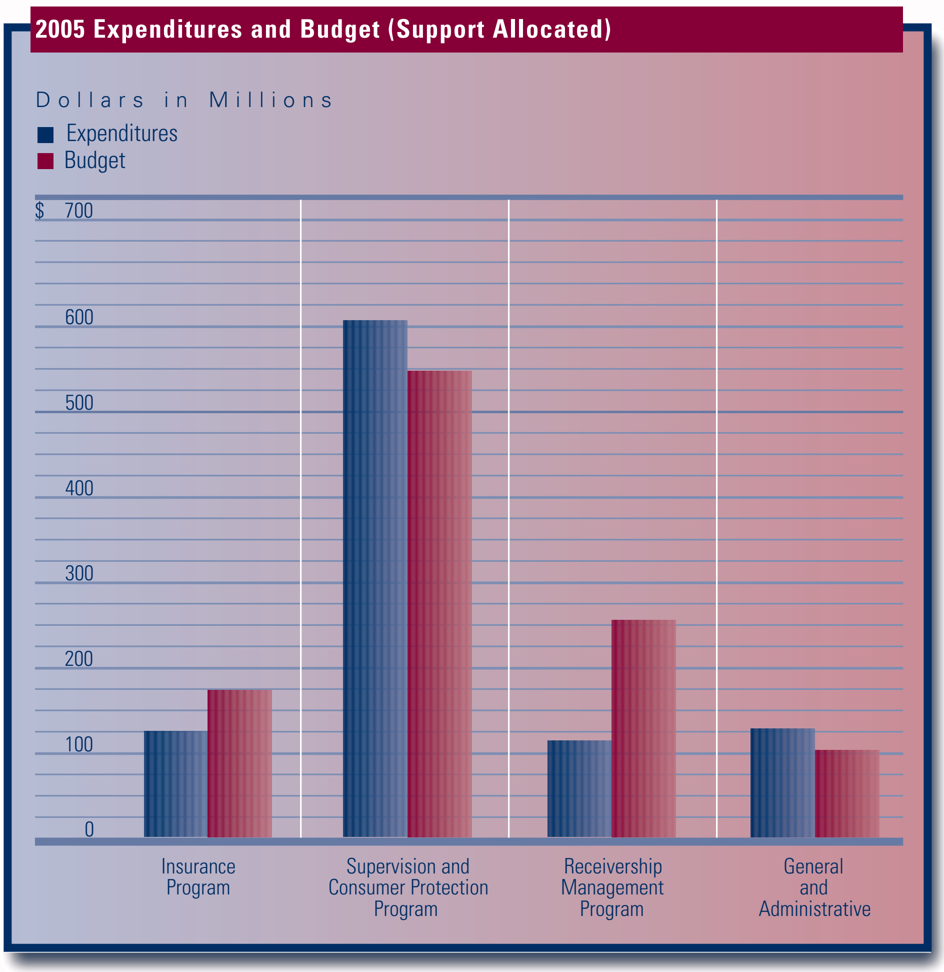
The Office of Inspector General (OIG) has shared its view of the most significant challenges the Corporation is confronting and has acknowledged actions underway to address these issues. (See Appendix C for a list of these challenges.) Management is committed to addressing each of the issues identified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

Program Area	Performance Results
Insurance	• Successfully implemented the Central Data Repository (CDR) to collect and process Reports of Condition and Income (Call Reports) from financial institutions. This FFIEC project will improve the quality and timeliness of financial institution data.
	• Conducted and published analysis on the effects of Hurricanes Katrina and Rita.
	• Issued numerous economic and banking information and analyses publications including *Outlook, FYI* electronic bulletins, and Center for Financial Research Working Papers.
	• Completed risk assessments for all large insured depository institutions and followed up on all identified concerns referred for examination or other supervisory action.
	• Developed a working prototype of an integrated fund model (IFM) during 2005, with enhancements focusing on the primary component of the IFM – the Loss Distribution Model.
	• No financial institution failures occurred during 2005.
Supervision and Consumer Protection	• Conducted 2,399 safety and soundness examinations. This included all statutorily required safety and soundness examinations, except for a small number deferred due to pending mergers or postponed to early 2006 to give financial institutions time to recover from the effects of the Gulf Coast Hurricanes.
	• Conducted 2,020 compliance and Community Reinvestment Act examinations in accordance with FDIC policy, except for a small number postponed to early 2006 to give financial institutions time to recover from the effects of the Gulf Coast Hurricanes.
	• Participated in 406 *Money Smart* events and technical assistance activities related to the Community Reinvestment Act, fair lending and community development, added 306 *Money Smart* Alliance members, and distributed 95,283 copies of the *Money Smart* curriculum.
Receivership Management	• Terminated 29 of the 94 (31 percent) financial institution receiverships existing at the beginning of the year.
	• Conducted 100 percent of professional liability investigations on all four institutions that reached the 18-month milestone.

2005 Budget and Expenditures by Program (Excluding Investments)

The FDIC budget for 2005 totaled $1.101 billion. Excluding $113 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; $555 million, or 50 percent, to the Supervision and Consumer Protection program; and $259 million, or 24 percent, to the Receivership Management program.

Actual expenditures for the year totaled $990 million. Excluding $136 million for Corporate General and Administrative expenditures, actual expenditures were allocated to programs as follows: $129 million, or 13 percent, to the Insurance program; $605 million, or 61 percent, to the Supervision and Consumer Protection program; and $120 million, or 12 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 financial institution closings and emerging issues.	Number of business days after institution failure depositors 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.	Not Applicable. No failures in 2005.
			If a failure occurs on any other day of the week, the target is two business days.	Not Applicable. No failures in 2005.
2.	Identify and address risks to the insurance funds.	Insurance risks posed by large insured depository institutions.	Assess the insurance risks in 100 percent of large insured depository institutions and adopt appropriate strategies.	Achieved. See pg. 29.
		Concerns referred for examination or other action.	Identify and follow up on 100 percent of referrals.	Achieved. See pg. 29.
		Dissemination of data and analyses on issues and risks affecting the banking industry to bankers, supervisors, the public, and other stakeholders.	Results of research and analyses are disseminated in a timely manner through regular publications, ad hoc reports and other means.	Achieved. See pg. 29.
			Industry outreach activities are undertaken to inform bankers and other stake-holders about current trends and concerns and available FDIC resources.	Achieved. See pgs. 10-11.
3.	Maintain sufficient and reliable information on insured depository institutions.	Quality and timeliness of bank data.	Implement a modernized Call Reporting process during the second Call Reporting period in 2005.	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.	Deposit Insurance Reform.	Provide information and analysis to Congressional committees in support of deposit insurance reform legislation.	Achieved. See pgs. 8-9.
		Obtain legislative 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 the legislation in accordance with statutorily prescribed time frames.	Not Applicable. Legislation enacted Feb. 8, 2006.
	Loss Reserves.	Enhance the effectiveness of the reserving methodology by applying sophisticated analytical techniques to review variances between projected losses and actual losses, and by adjusting the methodology accordingly.	Achieved. See pg. 29.
	Fund Adequacy.	Set assessment rates to maintain the insurance funds at the designated reserve ratio (DRR) or return them to the DRR if they fall below it, as required by statute.	Achieved. See pg. 37
		When deposit insurance reform legislation is enacted, 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 enacted Feb. 8, 2006.
		Enhance the working prototype of the integrated fund model for financial risk management.	Achieved. See pg. 29.

Insurance Program Results (continued)

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

	Annual Performance Goal	Indicator	Target	Results
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.	Update the consumer version of the EDIE (Electronic Deposit Insurance Estimator) located on the FDIC's Web site.	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 policies, and compliance with applicable laws and regulations.	Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy.	One hundred percent of required safety and soundness examinations (including a review for BSA compliance) are conducted on schedule.	Achieved. See pg. 13.
2.	Take prompt and effective supervisory action to address problems identified during the FDIC examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of 4 or 5 (problem institutions). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.	Percentage of follow-up examinations of problem institutions conducted within required time frames.	One hundred percent of follow-up examinations are conducted within 12 months of completion of the prior examination.	Achieved. See pg. 13.
3.	Increase industry and regulatory awareness of emerging/high-risk areas.	Number of trained BSA/AML subject-matter experts.	The number of trained BSA/AML subject matter experts is increased to 300.	Achieved. See pg. 15.
			Advanced training is completed for all BSA/AML subject matter experts.	Achieved. See pg. 39.
		Number of industry outreach sessions on BSA/AML/Counter Financing of Terrorism (CFT) issues.	At least one outreach session is conducted per region.	Achieved. See pg. 15.
4.	More closely align regulatory capital with risk in large or multinational banks.	Completion of preparatory activities for implementation of the new Basel Capital Accord.	Notice of Proposed Rulemaking (NPR) and associated examination guidance for implementing the new Basel Capital Accord are published for comment.	Achieved. See pg. 10.
			Quantitative Impact Study 4 is completed.	Achieved See pg 9.

Supervision and Consumer Protection Program Results (continued)

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

	Annual Performance Goal	Indicator	Target	Results
5.	Ensure that FDIC-supervised institutions that plan to operate under the new Basel Capital Accord are making satisfactory progress toward meeting required qualification standards.	Percentage of on-site examinations or off-site analyses performed.	On-site examinations or offsite analyses are performed for all FDIC-supervised banks that intend to operate under Basel II to ensure that they are effectively working toward meeting required qualification standards.	Achieved. See pg. 9.
6.	Provide effective outreach and technical assistance on topics related to the CRA, fair lending, and community development.	Number of *Money Smart* Alliance members.	200 additional members are added to the *Money Smart* Alliance.	Achieved. See pg. 38.
		Number of *Money Smart* curricula distributed.	20,000 additional copies of the *Money Smart* curricula are distributed.	Achieved. See pg. 38.
			200,000 additional individuals are taught using the *Money Smart* curriculum.	Achieved. See pg. 38.
		Number of outreach activities conducted with technical assistance.	125 technical assistance (examination support) efforts or banker/community outreach activities are conducted related to CRA, fair lending, or community development.	Achieved. See pg. 38.
7.	Effectively meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions.	Timely responses to written complaints.	Responses are provided to 90 percent of written complaints within time frames established by policy.	Achieved. See pg. 17.
8.	Conduct CRA and compliance examinations in accordance with FDIC examination frequency policy.	Percentage of examinations conducted in accordance with required time frames.	One hundred percent of required examinations are conducted within time frames established by FDIC policy.	Achieved. See pg. 13.
9.	Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a 4 or 5 rating for compliance with consumer protection and fair lending laws.	Percentage of follow-up examinations or related activities conducted within required time frames.	One hundred percent of follow-up examinations or related activities are 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. 39.

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.	Not Applicable. No failures in 2005.
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.	Ninety percent of book value of a failed institution's marketable assets are marketed within 90 days of failure.	Not Applicable. No failures in 2005.
3.	Manage the receivership estate and its subsidiaries toward an orderly termination.	Timely termination of new receiverships.	Inactivate 75 percent of receiverships managed through the Receivership Oversight Program within three years of the failure dates.	Not Achieved. See pg.40.
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. 40.

Annual Goal	2002 Results	2003 Results	2004 Results	2005 Results
Depositor Payouts in Instance of Failure				
The FDIC responds promptly to financial institution closings and emerging issues.	Timely payments made to all depositors of the 11 insured depository institutions that failed in 2002.	Timely payments made to all depositors of the three insured depository institutions that failed in 2003.	Timely payments made to all depositors of the four insured depository institutions that failed in 2004.	There were no failures in 2005.
Risk Classifications				
Maintain and improve the deposit insurance system.	Bank Insurance Fund (BIF) and Savings Association Insurance Fund (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. BIF and SAIF reserve ratios were maintained at or above the statutory ratio of 1.25 percent.	Through September 30, 2005, BIF and SAIF reserve ratios were maintained at or above the statutory ratio of 1.25 percent.
	Legislation on deposit insurance reform was introduced in the House and the Senate.	Legislation on deposit insurance reform was passed in the House and was pending in the Senate when Congress recessed for the year.	Deposit insurance reform remained under consideration in the Senate, but no action was taken prior to the end of the 108th Congress.	Congress included deposit insurance reform legislation in budget reconciliation legislation, S. 1932. The measure was adopted by the Senate in December and was passed by the House on February 1, 2006. The President signed the bill enacting deposit insurance reform legislation on February 8, 2006.
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 laws and regulations.	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.	Conducted 2,399 required safety and soundness examinations in accordance with FDIC policy.

Annual Goal	2002 Results	2003 Results	2004 Results	2005 Results
Safety and Soundness Enforcements Actions				
Take prompt and effective supervisory action to address issues identified during the FDIC's examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of "4" or "5" (problem institution). Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions. (Revised – 2005)	Eighty-four institutions designated as problem (composite "4" or "5" rated). Forty-eight were removed from problem status and 63 were 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 (5 contained BSA provisions) Cease and Desist Orders and 157 (6 contained BSA provisions) 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 institutions with total assets of $4.8 billion were added. Additionally, the FDIC issued the following formal and informal actions: 38 (11 contained BSA provisions) Cease and Desist Orders and 145 (31 contained BSA provisions) Memoranda of Understanding.	Twenty-nine institutions designated as problem (composite "4" or "5" rated). Thirty-six with total assets of $2.8 billion were removed from problem status and 19 institutions with total assets of $802 million were added. Additionally, the FDIC issued the following formal and informal actions: 15 (8 contained BSA provisions) Cease and Desist Orders and 152 (69 contained BSA provisions) Memoranda of Understanding.
Compliance Examinations				
Conduct CRA and compliance examinations in accordance with FDIC examination frequency policy. (Revised -2005)	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.	Conducted 2,020 comprehensive compliance-only and CRA examinations in accordance with FDIC policy. A small number of exams were postponed to early 2006 to give financial institutions time to recover from the effects of the Gulf Coast hurricanes.
CRA Outreach				
Provide effective outreach and technical assistance on topics related to CRA, fair lending, and community development.	*Money Smart* classes attended by approximately 2,800 participants.	The FDIC supplied more than 111,000 copies of *Money Smart* curricula 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.	Targets for the following were met: added 306 new *Money Smart* Alliance members; distributed 95,283 copies of *Money Smart* curriculum; additional 195,000 members reached; and conducted 163 outreach and technical assistance activities.

Annual Goal	2002 Results	2003 Results	2004 Results	2005 Results
Compliance Enforcement Actions				
Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a "4" or "5" rating for compliance with consumer protection and fair lending laws. (Revised - 2005)	Eight of nine institutions entered into a Memorandum of Understanding (MOU) with the FDIC; the ninth was in the process of reviewing the recommended MOU at year-end.	The only "4" rated institution entered into a MOU with the FDIC.	Of the five institutions rated "4" as of December 31, 2004, two entered into Memoranda of Understanding with the FDIC; and two were subject to outstanding Cease and Desist Orders. A Cease and Desist Order for the fifth institution was issued during the second quarter of 2005.	Of the three institutions rated "4" as of December 31, 2005, one entered into a Memorandum of Understanding with the FDIC; and two are subject to outstanding Cease and Desist Orders. There are no institutions currently rated "5."
Risk Management Safety and Soundness				
Increase industry and regulatory awareness of emerging/high-risk areas. (Added - 2005)				The Anti-Money Laundering (AML) goal has met targets and the advanced training for all BSA/AML subject matter experts has been accomplished.
More closely align regulatory capital with risk in large or multinational banks. (Added – 2005)				Final results of the 4th Quantitative Impact Study (QIS-4) show a 15.5 percent decline in minimum regulatory capital from current levels, with a wide dispersion in results that was primarily due to banks' internal measurement of risk, rather than actual risk.
Basel Capital Accord				
Ensure that FDIC-supervised institutions that plan to operate under the new Basel Capital Accord are making satisfactory progress toward meeting required qualification standards. (Added – 2005)				Initial Basel II outreach efforts or baseline reviews continue at FDIC-supervised institutions that have indicated their possible intent to opt-in for treatment under the new rules. FDIC is integrally involved in domestic and international policy and implementation processes to help ensure a smooth transition to Basel II.

Consumer Complaints and Inquiries				
Annual Goal	**2002 Results**	**2003 Results**	**2004 Results**	**2005 Results**
Meet the statutory mandate to investigate and respond to consumer complaints about FDIC-supervised financial institutions.	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.	FDIC received 8,851 consumer complaints, closing 96 percent of them. Of the closed complaints, 97 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 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.	No financial institutions reached their 90-day threshold during 2005.
Least-Cost Resolution				
Market failing institutions to all known qualified and interested potential bidders.	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 potential bidders were contacted.	There were four failures in 2004. One hundred percent of the qualified potential bidders were contacted for the sale of three failed institutions. One failed institution was not offered for sale.	There were no failures in 2005.
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. (Revised -2005)	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.	All four institutions that reached the 18-month milestone during 2005 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.	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.	For the eleven failures that occurred during 2002 that matured in 2005, the FDIC terminated four receiverships. This did not meet the target to terminate 75 percent within three years of failure and was due to various impediments to terminations.

During 2005, the FDIC completed evaluations of programs designed to achieve the strategic objectives set forth in the Supervision Program area of the FDIC's 2005 – 2010 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	FDIC-supervised institutions appropriately manage risk.
Issues evaluated	★ How does the FDIC ensure that FDIC-supervised institutions appropriately manage risk? ★ What happens to FDIC-supervised institutions that are not appropriately managing risk?
Findings	The FDIC performs safety and soundness, trust, Bank Secrecy Act, and information technology examinations of FDIC-supervised institutions. The examinations are conducted to assess an institution's overall financial condition, management practices and policies, and compliance with applicable laws and regulations. Through the examination process, the FDIC also assesses the adequacy of management and internal control systems to identify, measure and control risks. If the examination process reveals weaknesses in an FDIC-supervised institution's operations or conditions, appropriate actions are taken. Informal or formal enforcement actions may be issued to the institutions that have significant weaknesses or that are operating in a deteriorated financial condition. The actions remain in effect until corrective actions are taken and the identified weaknesses are corrected. If the problems remain unresolved, the FDIC may take further steps to encourage or compel institutions to comply.

Strategic Objective	Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.
Issues evaluated	★ Does the FDIC provide information to consumers about their rights and the disclosures due consumers under current consumer protection and fair lending laws? ★ Is the information easily accessible and easily understood?
Findings	The FDIC undertakes an extensive and expanding number of activities to provide information on consumers' rights and the disclosures due them under consumer protection and fair lending laws. A wide array of materials detail consumers' rights; provide information and answers to questions concerning deposit insurance, banks and consumer rights; and offer practical guidance on how to become a better informed user of financial services. These are readily accessible and widely distributed on the FDIC's Web site and at outreach seminars and workshops. Many materials are also available in hard copy and some in multiple languages. The FDIC also has been actively involved in consumer education and disclosure with the on-going support of programs such as *Money Smart* and EDIE.

Strategic Objective	FDIC-supervised institutions comply with consumer protection, Community Reinvestment Act (CRA), and fair lending laws.
Issues evaluated	★ How does the FDIC ensure that FDIC-supervised institutions comply with consumer protection, CRA, and fair lending laws?
Findings	The FDIC conducts compliance and CRA examinations to evaluate FDIC-insured institutions' practices regarding these areas. In addition to the examination process, the FDIC investigates consumer complaints about banking practices. Noncompliance with consumer protection and fair lending laws can result in civil liability and negative publicity as well as informal or formal enforcement actions against the institution to correct identified violations. The FDIC also utilizes the institution's record of compliance with consumer protection, CRA, and fair lending laws when evaluating applications for new or expanded activities and certain other corporate applications.