

**FEDERAL DEPOSIT
INSURANCE CORPORATION**

**2009 Annual
Performance Plan**

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CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC's) 2009 Annual Performance Plan. During these extraordinarily challenging times for the nation's banking industry, the FDIC's mission of maintaining stability and public confidence remains as relevant and vital as ever. We take these mission responsibilities very seriously and, as you will see in the pages that follow, we have carefully laid out plans to ensure that we will again successfully accomplish our mission in 2009.

Our plan is segmented into three discrete, but related, core program areas—insurance, supervision, and receivership management. Our insurance program protects insured depositors from loss in the event that their insured financial institution fails. Our supervision program provides, in conjunction with state authorities, regulatory oversight for over 5,000 state-chartered banks to ensure that they are properly managing risks and complying with consumer protection and other statutes. Where necessary, it also performs back-up supervisory activities under our special examination authority for the roughly 3,250 financial institutions for which we are not the primary federal regulator. Our receivership management program markets failed financial institutions and their assets and distributes the proceeds to receivership creditors in a manner designed to maximize recoveries on receivership claims.

As an adjunct to these core mission responsibilities, the FDIC is committed to the successful implementation of several initiatives that are directed toward restoring stability to the nation's financial system:

- The FDIC established the Temporary Liquidity Guarantee Program (TLGP) in October 2008. The TLGP includes a debt guarantee component designed to facilitate inter-bank lending and a transaction account guarantee component that insures deposits in non-interest bearing transactional accounts.
- The FDIC directly supports the Capital Purchase Program (CPP) established in October 2008 by the Department of the Treasury. The Corporation reviews and makes recommendations on CPP funding requests from FDIC-supervised institutions and, if approved, monitors the usage of those funds during examinations of those institutions.
- In conjunction with the Department of the Treasury, the FDIC established in March 2009 a Legacy Loans Program (LLP) to facilitate the sale of distressed loans by financial institutions to Public-Private Investment Funds (PPIFs) that will be funded jointly by private investors and the Department of the Treasury.

- The FDIC provides outreach, technical assistance, and related support to community and consumer groups that are pursuing loan modification and foreclosure prevention initiatives in high-need areas.

Throughout its 75-year history, FDIC depositors have been able to count on quick and complete access to their insured deposits. This consistency has promoted stability and public confidence in the Nation's financial system. The FDIC will continue this record of achievement in 2009 through the continuing hard work and innovation of its dedicated and highly skilled workforce.

Sheila C. Bair
Chairman

MISSION, VISION and VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- insuring deposits,
- examining and supervising financial institutions for safety and soundness and consumer protection, and
- managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

<i>Integrity</i>	We adhere to the highest ethical and professional standards.
<i>Competence</i>	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
<i>Teamwork</i>	We communicate and collaborate effectively with one another and with other regulatory agencies.
<i>Effectiveness</i>	We respond quickly and successfully to risks in insured depository institutions and the financial system.
<i>Accountability</i>	We are accountable to each other and to our stakeholders to operate in a financially responsible and operationally effective manner.
<i>Fairness</i>	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

**PROGRAM DESCRIPTIONS AND
ANNUAL PERFORMANCE GOALS**

INSURANCE

SUPERVISION

RECEIVERSHIP MANAGEMENT

INSURANCE PROGRAM

The FDIC maintains stability and public confidence in the U.S. financial system by providing deposit insurance. By promoting industry and consumer awareness of deposit insurance, the FDIC protects depositors at banks and savings associations of all sizes. When insured depository institutions fail, the FDIC ensures that the financial institution's customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly respond to a variety of insured depository institution failures and conducts large-scale simulations to test its plans.

Bank failures during 2008 significantly increased losses to the Deposit Insurance Fund (DIF), resulting in a decline in the reserve ratio. As of December 31, 2008, the reserve ratio stood at 0.40 percent (based on unaudited fund balance results), down from 1.22 percent at the beginning of the year. The Federal Deposit Insurance Reform Act of 2005 (the Reform Act) requires that the FDIC Board of Directors adopt a restoration plan when the DIF reserve ratio falls below 1.15 percent or is expected to do so within six months. On October 7, 2008, the FDIC Board adopted a restoration plan that was projected to raise the reserve ratio to at least 1.15 percent within five years. On December 16, 2008, the Board adopted a final rule raising assessment rates by five basis points in the first quarter of 2009. On February 27, 2009, the Board amended the restoration plan to extend its horizon from five years to seven years due to extraordinary circumstances. It also adopted a final rule setting rates beginning in the second quarter of 2009 and making other changes to the risk-based pricing system. It also adopted an interim rule imposing a special assessment on all insured institutions on June 30, 2009 (to be collected on September 30). The interim rule would also permit the FDIC Board to impose a special assessment of up to ten basis points at the end of any calendar quarter (after June 30, 2009) when the FDIC estimates that the reserve ratio will fall to a level that would adversely affect public confidence or to a level close to or below zero.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was signed into law. It temporarily raised the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. The temporary increase in deposit insurance coverage became effective immediately upon the President's signature. The legislation provides that the basic deposit insurance limit will return to \$100,000 after December 31, 2009.

The FDIC established the Temporary Liquidity Guarantee Program (TLGP) on October 13, 2008, in response to credit market disruptions, particularly in the interbank lending market, which reduced banks' liquidity and impaired their ability to lend. A final rule on the TLGP was adopted on November 21, 2008. The TLGP has two components, the debt guarantee program and the transaction account guarantee program. Eligible entities were able to opt out of one or

both components on or before December 5, 2008. As of February 18, 2009, approximately 87 percent of eligible entities had elected to participate in the transaction account guarantee program, while approximately 56 percent of eligible entities had elected to participate in the debt guarantee program. The TLGP does not rely on either the taxpayer or the DIF to achieve its goals. Participants in the program are assessed a fee for coverage. If these fees do not cover the full cost of the TLGP, the FDIC will impose a special assessment under the systemic risk provisions of the Federal Deposit Insurance Act.

On March 23, 2009, the FDIC and the Department of the Treasury jointly announced the establishment of a new Legacy Loans Program (LLP) that will help remove distressed loans from the balance sheets of financial institutions and allow them to begin attracting private capital again. Under the program, the FDIC will facilitate the sale of pools of distressed loans to Public-Private Investment Funds (PPIFs) by financial institutions. The PPIFs will be jointly funded by private investors and the Department of the Treasury, with oversight by the FDIC. Each PPIF will issue debt guaranteed by the FDIC.

Communication and coordination with the other bank regulatory agencies are top priorities. As the insurer, the FDIC by statute has special examination authority for all insured depository institutions. If significant emerging risks or other serious concerns are identified for an insured depository institution for which the FDIC is not the primary federal supervisor, the FDIC and the institution's primary federal supervisor work together to address those risks or concerns.¹

The FDIC may approve or deny an application for federal deposit insurance from any prospective depository institution. Before granting access to the federal deposit insurance system, the FDIC evaluates an applicant's potential risk to the DIF. It assesses the adequacy of an applicant's capital, future earnings potential and the general character of its management. The FDIC also considers the convenience and needs of the community to be served and gathers input from other regulatory authorities.

The FDIC seeks to increase public awareness and understanding of deposit insurance rules and coverage. The FDIC and other federal regulatory agencies ensure that insured depository institutions make accurate disclosures about uninsured products. The FDIC also provides information to depositors and financial institution staff about the application of deposit insurance rules, provides tools to assist financial institution employees in interpreting the rules for deposit insurance coverage and responds to deposit insurance questions received from the public and the banking industry through the FDIC Call Center, the Internet and regular mail.

¹ An institution's charter and its Federal Reserve System membership status determine which federal banking agency is the institution's primary federal supervisor.

The table below depicts the strategic goal, strategic objectives and annual performance goals for the Insurance Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
<p>Insured depositors are protected from loss without recourse to taxpayer funding.</p>	<p>Customers of failed insured depository institutions have timely access to insured funds and financial services.</p>	<p>Respond promptly to all insured financial institution closings and related emerging issues.</p>
	<p>The FDIC promptly identifies and responds to potential risks to the DIF.</p>	<p>Identify and address risks to the DIF.</p>
		<p>Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.</p>
		<p>Effectively administer temporary financial stability programs.</p>
	<p>The DIF and the deposit insurance system remain strong and adequately financed.</p>	<p>Maintain and improve the deposit insurance system.</p>
		<p>Expand and strengthen the FDIC’s participation and leadership role in providing technical guidance, training, consulting services and information to international governmental banking and deposit insurance organizations.</p>
	<p>The FDIC resolves the failure of insured depository institutions in the manner least-costly to the DIF.</p>	<p>Market failing institutions to all known qualified and interested potential bidders.</p>
	<p>The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.</p>	<p>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.</p>

STRATEGIC GOAL 1:

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

STRATEGIC OBJECTIVE 1.1

Customers of failed insured depository institutions have timely access to insured funds and financial services.

Annual Performance Goal 1.1-1

Respond promptly to all insured financial institution closings and related emerging issues.

Indicators and Targets

1. Number of business days after an institution failure that depositors have access to insured funds either through transfer of deposits to the successor insured depository institution or depositor payout
 - *Depositors have access to insured funds within one business day if the failure occurs on a Friday.*
 - *Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.*

2. Insured depositor losses resulting from a financial institution failure
 - *There are no depositor losses on insured deposits.*
 - *No appropriated funds are required to pay insured depositors.*

Means and Strategies

Operational Processes (initiatives and strategies): When an insured institution is identified as a potential failure, the FDIC prepares a plan to handle the possible resolution of the institution. The FDIC begins the resolution process with an assessment of the institution's assets and liabilities. The FDIC then develops an information package that is used as a marketing tool and is provided to all interested potential assuming institutions. The FDIC solicits proposals from approved bidders to find a buyer for the deposit franchise.

If the federal or state supervisor chooses to close the institution, the FDIC takes control of the failed institution and determines which deposits are insured. Once the FDIC is appointed receiver, it initiates the resolution process for the failed institution and provides the insured depositors with access to their accounts within one or two business days. The FDIC works with the assuming institution so that the insured deposit accounts are transferred to it as soon as possible. If no assuming institution is found during the resolution process, the FDIC disburses insured deposit balances directly to customers of the failed institution.

As banking industry practices and technologies evolve, the FDIC continues to review and enhance existing plans, processes and systems in response to potential risks that might impact the resolution process.

Human Resources (staffing and training): Staffing requirements are continually assessed in light of current and projected resolutions and receivership management workload. The FDIC maintains a permanent staffing platform that ensures its readiness to respond quickly to potential new failures. This permanent staffing platform can be quickly expanded through the addition of non-permanent employees and contractor staff. In addition, the Corporation has actively promoted a flexible workforce through the cross-training of employees elsewhere within the organization to assist with an unexpected increase in failure activity. Cross-training is reinforced through training updates and rotational work assignments.

Information Technology: Technology is critical to improving the efficiency of deposit insurance determinations and payments. The FDIC is in the midst of a multi-year effort to redesign and automate its deposit insurance claims and payment processes. This project, approved in late 2006, will provide an integrated solution that meets the Corporation's current and future deposit insurance determination needs and will be based on adaptable technology that is compatible with industry standards. In 2009, the Corporation will continue to develop the new Claims Administration System to replace current systems used for this purpose.

Verification and Validation

In the case of a transfer of insured deposits to a successor institution, the number of business days for depositors to have access to the insurance funds will be verified by comparing the date of failure with the date that the successor insured depository institution opens for business and makes insured funds available to the failed institution's depositors. In the case of a depositor payout, this will be verified by comparing the date of failure with the date that deposit insurance checks are mailed to depositors or made available for pickup at the premises of the failed institution.

2008 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2008. There were 25 insured financial institution failures during 2008, and the FDIC successfully met the performance targets for each failure.

STRATEGIC OBJECTIVE 1.2

The FDIC promptly identifies and responds to potential risks to the DIF.

Annual Performance Goal 1.2-1

Identify and address risks to the DIF.

Indicators and Targets

1. Insurance risks posed by insured depository institutions
 - *Assess the insurance risks in large insured depository institutions and adopt appropriate strategies.*
2. Concerns referred for examination or other action
 - *Identify and follow up on all material issues raised through offsite review and analysis.*
2. Emerging risks to the DIF
 - *Identify and analyze existing and emerging areas of risk.*

Means and Strategies

Operational Processes (initiatives and strategies): The assets within the U.S. banking system today are increasingly concentrated in large insured institutions. The FDIC has established a separate Complex Financial Institutions Branch within the Division of Supervision and Consumer Protection to assess the risks posed to the DIF by these institutions. This branch has assigned dedicated examiners to the four largest insured financial institutions and has increased its oversight of all banks deemed systemically important. Branch staff maintains close contact with each institution's primary federal regulator and other FDIC offices to evaluate the institution's condition, identify potential emerging risks, and assign an FDIC risk rating for the institution.

The FDIC has also established the Large Insured Depository Institutions (LIDI) Program to assess and report on emerging risks at all institutions with total assets of \$10 billion or more as well as other selected institutions. Under this program, regional case managers perform ongoing analysis of emerging risks within each insured institution and assign a quarterly risk rating. Case managers also maintain contact with the primary federal regulator for each institution in the LIDI Program. Data obtained through this program are analyzed, and key issues are reported to corporate executives regularly for use in policy and operational discussions. In addition, senior financial institution analysts within the Complex Financial Institutions Branch complete offsite analyses in order to meet the Corporation's risk information needs and form appropriate supervisory strategies.

Information from the Shared National Credit (SNC) program is also integrated into the analysis of emerging risks at large banks. This interagency program provides for annual reviews of certain syndicated loans that total over \$20 million and are shared by three or more regulated entities. Using SNC information, FDIC staff identifies industry sector exposures posing a high degree of risk for large banks and analyzes underwriting and industry performance trends. This information is used to develop risk briefings and other risk assessment presentations.

Human Resources (staffing and training): The Complex Financial Institutions Branch includes dedicated examiners, examination specialists, and senior analysts. Its authorized staffing has been expanded in 2009 to address the increased risk in the largest banking companies. The Corporation is also developing a large bank training program and continues to recruit personnel with the specialized knowledge and skill sets to analyze large bank operations.

Information Technology: The LIDI database is used to maintain written analysis and specific reports on all insured financial institutions with assets of \$10 billion or more.

Verification and Validation

Potentially heightened insurance risks identified through the Dedicated Examiner, LIDI and SNC programs are used to develop appropriate supervisory strategies. Follow-up activities are tracked through established reporting processes. Analyses of emerging risks and trends in the financial industry or the broader economy are reviewed by the Risk Analysis Center and the National Risk Committee. The FDIC Board of Directors is briefed periodically on these risks, which are communicated internally and externally through numerous FDIC publications and written reports.

2008 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2008. In 2008, the FDIC successfully met all of these targets.

Annual Performance Goal 1.2-2

Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.

Indicator and Targets

1. Scope and timeliness of information dissemination on identified or potential issues and risks
 - *Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports and other means.*
 - *Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns and other available FDIC resources.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC maintains a vigorous research and publications program on issues and topics of importance to the banking industry. Much of this research is conducted in collaboration with the academic community through the Center for Financial Research (CFR). Research findings are disseminated through CFR working papers, articles in professional journals and presentations at conferences and other events.

The FDIC also disseminates information and analyses on industry risks through periodic reports, publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters and participation in industry events and other outreach activities.

The FDIC conducts outreach sessions several times each year throughout the country. In addition, FDIC employees regularly attend conferences and meet with industry analysts and trade groups to exchange views and analyses. They also present Directors' College outreach sessions to local bank board members. During these sessions, information on current risks, new regulations and other emerging issues is communicated to bank directors. In addition, banker roundtable events are conducted by local FDIC offices nationwide to provide a forum for bankers to receive information and raise questions about new regulatory guidance or emerging risks.

Human Resources (staffing and training): The FDIC employs economists, financial analysts and other staff members who monitor risks within the banking industry and communicate those risks to FDIC management, other regulators, the industry, the public and other stakeholders through a variety of media and forums. In addition, outside scholars participate in the Corporation's risk analysis program, and risk-focused examination training has been incorporated into the FDIC's examination schools. The FDIC also maintains a cadre of staff members throughout the country to conduct banker outreach sessions.

Information Technology: The FDIC's website (www.fdic.gov) is a centralized source of information on FDIC research and analysis on potential areas of risk for the industry, the public and other regulators. In addition, the use of recently developed, open data exchange standards (known as "eXtensible Business Reporting Language," or XBRL) provides faster access to financial institution information for all users of the data, including financial institutions, bank regulators and the public.

Verification and Validation

Timely analyses of banking industry risks are included in regular publications or as *ad hoc* reports. Industry outreach activities aimed at the banking community and industry trade groups promote discussion of current trends and concerns, and inform bankers about available FDIC resources. Publications and outreach events are documented through established reporting processes.

2008 Performance Results

This annual performance goal and its associated performance indicator and targets are unchanged from 2008. In 2008, the FDIC successfully met these performance targets.

Annual Performance Goal 1.2-3

Effectively administer temporary financial stability programs.

Indicators and Targets

1. Administration of the TLGP

- *Provide liquidity to the banking system by guaranteeing non-interest bearing transaction deposit accounts and new senior unsecured debt issued by eligible institutions under the TLGP.*
- *Implement an orderly phase-out of new guarantees under the program when the period for issuance of new debt expires.*

2. Administration of the Capital Purchase Program (CPP)

- *Substantially complete by September 30, 2009, the review of and recommendations to the Department of the Treasury on CPP applications from FDIC-supervised institutions.*

3. Implementation of the LLP

- *Expediently implement procedures for the LLP, including the guarantee to be provided for debt issued by PPIFs, and provide information to financial institutions and private investors potentially interested in participating.*

4. Oversight of the use of financial stability resources by FDIC-supervised institutions

- *Expediently implement procedures to review the use of CPP funds, TLGP guarantees, and other resources made available under financial stability programs during examinations of participating FDIC-supervised institutions.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC established the TLGP in October 2008 to help relieve the crisis in the credit markets and provide banks with access to liquidity. The TLGP has two components: the transaction account guarantee program, a full guarantee of all deposits in non-interest bearing transaction accounts, regardless of the dollar amount, through December 31, 2009; and the debt guarantee program, a guarantee of senior, unsecured debt issued by insured depository institutions and certain holding companies through December 31, 2012. The TLGP does not rely on taxpayer funding or the DIF to achieve its goals; program participants pay assessments to participate in the program. If these fees ultimately fail to cover TLGP costs, the FDIC will impose a special assessment on all insured depository institutions under the systemic risk provisions of the Federal Deposit Insurance Act.

In 2009, the FDIC will continue to develop policies and procedures to ensure compliance with requirements of the TLGP transaction account guarantee and debt guarantee programs. Reporting requirements will be finalized, and screening tools will be implemented to identify potential concerns for further investigation. The FDIC will use examinations, offsite monitoring tools, and available market information to monitor participating entities' compliance with the

rules governing these programs. The FDIC will also continue to coordinate with the other primary federal regulators to obtain additional monitoring information on the use of the TLGP debt guarantee program.

The CPP was established by the Department of the Treasury under authority provided in the Emergency Economic Stabilization Act of 2008 (EESA), which was signed into law in October 2008. The Department of the Treasury allocated to the CPP to purchase senior preferred securities in financial institutions on standardized terms \$250 billion of the \$700 billion in funding authority provided for the EESA's Troubled Asset Relief Program. Qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies engaged primarily in financial activities are eligible to file applications for CPP funds with their primary federal regulators.

The FDIC has instituted a robust review and analysis process for applications filed by FDIC-supervised institutions to participate in the CPP. This process is based on the participation guidelines set by the Department of the Treasury. If applicants meet established guidelines for participation, the application is submitted to the Department of the Treasury with a recommendation for approval. During the fourth quarter of 2008, the FDIC received 1,600 CPP applications. It completed the review process and recommended for approval 250 of these applications. Processing of CPP applications will continue in 2009. A substantial number of additional applications are expected to be received during the first half of the year.

When an FDIC-supervised institution is approved for participation in the CPP, the FDIC will review its use of the CPP proceeds and compliance with the terms of the Department of the Treasury's Securities Purchase Agreement during scheduled bank examinations. Guidelines for these reviews were issued to field examiners in February 2009. Additional review procedures will be established during 2009 to monitor the use of TLGP guarantees by participating FDIC-supervised institutions and the use of other financial stability program resources, as necessary.

The FDIC also established in March 2009 the LLP to facilitate the sale of distressed loans by financial institutions to PPIFs. The PPIFs will be jointly funded by private investors and the Department of the Treasury. Each PPIF will also issue debt guaranteed by the FDIC. The FDIC will oversee and monitor the PPIFs and report periodically on their activities. The FDIC expects to issue procedures governing the LLP and initiate a pilot loan pool sale by mid-2009.

Human Resources (staffing and training): Implementation of the TLGP and review of CPP applications have required significant staffing resources. A TLGP working group composed of senior staff from various FDIC divisions oversees implementation of the TLGP and recommends further enhancements to the program. A substantial number of FDIC supervisory staff has also been temporarily deployed to review CPP applications and make appropriate recommendations to the Department of the Treasury. In addition, examination support staff are developing review procedures to be followed by field examiners to monitor the use of CPP funds, TLGP guarantees, and other financial stability resources by participating FDIC-supervised institutions. During 2009, examination staff in the FDIC's six regions will be directly involved in efforts to monitor compliance by participating entities with the rules governing both CPP and the debt guarantee program.

The resource requirements for the LLP are still being determined. These requirements are expected to be met through a combination of FDIC staff and contract assistance. An interdivisional working group is in the process of determining specific resource needs and sources.

Information Technology: Various financial, supervisory, and receivership data systems, as well as publicly available market information, will be used to monitor participation in the TLGP. In addition, an application tracking database and a document warehouse were implemented in November 2008 to track CPP applications.

Verification and Validation

Progress in achieving the performance targets for this annual performance goal will be monitored primarily through established management reporting processes. In addition, review procedures for participating FDIC-supervised institutions will be established through the issuance of formal written guidelines to examination staff.

2008 Performance Results

This annual performance goal and its associated performance indicators and targets are new for 2009.

STRATEGIC OBJECTIVE 1.3

The DIF and the deposit insurance system remain strong and adequately financed.

Annual Performance Goal 1.3-1

Maintain and improve the deposit insurance system.

Indicators and Targets

1. Enhance the risk-based pricing system

- *Adopt and implement revisions to the pricing regulations that provide for greater risk differentiation among insured depository institutions reflecting both the probability of default and loss in the event of default.*
- *Revise the guidelines and enhance the additional risk measures used to adjust assessment rates for large institutions.*

2. Loss reserves

- *Ensure 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.*

3. Fund adequacy

- *Set assessment rates to restore the insurance fund reserve ratio to at least 1.15 percent of estimated insured deposits by year-end 2015.*
- *Monitor progress in achieving the restoration plan.*

Means and Strategies

Operational Processes (initiatives and strategies): In February 2009, the FDIC Board of Directors adopted revisions to the deposit insurance pricing structure to better reflect the risks posed to the DIF by individual insured institutions. In addition to implementing these changes, during 2009 the FDIC will enhance its oversight of “systemically important” insured institutions and other large/complex insured institutions that pose significant risk to the DIF, including risk exposure attributable to loss-sharing agreements and debt guarantees.

The FDIC’s Financial Risk Committee (FRC) develops quarterly failure projections and loss estimates to establish contingent loss reserves for the DIF. The FRC continues to enhance the techniques and methodologies used to analyze the nature of risk exposure, including scenario analysis and stress testing. Models that forecast failures and failure resolution costs are maintained and enhanced, as necessary. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks. The FRC consults with the other federal banking agencies in its deliberations.

Based on an analysis of projected failed bank assets and other pertinent information, the FRC recommends to the Chief Financial Officer the level of the contingent loss reserve for the DIF, as determined by the FDIC’s reserving methodology. FDIC staff also uses the information provided by the FRC on projected insurance losses as one factor in determining the level of assessment revenue necessary to maintain adequate funding in the DIF. Projected insurance losses, as well as projections of investment revenue, operating expenses and insured deposit growth, are key elements in estimating assessment revenue needs.

The Federal Deposit Insurance Reform Act of 2005 requires that the FDIC Board of Directors adopt a restoration plan when the Deposit Insurance Fund reserve ratio falls below 1.15 percent or is expected to do so within six months. The reserve ratio fell below the required range in 2008 due to financial institution failures, and was at 0.40 percent as of December 31, 2008 (based on unaudited fund balance results). The Board adopted a restoration plan on October 7, 2008, to increase the fund’s reserve ratio to at least 1.15 percent no later than five years after the plan’s establishment (absent extraordinary circumstances), as required by statute. It subsequently modified that plan on February 27, 2009, to extend to seven years the target timeframe for restoring the reserve ratio to 1.15 percent due to extraordinary circumstances. As a part of that revised plan, the Board also increased assessment rates and made other changes to the assessment system that are largely intended to ensure that riskier institutions bear a greater share of the proposed assessment increases.

The Board also adopted an interim rule in February 2009 imposing a special assessment on all insured institutions on June 30, 2009 (to be collected on September 30).

The interim rule would also permit the FDIC Board to impose an additional special assessment at the end of any calendar quarter (after June 30, 2009) when the FDIC estimates that the reserve ratio will fall to a level close to or below zero or to a level that would adversely affect public confidence.

Human Resources (staffing and training): Staff in the FDIC's Washington, D.C., office administers and performs the analytical work associated with deposit insurance pricing. The FDIC will continue to add staff to its banking and economic research program and to expand its ties to the academic community to broaden the information and analytical perspectives available to the Corporation as steward of the DIF. Outside scholars will be actively engaged in producing relevant research through CFR-sponsored relationships and activities.

Information Technology: The Risk-Rated Premium System (RRPS) calculates the premiums that financial institutions are assessed for deposit insurance. Development of a new version of RRPS began in 2008 to reflect the revised insurance assessment pricing structure. The version will be tested and implemented in 2009.

Verification and Validation

To ensure that the RRPS identifies higher risk institutions and appropriately assesses higher insurance premiums, the FDIC reviews on an ongoing basis the assessment history of all failed insured depository institutions and determines whether the system is working adequately.

The Government Accountability Office reviews the methodology used to determine the contingent loss reserve annually. In 2009, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology through an analysis of the variance between projected and actual losses.

The status of the restoration plan will be reviewed by the FDIC Board regularly.

2008 Performance Results

This annual performance goal is unchanged from 2008, although the performance indicator and several performance targets have been updated for 2009. The FDIC successfully met most of the performance targets established for this goal, although it failed to maintain the reserve ratio within its target range in 2008 due to a substantial increase in the number of insured institution failures. The reserve ratio fell below 1.15 percent in mid-2008 and has continued to decline. The Corporation took into account its analysis of the causes of insured institution failures in 2008 and the elevated risk profile of many insured institutions in establishing the 2009 performance targets for this goal.

Annual Performance Goal 1.3-2

Expand and strengthen the FDIC's participation and leadership role in providing technical guidance, training, consulting services and information to international governmental banking and deposit insurance organizations.

Indicator and Targets

1. Scope of information sharing and assistance available to international governmental bank regulatory and deposit insurance entities
 - *Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.*
 - *Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolution and deposit insurance practices.*

Means and Strategies

Operational Processes (initiatives and strategies): Recent events have underscored the important role that deposit insurance systems play in maintaining financial stability. The FDIC pursues a variety of activities that are intended to develop cooperative relationships and information sharing with international deposit insurance and bank regulatory entities and foreign governmental banking regulators. The FDIC's Office of International Affairs (OIA), which was established in 2006, plans and conducts training sessions; coordinates technical assistance missions, foreign visits, and bilateral consultations with foreign bank supervisors, deposit insurers and bank resolution authorities; participates actively and plays a leadership role in international organizations; and performs other related activities in support of this annual performance goal.

Human Resources (staffing and training): The FDIC will consider each international request for assistance from a strategic perspective and will appropriately leverage its resources to address these requests. Resources include a small permanent OIA staff and temporary detail assignments for selected FDIC employees. In 2009, the FDIC will evaluate opportunities to secure former FDIC employees to support the international program and enhance the FDIC's leadership role in regional and international bank supervision, failure resolution, and deposit insurance groups.

Information Technology: Information about international governmental bank regulatory or deposit insurance activities and the FDIC's international program are communicated through OIA's website.

Verification and Validation

Achievement of this annual performance goal will be demonstrated through enhanced FDIC participation and leadership roles in key international organizations. Progress in meeting this annual goal will be tracked by the FDIC's International Affairs Working Group through established reporting processes.

2008 Performance Results

This annual performance goal and its associated performance indicator and targets are unchanged from 2008. The FDIC successfully met both performance targets in 2008.

STRATEGIC OBJECTIVE 1.4

The FDIC resolves the failure of insured depository institutions in the manner least-costly to the DIF.

Annual Performance Goal 1.4-1

Market failing institutions to all known qualified and interested potential bidders.

Indicator and Target

1. Scope of qualified and interested bidders solicited

- *Contact all known qualified and interested bidders.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC markets the deposits and assets of failing institutions to all known qualified and interested potential bidders to stimulate as much competition as possible. The FDIC maintains an inventory of qualified financial institutions that may potentially be interested in bidding to purchase a failing institution. In preparing a list of potential bidders for each failing institution, 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. The FDIC contacts these potential bidders and holds an informational meeting and/or uses the Internet to provide information on the failing institution. Potential bidders are then given the opportunity to perform due diligence on the failing institution's assets and liabilities before determining whether to submit bids.

Human Resources (staffing and training): Franchise marketing is carried out primarily by specialized FDIC personnel with support from staff from other disciplines and contractors, as needed. Staffing requirements are continually assessed within the context of current and projected workload to ensure that the FDIC also uses contractor support, the hiring of non-permanent employees, and the temporary assignment of resources from the Corporation to meet workload demands and mission responsibilities in this area. The Corporation is in the midst of developing a new Resolutions and Receiverships Commissioning Program to ensure the future availability of qualified personnel to handle all of its insurance and receivership management responsibilities, including the resolution of failing institutions.

Information Technology: The FDIC implemented a new asset management and servicing system (4-C) in 2007 that replaced a number of legacy systems with more current and secure technology. In August 2008, the FDIC implemented enhancements to 4-C that added franchise and asset marketing capabilities. These enhancements replaced several standalone applications that were used to support those functions. Franchise marketing activities are now tracked through 4-C.

Verification and Validation

The franchise marketing process is tracked in 4-C, and data from this system are used to report on marketing and sales progress.

2008 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2008. The 2008 performance target was successfully met for the 25 failures of insured financial institutions that occurred during 2008.

STRATEGIC OBJECTIVE 1.5

The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

Annual Performance Goal 1.5-1

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.

Indicators and Targets

1. Timeliness of responses to deposit insurance coverage inquiries
 - *Respond to 90 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage within two weeks.*
2. Public education campaign to increase awareness of deposit insurance changes and expected 2010 changes
 - *Conduct at least three sets of the Deposit Insurance Seminars/teleconferences per quarter for bankers.*
 - *Enter into deposit insurance educational partnerships with consumer organizations to educate consumers.*
 - *Expand avenues for publicizing deposit insurance rules and resources to consumers through a variety of media.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC uses a variety of means to educate insured financial institution employees and depositors about FDIC deposit insurance coverage. In addition to conducting seminars for bank employees, the FDIC encourages the dissemination of educational information through the banking industry and the media. In 2009, the FDIC will update all deposit insurance educational tools and publications to reflect statutory and regulatory changes made during 2008 and early 2009 in the Emergency Economic Stabilization Act, the

TLGP, and the simplification of FDIC rules for coverage of revocable trust accounts. The FDIC works with insured financial institutions to encourage them to use these tools and to make the FDIC's publications available to bank employees and customers. The FDIC also operates a toll-free call center (877-ASK-FDIC) staffed by deposit insurance specialists, maintains education resources on the FDIC's website, publishes articles on insurance coverage rules in *FDIC Consumer News* (a quarterly newsletter for consumers published by the FDIC), and works to raise awareness of deposit insurance coverage through the national and regional news media.

Human Resources (staffing and training): The FDIC has a dedicated staff of deposit insurance specialists that respond to inquiries and administer public education programs on deposit insurance. Staffing and training needs are reviewed on an ongoing basis to ensure that the resources supporting deposit insurance educational initiatives are adequate and that employees possess the skills and knowledge to implement this program effectively and successfully. Due to the elevated level of deposit insurance inquiries since mid-2008, additional staff and contract support have been authorized for this function.

Information Technology: The FDIC tracks the receipt of and response to written banker and public inquiries about the FDIC's deposit insurance program through the Specialized Tracking and Reporting System (STARS). In 2008, the Corporation consolidated the two existing versions of the Electronic Deposit Insurance Estimator (EDIE) – Online EDIE for Consumers and EDIE for Bankers – into one application. During 2009, the FDIC will continue to update EDIE to ensure all statutory and regulatory changes are incorporated, as well as enhance STARS to address the tracking and reporting of tens of thousands of consumer and banker inquiries. The FDIC will also continue to use the Internet and teleconferencing technology to reach large audiences of financial institution employees and to deliver deposit insurance educational tools and materials to the banking community and the public.

Verification and Validation

Progress in meeting the performance targets for this goal will be tracked through STARS and established reporting processes.

2008 Performance Results

This annual performance goal as well as performance indicator #1 and its associated performance target are essentially unchanged from 2008. Performance indicator #2 and the associated performance targets are new for 2009.

SUPERVISION PROGRAM

The FDIC's Supervision Program promotes the safety and soundness of FDIC-supervised insured depository institutions, protects consumers' rights and promotes community investment initiatives by FDIC-supervised insured depository institutions. In 2009, the FDIC will continue its efforts to increase the effectiveness and efficiency of all of its supervisory programs. Ongoing industry consolidation, new technologies and product innovation have resulted in larger, more complex organizations. The FDIC will continue to increase the resources dedicated to analyzing the risks posed to the DIF by these larger, more complex financial institutions, particularly those that are systemically important. The FDIC will also continue to assess and modify, as appropriate, its examination procedures for all institutions in light of changing risk profiles for the industry and for individual institutions.

The FDIC is the primary federal regulator for state-chartered banks that are not members of the Federal Reserve System, generally known as state non-member banks, and includes state-licensed insured branches of foreign banks and state-chartered savings institutions. As insurer, the FDIC also has special examination authority for state member banks that are supervised by the Federal Reserve Board (FRB), national banks that are supervised by the Office of the Comptroller of the Currency (OCC) and savings associations that are supervised by the Office of Thrift Supervision (OTS). The FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through the review of examination reports, offsite monitoring tools, participation in examinations conducted by other federal regulators, and, where appropriate, special (backup) examination activities, the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor.

As the primary federal regulator of all insured state non-member banks, the FDIC performs periodic examinations of these institutions to assess their overall financial condition, management policies and practices, 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 and control risks and to detect the risks of fraud or insider abuse. In addition, the FDIC has staff dedicated to offsite monitoring programs and enhancing the Corporation's ability to identify emerging safety-and-soundness issues in a timely manner. The FDIC conducts separate examinations to assess institutions' programs for compliance with consumer protection, fair lending, privacy, and Community Reinvestment Act (CRA) statutes. As part of the compliance examination process, the FDIC reviews substantive issues as well as the information and disclosures that are provided to consumers by the institutions.

If weaknesses are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be issued for institutions identified as having significant weaknesses or operating in a deteriorated financial condition. The institution must operate under the action until these weaknesses are remedied. Noncompliance with consumer protection or fair lending laws can result in civil liability and negative publicity as well as the imposition of formal or informal actions by the FDIC to correct the identified violations.

The FDIC also investigates consumer complaints about FDIC-supervised insured depository institutions. Consumers write or electronically submit to the FDIC complaints and inquiries regarding consumer protection and fair lending issues. The FDIC attempts, through its investigation of and response to consumer complaints and inquiries, to help consumers better understand their rights under federal consumer protection and fair lending laws. The FDIC monitors the level of public satisfaction with its responses to consumer complaints and inquiries. Information on complaints is also reviewed as part of the supervisory process.

In addition, the FDIC acts on applications from FDIC-supervised insured depository institutions to undertake new or expanded business activities. When institutions apply for expansion of existing activities or locations, various factors are evaluated, including capital adequacy, quality of management, financial condition and compliance with applicable laws and regulations. An institution's compliance with consumer protection, fair lending and privacy laws and its performance under the CRA are also considered when an institution applies to expand its business activities within the insured depository institution system.

Information about the FDIC's supervisory program is available at www.fdic.gov, which includes information about current laws and regulations and regulatory guidance. The FDIC's semiannual *Supervisory Insights* journal provides information about bank supervision for bankers, bank examiners and other practitioners.

The following table depicts the strategic goal, strategic objective and annual performance goals for the Risk Management component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
<p>FDIC-insured institutions are safe and sound.</p>	<p>The FDIC exercises its statutory authority, in cooperation with primary financial regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.</p>	<p>Conduct onsite risk-management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.</p>
		<p>Take prompt and effective formal or informal supervisory action to address unresolved problems identified during the examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of “3”, “4” or “5.” Monitor FDIC-supervised insured depository institutions’ compliance with formal and informal enforcement actions.</p>
		<p>Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.</p>
		<p>More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.</p>

The following table depicts the strategic goal, strategic objectives and annual performance goals for the Compliance and Consumer Affairs components of the Supervision Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
<p>Consumers' rights are protected and FDIC-supervised institutions invest in their communities.</p>	<p>FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws and do not engage in unfair or deceptive practices.</p>	<p>Conduct CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.</p>
		<p>Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive an overall "3", "4" or "5" rating for compliance with consumer protection and fair lending laws.</p>
		<p>Scrutinize evolving consumer products, analyze their current or potential impact on consumers and identify potentially harmful or illegal practices. Promptly institute a supervisory response program across FDIC-supervised institutions when such practices are identified.</p>
	<p>Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.</p>	<p>Educate consumers about their rights and responsibilities under consumer protection laws and regulations.</p>
		<p>Effectively investigate and respond to consumer complaints about FDIC-supervised financial institutions.</p>
		<p>Provide effective outreach related to CRA, fair lending and community development.</p>
	<p>The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.</p>	<p>Continue to expand the FDIC's national leadership role in developing and implementing programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.</p>

STRATEGIC GOAL 2:

FDIC-insured institutions are safe and sound.

STRATEGIC OBJECTIVE 2.1

The FDIC exercises its statutory authority, in cooperation with primary financial regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.

Annual Performance Goal 2.1-1

Conduct onsite risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy
 - *100 percent of required risk management examinations are conducted on schedule.*

Means and Strategies

Operational Processes (initiatives and strategies): Risk management examinations assess the overall financial condition, management practices and policies, and compliance with applicable regulations of FDIC-supervised depository institutions. The FDIC performs safety and soundness, Bank Secrecy Act, and information technology (IT) reviews at each risk management examination of an FDIC-supervised insured depository institution. As applicable, the FDIC also conducts reviews of trust, registered transfer agent, municipal securities dealer and government security dealer activities at these examinations. In 2009, the FDIC projects that it will conduct over 2,400 risk management examinations required under statute, FDIC policy, or agreement with state supervisors. The FDIC follows a risk-focused approach to examinations, which allows examiners to focus resources on those areas with the greatest potential risk. The FDIC has several analytical models to identify higher-risk financial institutions by considering factors such as rapid growth, fluctuating earnings, economic downturns and concentrations in vulnerable industry sectors. Examiners use these offsite tools to help them risk-focus during onsite examinations. These models are also used to identify the need for inquiries or onsite visits to FDIC-supervised institutions outside of the regular examination cycle.

The FDIC also continues to focus on risks posed by technology. Onsite examinations review technology-related activities to determine how each FDIC-supervised depository institution manages IT risks. The FDIC proactively monitors indicators of technology risks that may impact FDIC-supervised institutions and provides information to the industry about risks associated with technology outsourcing practices (e.g., contracting for computer services).

The FDIC is engaged in an ongoing dialogue with technology vendors, bank trade associations, and standards and rule-setting entities to identify effective risk management practices for emerging technologies.

During 2008, the FDIC worked closely with state and other federal agencies to monitor institutions most impacted by the downward trend in the real estate market through onsite and offsite programs. Commercial Real Estate concentrations, particularly in Construction and Development (C&D) loans, have grown considerably in recent years, in part due to robust real estate markets and development of nontraditional mortgage products, which made home buying accessible to more consumers. Declines in the subprime and nontraditional mortgage lending areas have adversely affected C&D loan portfolios, which are concentrated in 1- to 4-family residential development loans at numerous institutions. Commercial property markets are also showing signs of overbuilding and weakness, with high concentration levels at many institutions.

Resource constraints at the state level may impact the completion of examinations in accordance with this annual goal. If a state supervisor responsible for completing an examination experiences scheduling, staffing, or other resource constraints, the statutory examination requirement may not be met. In such cases, the FDIC will work with the state supervisor to ensure that any delinquent examination is expeditiously scheduled and completed. When appropriate, the FDIC may conduct the examination in lieu of the state supervisor.

The number of risk management examinations conducted during 2009 may fluctuate as the number of FDIC-supervised insured depository institutions changes due to mergers, closings, newly approved charters and other actions. Increases in asset size or changes to condition or capital levels may accelerate examination cycles and increase the number of required examinations.

Human Resources (staffing and training): The FDIC's authorized risk management examination workforce will increase from 1,423 in 2008 to 1,819 in 2009. Staffing and training needs are reviewed on an ongoing basis to ensure that the staff resources supporting the examination program are adequate and that employees possess the skills and knowledge to effectively and successfully examine emerging risks.

Information Technology: The FDIC employs various automated tools, such as the General Examination System, Examination Documentation modules, Interest Rate Risk Sensitivity Analysis software, and the Automated Loan Examination and Review Tool, to improve the efficiency of its examinations.

Verification and Validation

The actual number of examinations conducted and adherence to required examination timeframes is tracked through the ViSION system and reported through established management processes.

2008 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2008. In 2008, the FDIC successfully met this performance target.

Annual Performance Goal 2.1-2

Take prompt and effective formal or informal supervisory action to address unresolved problems identified during the examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of “3,” “4” or “5.” Monitor FDIC-supervised insured depository institutions’ compliance with formal and informal enforcement actions.

Indicator and Target

1. Percentage of follow-up examinations of 3-, 4- and 5-rated institutions conducted within required time frames
 - *100 percent of follow-up examinations are conducted within 12 months of completion of the prior examination to confirm that identified problems have been corrected.*

Means and Strategies

Operational Processes (initiatives and strategies): Troubled institutions (those with a composite rating of 3, 4, or 5) are identified primarily through the examination process. While reason and moral suasion are the primary corrective tools, the FDIC has broad enforcement powers to correct practices, conditions or violations of law that threaten an insured depository institution's safe and sound condition. The FDIC may use informal and formal enforcement actions against an institution or responsible individuals to address identified problems. Follow-up examinations will be conducted for all 4- and 5-rated institutions to review compliance with supervisory actions, and additional follow-up action will be taken where corrective action is insufficient.

The responsible case manager and senior regional officials will closely monitor troubled depository institutions. Progress in complying with enforcement actions will be assessed through progress reports from institutions, offsite monitoring tools, and direct communication with financial institution management and/or onsite visits.

Human Resources (staffing and training): Case managers and other regional office officials are primarily responsible for finalizing and monitoring compliance with enforcement programs. Follow-up examinations are conducted by field examination staff. The FDIC has increased the number of authorized case managers as well as field examination positions in 2009. Staffing and training needs are reviewed on an ongoing basis to ensure that resources available for this function are adequate and that employees possess the required skills and knowledge.

Information Technology: The ViSION system is used to monitor all enforcement action activity and other significant events at troubled institutions and to schedule follow-up examinations of 4- and 5-rated institutions.

Verification and Validation

The examination report identifies corrective actions to be taken. If deemed necessary, a formal or informal enforcement action is transmitted to the financial institution along with the report of examination. To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination. The ViSION system is used to track enforcement actions and the timeframe for required follow-up examinations.

The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including assessment of the appropriateness, implementation and follow-up of formal and informal corrective actions. Any material exceptions noted during the reviews are raised to management's attention for appropriate action.

2008 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2008. The FDIC successfully met the 2008 performance target.

Annual Performance Goal 2.1-3

Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy
 - *100 percent of required Bank Secrecy Act examinations are conducted on schedule.*

Means and Strategies

Operational Processes (initiatives and strategies): Bank Secrecy Act/Anti-Money Laundering (BSA/AML) examinations and Office of Foreign Assets Control (OFAC) reviews assess an institution's overall BSA/AML and OFAC compliance programs. These reviews encompass sound risk management, compliance with recordkeeping requirements, and the ability of the institution to identify and report suspicious activity. The FDIC performs BSA/AML and OFAC reviews as a part of all risk management examinations of FDIC-supervised insured depository institutions. In 2009, the FDIC projects that it will conduct over 2,400 BSA/AML examinations concurrent with risk management examinations (required by §10 of the Federal Deposit Insurance Act), FDIC policy, or agreement with state supervisors.

The FDIC will also perform BSA/AML examinations in conjunction with risk management examinations conducted by state regulators for the small number of state bank regulatory agencies (currently six) that do not incorporate BSA/AML examination procedures into their own examinations. The FDIC follows a risk-focused approach to BSA/AML examinations and OFAC reviews, which allows examiners to focus resources on those areas with the greatest potential risk.

In 2009, the FDIC will work with the other federal banking agencies, the Financial Crimes Enforcement Network (FinCEN) and the Conference of State Bank Supervisors to update the Federal Financial Institutions Examination Council (FFIEC) BSA/AML Examination Manual to ensure that the guidance remains current for existing laws, regulations, and policy interpretations. Further guidance will be provided to risk management staff through written memoranda, participation in the FFIEC BSA/AML Examination Workshop, and attendance at the Advanced BSA/AML Specialists Conference.

Human Resources (staffing and training): The FDIC currently has 320 examiners who are designated as BSA/AML subject matter experts, including 85 with advanced certifications for this discipline. Staffing and training needs are reviewed on an ongoing basis to ensure that the staff resources supporting the BSA/AML examination program are adequate and that employees possess the skills and knowledge to effectively and successfully assess compliance with BSA/AML requirements and detect any emerging risks.

Information Technology: BSA/AML reference materials are available on the FDIC's external website at www.fdic.gov/regulations/examinations/bsa/index.html. This link provides the banking industry and the regulatory community with centralized and expanded access to BSA/AML resources. The link also provides updated information and instruction related to BSA/AML examination procedures, interpretive guidance, websites of related agencies, instructions for reporting suspicious activity and terrorist-financing activity, and an overview of governing rules and regulations. In concert with the release of the interagency FFIEC BSA/AML Examination Manual, the Federal banking agencies have also made available through the FFIEC website (www.ffiec.gov) a BSA/AML Examination Manual InfoBase. It includes the interagency BSA/AML Examination Manual, BSA regulations, and guidance provided by each federal banking agency. BSA/AML examinations are tracked in the ViSION system.

Verification and Validation

The actual number of examinations conducted and adherence to required examination timeframes are tracked in the ViSION system through established management processes.

2008 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2008. The FDIC successfully met this performance target in 2008.

Annual Performance Goal 2.1-4

More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.

Indicators and Targets

1. Preliminary results of new capital requirements
 - *Conduct analyses of early results of the performance of new capital rules in light of recent financial turmoil as information becomes available.*
2. Improvements to capital requirements
 - *Working domestically and internationally, develop improvements to regulatory capital requirements based on the experience of the recent financial market turmoil.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC continues to focus on ensuring that banks' capital is adequate to weather the stresses of a more difficult financial environment. These efforts include revising the capital framework, enhancing offsite monitoring capabilities, and bolstering examination support.

The objective of Basel II is to more closely align regulatory capital with risk in large or multinational banks. Under the Basel II Advanced Approaches final rule, these banks are required to use the most advanced approaches of Basel II for determining their risk-based capital requirements. Implementation of the Basel II Advanced Approaches requires these banks to develop complex internal models to estimate capital requirements. Supervisors will evaluate these processes during a "parallel run" and a minimum three-year transition period during which the agencies will apply floors that limit the amount by which each bank's risk-based capital could decline. One U.S. institution has begun the parallel run. The FDIC will assess the capital adequacy of this institution and other banks that commence the parallel run phase and determine whether the models appropriately reflect the loss experiences of the recent financial turmoil. The agencies also intend to issue a series of reports that will provide timely and relevant information on the implementation of the advanced approaches.

The agencies issued the Supervisory Review Process of Capital Adequacy (Pillar 2) under the Basel II Advanced Capital Framework in 2008. This guidance provides clarification to support the implementation of the Advanced Approaches final rule. The FDIC intends to monitor banks' progress in implementing the supervisory guidance.

Domestically, the FDIC will seek to improve or strengthen regulatory capital requirements for all banks by directly monitoring bank capital adequacy based on experience with the financial turmoil during this period of stress. This includes tracking institutions whose reported financial data and market indicators are indicative of a heightened risk of capital or liquidity stresses.

Other strategies include supporting field examiners involved in determining the appropriate capital levels for securitizations, particularly those securitizations that have been downgraded by the credit rating agencies, and revisions to the domestic capital frameworks for banks, including incorporating proposed revisions to the Basel II Accord and the Market Risk Amendment of 1996.

The FDIC will continue to work with the Department of the Treasury and the other federal bank regulatory agencies to facilitate the implementation of the Capital Purchase Program. This includes analyzing the appropriateness of proposed capital instruments for inclusion in regulatory capital. The FDIC will also continue to participate in the FFIEC and other supervisory groups to emphasize the importance of adequate bank and financial institution capital.

Internationally, through the FDIC's participation on the Basel Committee on Banking Supervision, the FDIC will continue to work to promote strong international bank capital standards. To accomplish this goal, the FDIC will participate in the Basel Committee's various groups and sub-groups, including the Policy Development Group, the Definition of Capital subgroup, the Trading Book Group, and other international groups and forums.

Although this annual performance goal will be pursued over a multi-year time frame, 2009 will be a year of intensive work. Key efforts include revising and strengthening the capital adequacy framework for securitizations and re-securitizations, reviewing core capital, re-evaluating regulatory capital for the trading book, revising Pillar 2, and developing new disclosures for securitization exposures. The FDIC also will participate in the Basel efforts to explore supplementary capital requirements for international banks, including a leverage ratio requirement.

Human Resources (staffing and training): The FDIC will continue in 2009 to expand the number of staff with expertise on bank capital. The breadth and depth of knowledge among FDIC staff on bank capital matters has expanded, due in part to the continued participation and active involvement of these staff in policy development groups. The FDIC will also continue to strengthen its ability to participate actively in the dialogue on capital adequacy through the use of internal and external training to augment current staff skill sets.

Information Technology: The FDIC will use existing technology to accomplish this annual performance goal.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established reporting processes.

2008 Performance Results

This annual performance goal and its associated performance indicators and targets have been updated from 2008 and represent the consolidation of several performance goals. The FDIC successfully met each of the 2008 performance targets for this goal.

STRATEGIC GOAL 3:

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

STRATEGIC OBJECTIVE 3.1

FDIC-supervised institutions comply with consumer protection, Community Reinvestment Act and fair lending laws and do not engage in unfair or deceptive practices.

Annual Performance Goal 3.1-1

Conduct onsite CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.

Indicator and Target

1. Percentage of examinations conducted in accordance with statutory requirements and FDIC policy.
 - *100 percent of required examinations are conducted on schedule.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC conducts CRA and compliance examinations of FDIC-supervised depository institutions in order to determine compliance with consumer protection and fair lending laws and performance under CRA. The frequency of these examinations is specified by applicable law and FDIC policy. For CRA examinations, the FDIC's examination frequency policy conforms to applicable provisions of the Gramm-Leach-Bliley Act (GLBA), which establishes the CRA examination cycle for most small banks. In 2009, the FDIC estimates that it will conduct approximately 2,000 compliance and/or CRA examinations.

The FDIC's compliance examination approach places great emphasis on an institution's compliance risk-management practices as opposed to exhaustive transactional testing. This approach involves an expanded review of an institution's systems and compliance policies so that transaction testing can be better targeted and focused on areas of greatest risk exposure. This approach creates a more efficient and effective use of examination resources, especially in financial institutions with high compliance risk profiles.

Human Resources (staffing and training): The FDIC's authorized compliance examination workforce will increase from 385 in 2008 to 462 in 2009. Staffing and training needs are reviewed on an ongoing basis to ensure that staff resources supporting the compliance examination program are adequate and that employees possess the skills and knowledge to effectively implement this program.

Information Technology: The System of Uniform Reporting of Compliance and CRA Examinations (SOURCE) is used to schedule and track financial institution compliance examinations, support pre-examination planning and provide management information.

Verification and Validation

The FDIC will analyze examination-related data collected in SOURCE to determine whether targeted performance levels were achieved during the reporting period. Results will be reported through established management processes.

2008 Performance Results

This annual performance goal and the associated performance indicator and target are essentially unchanged from 2008. In 2008, the FDIC successfully met this performance target.

Annual Performance Goal 3.1-2

Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive an overall “3”, “4” or “5” rating for compliance with consumer protection and fair lending laws.

Indicator and Target

1. Percentage of follow-up examinations or visitations of 3-, 4-, and 5-rated institutions conducted within required time frames
 - *100 percent of follow-up examinations or visitations are conducted within 12 months from the date of an enforcement action to confirm compliance with the prescribed enforcement action.*

Means and Strategies

Operational Processes (initiatives and strategies): Institutions with compliance deficiencies are identified primarily through the examination process. While discussions with bank management are usually sufficient to correct these deficiencies, the FDIC has broad enforcement powers to correct practices, conditions or violations of law that threaten an institution's compliance with consumer protection and fair lending laws or a consumer's rights under those laws. The FDIC may address identified problems through the use of formal or informal enforcement actions against the institution or responsible individuals. Follow-up examinations are conducted to review compliance with supervisory actions, and additional follow-up action will be taken where the initial corrective action is insufficient.

Human Resources (staffing and training): Monitoring and follow-up on enforcement actions is primarily the responsibility of compliance field examination staff and managers. Staffing and training needs are reviewed on an ongoing basis to ensure that resources supporting these functions are adequate and that employees possess the required skills and knowledge.

By the end of 2009, all field compliance examiners will have completed a post-commissioning training program, the Advanced Compliance Examination School. This training program was initially implemented in 2007, and approximately two-thirds of field compliance examiners completed this training in 2007 and 2008. The program ensures that they have sufficient knowledge to assess compliance with increasingly complex consumer regulations and consumer products.

Information Technology: The SOURCE system is used for examination scheduling and processing. The ViSION system is used to monitor all enforcement action activity.

Verification and Validation

The examination report identifies required corrective actions. If deemed necessary, a formal or informal enforcement action is transmitted to the financial institution with the report of examination. To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination.

The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including an assessment of the appropriateness, implementation and follow-up on formal and informal corrective actions. Any material exceptions noted during the reviews are raised to management's attention for appropriate action.

2008 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2008. In 2008, the FDIC successfully met this performance target.

Annual Performance Goal 3.1-3

Scrutinize evolving consumer products, analyze their current or potential impact on consumers and identify potentially harmful or illegal practices. Promptly institute a supervisory response program across FDIC-supervised institutions when such practices are identified.

Indicator and Target:

1. Establishment of supervisory response programs to address potential risks posed by new consumer products
 - *Proactively identify and respond to harmful or illegal practices associated with evolving consumer products.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC conducts consumer compliance examinations at all state non-member banks. As part of this process, examiners review bank products and practices to ensure that they do not harm consumers and/or violate applicable laws. In addition, the FDIC uses information from consumer and industry groups, and other external sources, to identify product-related trends and practices that may be unlawful and/or harmful to consumers. When such issues are identified, the FDIC will assess the effects on consumers and promptly institute a consistent supervisory policy response across FDIC-supervised institutions, where appropriate.

Human Resources (staffing and training): Staffing and training needs will be reviewed on an ongoing basis to ensure that the resources supporting its compliance examination and offsite monitoring programs are adequate to identify, recommend, develop and implement a consistent policy response.

Information Technology: Various data systems, including SOURCE, ViSION, and the Specialized Tracking and Reporting System (STARS), as well as publicly available information, will be used to help identify and monitor evolving consumer products/practices.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established management reporting processes.

2008 Performance Results

This annual performance goal and the associated performance indicator are unchanged from 2008. The performance target has been updated for 2009. The FDIC successfully met the established 2008 performance targets for this goal.

STRATEGIC OBJECTIVE 3.2

Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal 3.2-1

Educate consumers about their rights and responsibilities under consumer protection laws and regulations.

Indicator and Target

1. Communication tools used to educate consumers

- *Expand use of media, such as the Internet, videos and MP3 downloads, to disseminate information to the public on their rights and responsibilities as consumers.*

Means and Strategies

The FDIC participates in a variety of consumer education efforts to increase financial literacy and provide information to consumers about their rights and responsibilities under consumer protection laws. This information is provided in brochures and through other media, including the FDIC's website (www.fdic.gov). The FDIC also develops publications, such as the *FDIC Consumer News*, specifically for consumers to increase awareness and improve understanding of consumer rights and responsibilities. As a member agency of the Financial Literacy Education Commission, the FDIC works to promote financial literacy on an interagency basis.

Operational Processes (initiatives and strategies): The FDIC plans to promote financial education in 2009 by developing additional resources for consumers to learn about current consumer protection issues and their rights and responsibilities under consumer protection laws. The FDIC will develop recorded messages to be accessed by telephone, the Internet, or MP3 download. Companion fact sheets for the recorded messages will be developed to provide consumers with more detailed information and resources about the topics. The FDIC also plans the development of tutorials or other education resources for the public on current financial education issues. Additionally, the FDIC will release an MP3 (Podcast) version of *Money Smart* in 2009.

Human Resources (staffing and training): Staff resources responsible for consumer education and outreach are located in the FDIC's Washington, D.C., office and in the regional and area offices.

Information Technology: The FDIC uses its website to disseminate consumer education materials to the public.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established management reporting processes.

2008 Performance Results

This annual performance goal is new for 2009.

Annual Performance Goal 3.2-2

Effectively investigate and respond to consumer complaints about FDIC-supervised financial institutions.

Indicator and Target

1. Timely responses to written complaints and inquiries

- *Responses are provided to 95 percent of written complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates and responds to written complaints regarding consumer protection and fair lending issues, including those received electronically through the Customer Assistance Form on the FDIC's website. The FDIC projects that it will receive approximately 17,000 written complaints and 5,700 written inquiries in 2009. Complaints regarding FDIC-supervised institutions are investigated by FDIC staff; those regarding institutions with other primary regulators are referred to those agencies. Target response times vary by the type of complaint. The Corporation also provides consumer protection information to financial institutions and the public. When performed effectively, these activities help consumers better understand their rights under consumer protection and federal fair lending laws.

Human Resources (staffing and training): The FDIC's Consumer Response Center responds to consumer complaints and inquiries about consumer protection matters. This centralized program helps maintain staff knowledge and expertise and provides greater flexibility in balancing staff resources and workload.

Information Technology: The FDIC uses STARS to capture and report information, including response time, about complaints.

Verification and Validation

The FDIC will closely monitor the timeliness of its acknowledgment letters and responses using its STARS tracking system. Results will be reported through established management processes. Additionally, the FDIC surveys a sample of consumers who have filed written consumer protection and fair lending complaints in order to assess their satisfaction with the FDIC's investigations and responses. Accepted survey research methods have been employed to ensure the validity of the customer satisfaction survey instrument and to verify the accuracy of the survey results.

2008 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2008. However, the performance target has been changed from 90 to 95 percent, since the FDIC has regularly exceeded the 90 percent performance target in past years. In 2008, the FDIC responded to over 96 percent of the 14,169 written consumer complaints it received within the timeframes established by FDIC policy.

Annual Performance Goal 3.2-3

Provide effective outreach related to CRA, fair lending and community development.

Indicators and Targets

1. Number of outreach activities conducted, including technical assistance activities
 - *Conduct 50 technical assistance (examination support) efforts or banker/community outreach activities related to CRA, fair lending and community development.*
2. Expanded access to high quality financial education through the *Money Smart* curriculum
 - *Evaluate the MoneySmart initiatives and curricula for necessary updates and enhancements, such as games for young people, information on elder financial abuse, and additional language versions, if needed.*
 - *Initiate a longitudinal survey project to measure the effectiveness of the Money Smart for Young Adults curriculum.*
3. Support for expanded foreclosure prevention efforts for consumers at risk of foreclosure (in partnership with NeighborWorks® America and other organizations)
 - *Provide technical assistance, support and consumer outreach activities in all six FDIC regions to at least eight local NeighborWorks® America affiliates or local coalitions that are providing foreclosure mitigation counseling in high need areas.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC participates in a variety of community outreach activities designed to increase awareness of community and economic development; increase knowledge of CRA regulations and fair lending laws; enhance lending, investment and service performance; and assist FDIC-supervised insured depository institutions in developing strategies to respond to credit, investment and service opportunities. To facilitate compliance, the FDIC provides supervised insured depository institutions with updated information on laws, regulations and guidance through brochures and through other media, including the FDIC's website (www.fdic.gov). Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs.

In 2009, the FDIC has reduced the number of outreach and technical assistance activities it plans to undertake in order to focus attention on the urgent problems affecting the banking industry. However, the Corporation will continue to pursue loan modification and foreclosure prevention activities as well as initiatives to promote the extension of financial institutions' services and programs to traditionally underserved communities. These initiatives will primarily address affordable housing, remittances, small business and micro-lending and asset-building.

The FDIC will also continue to refine its *Money Smart* financial literacy program. *Money Smart* is a highly praised, well-received mechanism for promoting both economic inclusion and financial literacy. The FDIC will continue to update and promote *Money Smart* in response to market demand. Recent changes in law and industry practice will also necessitate substantive changes to the *Money Smart* curriculum.

Human Resources (staffing and training): Staff responsible for assistance and outreach is located in the FDIC's Washington office as well as its regional and area offices.

Information Technology: The FDIC uses the Community Affairs Database System (CARDS) to capture and report information about activities related to *Money Smart*, technical assistance, community development, outreach, CRA and fair lending.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established management reporting processes.

2008 Performance Results

This annual performance goal and the associated performance indicators are unchanged from 2008. Performance indicator #3 from 2008 has been dropped for 2009 because the unbanked survey was completed. The performance targets for each of these three performance indicators have been updated for 2009. The FDIC successfully met all of the 2008 performance targets for this goal.

STRATEGIC OBJECTIVE 3.3

The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

Annual Performance Goal 3.3-1

Continue to expand the FDIC's national leadership role in developing and implementing programs and strategies to encourage and promote broader economic inclusion within the nation's banking system.

Indicator and Target

1. Degree of success achieved in bringing the unbanked/underserved into the financial mainstream through the Alliance for Economic Inclusion
 - *Expand the number of AEI coalitions by two.*
2. Results of pilot small-dollar lending program conducted by participating financial institutions
 - *Analyze quarterly data submitted by participating institutions to identify trends and best practices.*

Means and Strategies

Operational Processes (initiatives and strategies): Through community outreach efforts and technical assistance, the FDIC encourages lenders to work with members of their local communities in meeting the communities' credit needs. In 2009, the FDIC will continue to facilitate eleven broad-based coalitions of financial institutions, community-based organizations, researchers, employers, faith-based organizations, state and local governmental agencies, and federal bank regulators to address the specific financial service needs of each local community. The FDIC provides ongoing leadership, encouragement and support for these coalitions. In addition to the ten existing coalitions, the Corporation plans to expand to two additional markets in 2009. The pilot small dollar lending program is a two-year study with 30 diverse participating institutions to identify best practices and replicable business models for small dollar lending. FDIC research and supervision staff compile and analyze data from the pilot program. The pilot will be completed and the results published by the FDIC in 2010.

Human Resources (staffing and training): Staffing responsible for technical assistance and outreach are located in the FDIC's Washington office as well as its regional and area offices. These resources ensure that the FDIC can respond to outreach needs in communities nationwide.

Information Technology: The FDIC uses CARDS and the Community Affairs Reporting System to capture and report information about activities related to technical assistance, community development, outreach, and *Money Smart*.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established management reporting processes.

2008 Performance Results

This annual performance goal and its associated performance indicators are unchanged from 2008. The performance targets for performance indicator #1 have been updated for 2009, but the performance target for performance indicator #2 is the same as in 2008. The FDIC successfully met all of the 2008 performance targets for this goal.

RECEIVERSHIP MANAGEMENT PROGRAM

When an insured institution fails, the FDIC is ordinarily appointed as receiver. In that capacity, it assumes responsibility for efficiently recovering the maximum amount possible from the disposition of the receivership's assets and the pursuit of the receivership's claims. Funds collected from the sale of assets and the disposition of valid claims is distributed to the receivership's creditors in accordance with the priorities set by law.

The FDIC seeks to terminate receiverships in an orderly and expeditious manner. Once the FDIC has completed the disposition of the receivership's assets and has resolved all obligations, claims, and other legal impediments, the receivership is terminated, and a final distribution is made to its creditors. Receivership creditors may include secured creditors, unsecured creditors (including general trade creditors), holders of subordinated debt, shareholders, uninsured depositors, and the DIF (as subrogee). The FDIC is often the largest creditor of the receivership.

The following table depicts the strategic goal, strategic objectives and annual performance goals for the Receivership Management Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
Resolutions are orderly and receiverships are managed effectively.	Receiverships are managed to maximize net return and terminated in an orderly and timely manner.	Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.
		Manage the receivership estate and its subsidiaries toward an orderly termination.
	Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.	Conduct investigations into all potential professional liability claim areas for 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.

STRATEGIC GOAL 4:

Resolutions are orderly and receiverships are managed effectively.

STRATEGIC OBJECTIVE 4.1

Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

Annual Performance Goal 4.1-1

Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.

Indicator and Target

1. Percentage of failed institution's assets marketed

- *90 percent of the book value of a failed institution's marketable assets is marketed within 90 days of the failure date.*

2. Enhancements to contract management program

- *Identify and implement program improvements to ensure efficient and effective management of the contract resources used to perform receivership management functions.*

Means and Strategies

Operational Processes (initiatives and strategies): By quickly returning private assets to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community. The FDIC expedites the return of the assets of the failed institution to the private sector by marketing most assets soon after an insured institution fails. Given adequate time, the FDIC prepares an information package and an asset valuation review for each failing insured depository institution to assist in the solicitation of bidders, analysis of bids received for the assumption of deposits and sale of assets at resolution or shortly thereafter. For asset sales, the failed institution's assets are grouped into pools that will be most appealing to acquirers and are then marketed via the Internet. Potential asset purchasers are allowed the opportunity to view all sales information electronically prior to electronic bid submission. The FDIC also complements electronic due diligence with hard-copy due diligence by allowing potential bidders to view all hard-copy sale information at the actual sales site.

After the resolution of the failed institution, the FDIC collects and manages the remaining assets in a cost-effective manner to maximize recoveries and preserve value until the assets can be marketed. The FDIC will continue to update and refine its marketing strategies in order to market assets as quickly and efficiently as possible.

Where appropriate, the FDIC will manage and dispose of most of the remaining assets from the failed bank location. The FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology to value and make marketing and disposition decisions regarding most of the assets of the failed institution. The SAVE methodology uses standard assumptions and market information to ensure consistency in valuing assets. The valuation process, methodology and assumptions used to value assets are continually reviewed and, where necessary, updated.

The FDIC makes extensive use of contractors in managing and selling the assets of failed institutions. It has in place broad policies and procedures related to contracting and the use of contractors to provide services. These policies include every phase of the contracting process. Individual FDIC divisions and offices must apply these guidelines and establish controls and internal processes to ensure that these policies and procedures are being strictly followed.

Human Resources (staffing and training): The FDIC maintains a permanent staffing platform to carry out its receivership management functions. When workload increases, these resources are adjusted by the adding of non-permanent staff and the use of contractor resources. On an interim basis, these resources may also be expanded by the deployment of cross-trained employees from elsewhere within the receivership management workload. Current and projected workload is continually assessed to ensure that adequate staff and contractor resources are available to fulfill the FDIC's receivership management responsibilities.

Authorized staffing for the FDIC's Division of Resolutions and Receiverships has been increased dramatically to address the recent increase in workload, from 223 at the beginning of 2008 to 847 currently. Additional staff has also been authorized in other FDIC organizations to support this work.

There has also been a significant increase in the deployment of contractor resources to support the receivership management function. In order to ensure that these resources are effectively managed, the FDIC has added a substantial number of dedicated contract oversight and management positions to its workforce. These additional staff will oversee the development and implementation of internal operational procedures to ensure the contracting function is being managed properly. Training is being provided, as necessary, to ensure that FDIC staff is educated about contracting policies and procedures and their oversight management responsibilities.

Information Technology: The FDIC will continue to use new and refined technology to make its asset management/servicing, sale strategies and other business processes more efficient and to keep pace with changing market and business practices. The Corporation will continue to use the Internet to deliver asset marketing information to potential investors and to auction/sell assets received from failed institutions. The FDIC will also use its 4-C system for asset management reporting and data reconciliation.

Verification and Validation

Asset-marketing information is compiled from the actual sale initiatives that are offered by the FDIC to bidders prior to and/or within 90 days of failure.

The offerings are compared to the beginning inventory of marketable assets prepared by the FDIC at the time of the institution's failure.

In addition, new requirements for contract reporting on a monthly and quarterly basis will be established to ensure that the Corporation is managing its contracts effectively.

2008 Performance Results

This annual performance goal and performance indicator and target #1 are unchanged from 2008. Performance indicator and target #2 are new for 2009, reflecting the planned expansion in the use of contractor resources for receivership management. The FDIC successfully met the 2008 performance target for this goal.

Annual Performance Goal 4.1-2

Manage the receivership estate and its subsidiaries toward an orderly termination.

Indicator and Target

1. Timely termination of new receiverships

- *Terminate at least 75 percent of new receiverships within three years of the date of failure.*

Means and Strategies

Operational Processes (initiatives and strategies): The oversight and prompt termination of a receivership preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. When the FDIC is appointed as receiver, a unique action plan is established for each receivership. That plan is executed by various asset, liability, finance, and legal staff assigned to the receivership. Receivership staff oversee and monitor the execution of each action plan, including goals and milestones. In addition, an oversight committee, consisting of senior FDIC managers, meets periodically to review and evaluate the quarterly progress on each receivership action plan.

To be eligible for termination, a receivership must be free of impediments that represent material financial or legal risks to the FDIC. These impediments may include outstanding contractual liabilities, outstanding offensive or defensive litigation, potential representation and warranty asset sale claims, open employee benefit plans, open subsidiary corporations where articles of dissolution have not yet been approved, and known or potential environmental contamination liabilities. Once the FDIC has disposed of all of the assets of the receivership, resolved all liabilities, and ensured that no material financial or legal risks to the FDIC remain, a final distribution is made to the creditors of the receivership and the receivership entity is terminated. To the extent that significant, unresolved impediments remain for a substantial number of receiverships, the FDIC may be unable to achieve this goal.

The FDIC continues to work on the resolution of impediments to the termination of its remaining open receiverships. During 2008, 25 new receiverships were added to the FDIC's inventory of receiverships and 11 were inactivated, leaving a total of 49 active receiverships at the end of 2008.

Human Resources (staffing and training): The FDIC has substantially increased its authorized staffing for the receivership management function over the past year. Workload and staffing requirements are assessed on an ongoing basis to ensure that the FDIC has enough staff to successfully carry out its receivership management responsibilities. As noted earlier, the FDIC utilizes contractor resources and engages in temporary hiring initiatives to supplement resolutions and receivership management staff as workload increases.

Information Technology: Existing technology will be used to accomplish this goal. No new technology or automated tools will be developed in support of this goal in 2009.

Verification and Validation

The process of inactivating a receivership is tracked in FDIC systems. Monthly reports of deactivations are reviewed for accuracy. System users validate the data, and any discrepancies are reconciled. Results are reported through established management processes.

2008 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2008. The performance target has been revised to be consistent with the performance target used in prior years, when the FDIC was managing a large number of receiverships. The FDIC successfully met the 2008 performance targets for this goal.

STRATEGIC OBJECTIVE 4.2

Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

Annual Performance Goal 4.2-1

Conduct investigations into all potential professional liability claim areas for 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.

Indicator and Target

1. 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 claims within 18 months of the failure date.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates potential claims against professionals (e.g., directors, officers, attorneys and others) whose actions may have contributed to losses at the failed institution and assesses the viability of insurance policies and the carriers that provide fidelity insurance to the failed institution. Once the investigation is complete, the FDIC determines whether it has viable, cost-effective claims and whether it should pursue such claims. Most professional liability investigations must be completed and viable claims filed within a three-year statute of limitations period.

The FDIC's attorneys and investigators work together to ensure that valid claims arising from the failure of an insured institution are fully evaluated within the prescribed time period. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of potential claims. The team prepares additional analysis to determine the likelihood of a recovery exceeding the estimated cost of pursuing each claim. The team then prepares a memorandum, reviewed and approved by senior FDIC management, recommending that a claim be pursued or that an investigation be closed.

Human Resources (staffing and training): Dedicated staff in the Division of Resolutions and Receiverships and the Legal Division are responsible for the investigations and pursuit of professional liability claims. Workload requirements are regularly reassessed to ensure that staffing is sufficient to fulfill these responsibilities. The FDIC utilizes contractor resources (including outside legal counsel) and engages in temporary hiring initiatives to supplement staff, as needed.

Information Technology: Data necessary to track failure dates of insured institutions, potential statutes of limitation expiration dates and other pertinent dates are routinely collected and stored in FDIC systems. Status information and decision events are also tracked.

Verification and Validation

Periodic data scrubs and audits are conducted to ensure accuracy and currency of information from FDIC systems. Consistent maintenance of these systems ensures that accurate data needed to measure compliance with the annual goal are readily available. Progress in meeting this goal is reported through established management processes.

2008 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2008. The FDIC successfully met this performance target for this goal for the one receivership that reached the 18-month mark during 2008.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Introduction

The FDIC recognizes that it must effectively manage a number of critical strategic resources in order to successfully carry out its mission and realize the annual performance goals set forth for its three major programs. Strategic resource management facilitates the Corporation's mission-critical activities and helps minimize risk to the DIF, while simultaneously aligning and deploying the Corporation's resources to the areas where they are most needed. An overview of planned 2009 initiatives to enhance the Corporation's management of its key strategic resources follows.

Human Capital Management

The FDIC's most important resource is the "intellectual capital" that its employees bring to bear on the accomplishment of its mission. For that reason, the FDIC strives to attract, develop and retain a highly skilled, diverse and results-oriented workforce and to be regarded as a "best place to work," especially among employers whose workforces consist primarily of financial professionals. Because as much as 40 percent of the FDIC's current workforce is projected to retire over the next 10 years, the FDIC will have a unique opportunity to re-shape its permanent workforce to provide effective regulatory oversight to meet the challenges that are emerging in the increasingly complex U.S. financial system of the early 21st century. The current dislocations in the financial markets have forced the FDIC to reconsider its permanent workforce configuration and to build a cadre of temporary and term employees to deal with the crisis at hand. In 2009, the FDIC will pursue a number of human capital initiatives to build its workforce of the future as well as address its immediate needs.

Strategic Workforce Planning and Readiness

When the FDIC resumed hiring of new entry-level employees in 2005, it adopted a fundamentally different strategy for staffing its core mission occupations in the post-downsizing era. This new strategy emphasized the development of a more mobile and flexible workforce that was cross-trained in the Corporation's key mission functions and could be re-deployed rapidly to address new workload priorities in response to unexpected external events or changing conditions in the banking industry and the broader economy. These principles were the foundation for the Corporate Employee Program (CEP), which has become the primary vehicle for filling new entry-level positions in the FDIC's core bank examiner occupation and in the resolution and receivership management function.

During the first phase of the CEP training program, participants are provided with basic exposure to each of the FDIC's key business processes: deposit insurance, risk-management examinations, consumer protection/compliance examinations, and resolutions/receivership management. After the completion of the rotational phase of the program, participants are assigned to a specific commissioning track. Upon successful completion of this multi-year training program, employees will have earned a commission in their primary area of specialization and a competency certification in one specialty outside of that primary area. Internal certification programs have been developed for deposit insurance claims, consumer compliance examinations, Bank Secrecy Act compliance examinations, and franchise and asset marketing. Approximately 440 financial institution specialists (over 20 percent of the current examiner workforce) were participating in the CEP training program at the end of 2008, and that number is expected to increase to approximately 650 (about one-third of the examiner workforce) by the end of 2009.

As part of its workforce planning for the long term, the Corporation has also emphasized the addition of advanced technical skills to its workforce through both increased mid-career hiring, the development of advanced internal training curricula (discussed below), and support for numerous other professional certification programs. The primary focus of outside, mid-career hiring has been on mid-career risk management and compliance examiners who are able to have a more immediate impact on the FDIC's current examination workload; Ph.D. economists and others with advanced quantitative and risk modeling skills that are needed to assess risk in large insured institutions; consumer protection researchers and specialists; and attorneys with regulatory enforcement, consumer protection, and litigation backgrounds (new, entry-level attorneys are hired through the Corporation's Honors Attorney Program, which provides rotational experiences within the FDIC's Legal Division that are similar to those in the CEP).

In order to ensure readiness in light of the current turmoil in financial markets and parts of the banking industry, the Corporation has temporarily re-employed a number of retired risk management and compliance examiners to assist with the increasing examination workload as well as the growing workload associated with coaching the large number of trainees in the CEP. The Corporation has also temporarily re-employed retired resolutions and receivership specialists and attorneys to ensure that the FDIC can successfully address the current institution failure workload.

In late 2008, the FDIC Board of Directors approved a temporary increase in staff of over 1,000 non-permanent employees and the opening of a temporary West Coast Satellite Office (WCSO) for resolving failed financial institutions and managing the resulting receiverships. The WCSO will be staffed almost entirely with resolutions and receiverships specialists and attorneys on two- to four-year term appointments (with contractor assistance) to handle the anticipated increase in bank closing activities over the next three to four years. The rest of the temporary staff planned for 2009 will consist mainly of approximately 450 loan review specialists and compliance analysts to assist with the increased examination workload. The hiring of non-permanent appointments will allow the FDIC staff to return to normal size once the crisis is over without the disruptions that reductions in permanent staff would cause.

Succession Management

The FDIC faces additional challenges as many of its long-term, highly skilled employees move into retirement. To help address these succession management issues, the FDIC will pursue a number of initiatives that are designed to retain, where possible, the skills and knowledge of its current employees for a longer time period while equipping a new generation of employees to assume the responsibilities of departing employees.

To address these projections, FDIC leadership developed several multi-year programs to assess current and potential leadership strength, identify skill shortages, and shape measures to close whatever gaps are identified:

- **Knowledge Management Program Strategic Plan.** In 2008, FDIC drafted a multi-year knowledge management strategic plan focused on a broad spectrum of knowledge management needs and possible approaches. In 2009, FDIC leadership will review and refine the draft plan and discuss initial implementation options.
- **Corporate Executive Development Program.** To ensure that there are corporate managers who are prepared to advance to executive-level positions as they become vacant, the Corporation implemented a pilot Corporate Executive Development Program at the beginning of 2008. The program provides for 18 months of intensive classroom and on-the-job training to high-potential supervisors and senior technical specialists. Participants will graduate from the program in 2009.
- **Talent Review Program.** The FDIC intends to extend the talent review process begun in 2006 with its executive-level employees to corporate managers and senior technical professionals in the near future. Under this program, the Corporation's senior leadership conducts a comprehensive review of specific individual positions, identifying those which are the most likely to become vacant within a three- to five-year period; assessing strategic options for filling those positions if they become vacant, including the availability of potential successors within the current FDIC workforce; and identifying development gaps for those possible successors.
- **Retention of Experienced Employees.** In 2009, the Corporation plans to evaluate various options for retaining some of its most experienced employees beyond their anticipated retirement dates, where their skills and experience are deemed critical, to facilitate an orderly transfer of knowledge to new employees.

Employee Engagement

Over the past several years, the FDIC and the U.S. Office of Personnel Management (OPM) have conducted annual employee surveys. These surveys have consistently identified major areas of strength as well as important opportunities for improvement in employee engagement and satisfaction. These surveys have consistently demonstrated that FDIC employees enjoy their work, believe it is important, and get a sense of personal accomplishment from it. They also have a good understanding of the Corporation's mission and strategic direction and know how their work fits into the FDIC's goals and priorities.

Employees are also highly satisfied with their pay and benefits (highest rated among federal agencies in the 2006 OPM survey), the FDIC's family-friendly culture (highest rated among federal agencies), work-life balance programs, their physical work environments, and the training, technological and other resources that are provided to them by the FDIC.

However, the surveys also revealed significant opportunities for improvement in internal communications, employee empowerment, leadership and trust. Accordingly, the FDIC began a multi-year initiative in 2008 to fundamentally remake its organizational culture to address these issues. Through the use of cross-organizational teams and a steering committee, the FDIC engaged employees in a process of identifying and implementing changes to improve communications, enhance employee engagement and involvement, and improve leadership behaviors and competencies. The 2008 employee survey results showed marked improvement in each of these areas while maintaining or slightly improving on past areas of strength.

The Corporation also worked with its employee union in 2008 to develop a new pay-for-performance system that is more transparent to employees and is perceived by employees to be fairer than the former system. The new performance management/pay-for-performance system will be implemented in 2009.

Employee Learning and Growth

The FDIC promotes the continuous learning and development of its employees and provides resources to employees for training through the pilot Professional Learning Accounts (PLA) Program. The pilot has been extended into 2009 and will continue to provide time and funds for employees to pursue training they have selected in collaboration with their supervisors.

The FDIC has also developed several training programs to equip employees with advanced technical skills. Many of these programs are in direct support of the FDIC's increased workload related to the financial crisis:

- In 2008, the FDIC designed and executed large bank failure tabletop and simulation exercises to further its readiness to address such events. These exercises helped further prepare the agency for the economic stresses which occurred in the second half of 2008 and are ongoing in 2009. In 2009, the Corporation will continue with its development of various advanced large bank training programs to expand and ensure the continuing availability of the technical skills required to insure, examine and, if necessary, resolve the failure of large or complex insured financial institutions.
- In 2008, the Corporation began implementation of the resolutions and receiverships commissioning programs. The first trainees were assigned to this program in late 2008, and additional staff will be assigned to it in 2009.
- The FDIC will continue to provide leadership development program offerings for executives, managers and supervisors to prepare the FDIC's current and future leaders to meet the Corporation's ever-growing challenges. These programs provide a solid foundation of talent to address succession management needs and promote workforce flexibility.

In 2008, the FDIC established a new Dallas Learning Center (DLC) as an integral part of its operations. The DLC is responsible for the design and delivery of relevant, quality training for newly-hired employees performing resolutions and receivership management duties in both the Dallas Regional Office and the WCSO. In 2009, the DLC will continue to provide learning in support of the FDIC's changing workload needs and will begin work on the creation of a training facility that will provide simulated learning opportunities to ensure the FDIC's readiness to handle future bank examination and failure tasks.

The Corporation will also launch a new learning management system, *FDICLearn*, in 2009. This system will provide new support tools for managers and easy access to on-line courses for employees. In addition, the FDIC will use all of its learning programs in 2009 as opportunities to strengthen its organizational culture, build key competencies, and promote the importance of its corporate values.

Financial Resources Management

The FDIC's operational expenses are largely paid from the investment earnings on the DIF and the assessments paid by insured financial institutions. The Corporation takes very seriously its fiduciary responsibilities to use these funds in an efficient and cost-effective manner to meet its mission responsibilities. To that end, the Corporation engages annually in a rigorous planning and budget formulation process to ensure that budgeted resources reflect and are properly aligned with workload projections and designated corporate priorities.

The FDIC's 2009 Corporate Operating Budget totals \$2.24 billion. This increase of more than \$1 billion over 2008 spending is needed to adequately respond to current turmoil in the banking industry and maintain stability in the banking system. The increase is largely attributable to continuing work associated with recent bank failures and the provision of contingency funding for the possible continuation of an elevated number of bank failures in 2009.

Information Technology Resources Management

IT resources are a valuable asset to the FDIC in fulfilling its corporate mission. Beginning at the end of 2007 and continuing through 2008, IT resource management began to be driven primarily by events in the economy and financial services industry rather than long-term IT strategy. While a long-term IT strategic plan remains in place, it has been and will continue to be superseded by work on systems, services, and support needed to support timely and efficient bank resolutions and liquidations, heightened supervision activities, and the implementation of new programs and alteration of existing programs. During 2008, these program changes included implementation of the TLGP, the temporary increase in deposit insurance limits, and the streamlining of insurance rules covering revocable trust accounts.

Responsiveness to Business Needs

During 2009, support for bank resolutions is expected to continue to be an extremely high priority, eclipsing any other resource commitment, if necessary, to meet statutory requirements and business goals. Implementation of the TLGP will also continue to be a priority into 2009.

Although specific initiatives have not yet been identified, programs or program changes are expected that will require substantial IT support during 2009. As time and resources permit, the FDIC will continue to execute the IT strategic plan with the expectation that any new system project starts will be deferred until higher priority work has been adequately addressed or the current economic and industry workload drivers begin to subside.

Enhanced Corporate Policy Program

The FDIC is committed to protecting the security of sensitive information that it receives from financial institutions and individuals. The Corporate Privacy Program requires mandatory privacy training for all FDIC employees and contractors to ensure that they are aware of the requirements for safeguarding sensitive information and know where to obtain privacy-related reference material. The expansion of the FDIC workforce will increase the workload associated with this mandatory training in 2009. The Corporation will continue in 2009 to enhance IT security and privacy programs to address new and evolving risks by improving controls over sensitive data, increase privacy considerations into the decision-making process of all FDIC divisions, offices, and lines of business, implement methodology to effectively evaluate the associated privacy and security risks of third-party vendors servicing FDIC, and increase privacy considerations into the decision-making process of all FDIC divisions, offices, and lines of business.

Enhanced Information Security Program

The FDIC's information security program seeks to proactively assure the integrity, confidentiality, and availability of corporate information by requiring an ongoing commitment by employees throughout the organization. In 2009, the FDIC will focus on ensuring that the Corporation is in compliance with all laws and directives regarding security, such as Office of Management and Budget Circular A-130, the Federal Information Security Management Act, the E-Government Act, and guidance from the National Institute of Standards and Technology. In addition, 2009 initiatives will include the continuation of penetration testing to identify and eliminate external vulnerabilities, and completion of the three-year certification and accreditation reviews.

Enterprise Risk Management

As an integral part of its stewardship of the DIF, the FDIC maintains a comprehensive risk management and internal control program, which is designed to promote continuous improvements in efficiency, effectiveness, control, and risk-focusing of internal operations throughout the Corporation. The Office of Enterprise Risk Management (OERM) oversees this program by providing guidance and assistance to all divisions and offices on issues such as internal controls, system security, privacy, operational effectiveness and efficiency, post-project reviews, and audit follow-up. During 2009, OERM will continue its efforts on those initiatives and will focus on key corporate issues, including continuing work on TLGP, issues relating to contract oversight management, anticipated increases in bank failures, and the Corporation's core business functions.

APPENDICES

Appendix A Program Resource Requirements

Appendix B The FDIC's Planning Process

Appendix C Program Evaluation

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Appendix E External Factors

APPENDIX A

Program Resource Requirements

The FDIC's annual corporate operating budget is developed in a manner that allows the budget to be broken out for its three major programs (Insurance, Supervision and Receivership Management). The chart below presents the budgetary resources that the FDIC projects that it will expend for these programs during 2009 to pursue the strategic goals and objectives and the annual performance goals set forth in this Plan, and to carry out other program-related activities. The estimates reflect each program's share of common support services that are provided by the Corporation on a consolidated basis.

Supervision	\$766,287,751
Insurance	\$175,375,570
Receivership Management	\$1,119,768,572
Subtotal	\$2,061,431,893
Corporate Expenses	\$182,333,351
TOTAL	\$2,243,765,244

APPENDIX B

The FDIC's Planning Process

The FDIC has a long-range strategic plan that identifies strategic goals and objectives for its three major programs: Insurance, Supervision and Receivership Management. The plan is reviewed and updated every three years. The Corporation also develops Annual Performance Plans that identify annual goals, indicators and targets for each strategic objective.

In developing its Strategic and Annual Performance Plans, the FDIC uses an integrated planning process in which guidance and direction are provided by senior management and plans and budgets are developed with input from program personnel. Business requirements, industry information, human capital, technology and financial data are considered in preparing annual performance plans and budgets. Factors influencing the FDIC's plans include changes in the financial services industry, program evaluations and other management studies and prior period performance.

The FDIC's strategic goals and objectives and its annual performance goals, indicators and targets are communicated to its employees via the FDIC's internal website and through internal communication mechanisms, such as newsletters and staff meetings. The Corporation also establishes on an annual basis additional "stretch" objectives that further challenge FDIC employees to pursue strategic initiatives and results. FDIC pay and award/recognition programs are structured to reward employee contributions to the achievement of the Corporation's annual goals and objectives.

Throughout the year, progress reports are reviewed by FDIC senior management. After the year ends, the FDIC submits its *Annual Report* to Congress that compares actual performance to the annual performance goals and targets. This report is also posted on the FDIC's website (www.fdic.gov).

APPENDIX C

Program Evaluation

Office of Enterprise Risk Management has primary responsibility for coordinating and reporting on evaluations of the Corporation's programs. This role is independent of the program areas; however, program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Such participation is critical to fully understanding the program being evaluated. The results of program evaluations are the basis for annual assurances made by division and office directors to the Chairman that operations are effective and efficient; financial data and reporting are reliable; laws and regulations are complied with; and internal controls are adequate. These results are also considered in making strategic decisions for the FDIC.

Over the past three years, numerous program evaluations have been carried out in each of the Corporation's three program areas:

- Insurance – implementation of Deposit Insurance Reform and implementation of major initiatives of the Temporary Liquidity Guarantee Program;
- Supervision – monitoring or addressing regulatory concerns regarding areas of heightened risk, such as subprime and nontraditional real estate lending practices; unfair and deceptive lending practices; niche and *de novo* banks; concentrations in commercial real estate; effects of economic decline in certain sectors; and situations of rapid growth; and
- Receivership Management – maintaining readiness and productivity of the receivership functions and transitioning resources to conduct financial institution closings.

During the period covered by this Plan, the FDIC will continue to perform risk-based reviews in each strategic area of the Corporation. Results of these reviews will assist management by confirming that programs are strategically aligned or by identifying changes that need to be made to a particular program. Program evaluation activities in 2009 will focus on key corporate issues, including continuing work on TLGP, issues relating to contract oversight management, anticipated increases in bank failures, and continuous improvements to the FDIC's core business functions.

APPENDIX D

Interagency Relationships

The FDIC has very productive working relationships with agencies at the state, federal and international levels. It leverages those relationships to achieve the goals outlined in this Plan and to promote confidence in the U.S. banking system. Listed below are examples of the many important relationships that the FDIC has built with other agencies, seeking to promote strength, stability and confidence in the financial services industry.

■ Other Financial Institution Regulatory Agencies

The FDIC works closely with other federal financial institution regulators—principally the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS)—to address issues and programs that transcend the jurisdiction of each agency. Regulations are in many cases interagency efforts, and the majority of supervisory policies are written on an interagency basis. Examples include policies addressing subprime lending, capital adequacy, fraud information-sharing and offsite monitoring systems. In addition, the Comptroller of the Currency and the OTS Director are members of the FDIC Board of Directors, which facilitates crosscutting policy development and regulatory practices among the FDIC, the OCC and the OTS.

The FDIC, the FRB, the OCC and the OTS also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions; the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities; and individual state regulatory agencies.

■ The Federal Financial Institutions Examination Council (FFIEC)

The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. The member agencies of the FFIEC are the FDIC, FRB, OTS, OCC and NCUA. As the result of legislation in 2006, the Chair of the FFIEC State Liaison Committee now serves as a sixth member of the FFIEC. The State Liaison Committee is composed of five representatives of state supervisory agencies. To foster interagency cooperation, the FFIEC has established interagency task forces on consumer compliance, examiner education, information sharing, regulatory reports, surveillance systems and supervision. The FFIEC has statutory responsibilities to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data for each metropolitan statistical area. The FFIEC publishes handbooks, catalogues and databases that provide uniform guidance and information to promote a consistent examination process among the agencies.

■ State Banking Departments

The FDIC works closely with state banking departments as well as the Conference of State Bank Supervisors to provide greater efficiencies in examining financial institutions and promote a uniform approach to the examination process. In most states, alternating examination programs reduce the number of examinations at financial institutions, thereby reducing regulatory burden. Joint examinations at larger financial institutions also maximize state and FDIC resources when examining large, complex and problem FDIC-supervised financial institutions.

■ Dedicated Examiner Program

The FDIC has dedicated examiners assigned to the four largest insured financial organizations. Dedicated examiners work closely with each organization's primary federal regulator and use supervisory information, internal organization information, and external sources of information to evaluate risks and assign an FDIC risk rating for each organization.

■ Basel Committee on Banking Supervision

The FDIC participates on the Basel Committee on Banking Supervision (BCBS), a forum for international cooperation on matters relating to financial institution supervision, and on numerous subcommittees of the committee. The committee aims to improve the consistency of capital regulations internationally, make regulatory capital more risk sensitive and promote enhanced risk-management practices among large internationally active banking organizations. The Basel II Capital Accord is an effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988.

The FDIC has also established working relationships with international regulatory authorities to ensure effective supervision of domestic insured institutions that are wholly owned by foreign entities, which includes coordination of efforts to implement the Basel II Capital Accord.

■ BCBS - International Liaison Group

In addition to the FDIC's membership on the BCBS, the FDIC is a member of a BCBS subcommittee called the International Liaison Group (ILG). The ILG provides a forum for deepening engagement and cooperation with supervisors from around the world on a broad range of issues involving banking and supervision. In addition to the United States, the ILG has senior representatives from seven other member countries including France, Germany, Italy, Japan, the Netherlands, Spain, and the United Kingdom.

■ Interagency Country Exposure Review Committee

The Interagency Country Exposure Review Committee (ICERC) was established by the FDIC, the FRB and the OCC to ensure consistent treatment of the transfer risk associated with banks' foreign exposures to both public and private sector entities. The ICERC assesses the degree of

transfer risk inherent in cross-border and cross-currency exposures of U.S. banks, assigns ratings based on its risk assessment and publishes annual reports of these risks by country.

■ **International Association of Deposit Insurers**

The FDIC plays a leadership role in the International Association of Deposit Insurers (IADI) and participates in associated activities. IADI contributes to the stability of the financial system by promoting international cooperation in the field of deposit insurance. Through IADI, the FDIC focuses its efforts to build strong bilateral and multilateral relationships with foreign regulators and insurers, U.S. government entities and international organizations. The FDIC also provides technical assistance and conducts outreach activities with foreign entities to help in the development and maintenance of sound banking and deposit insurance systems. The FDIC's Vice Chairman currently serves as President of IADI.

■ **Association of Supervisors of Banks of the Americas**

The FDIC, as Director of the North American Group, exercises a leadership role in the Association of Supervisors of Banks of the Americas (ASBA) and actively participates in the organization's activities. ASBA develops, disseminates and promotes sound banking supervisory practices throughout the Americas in line with international standards. The FDIC supports the organization's mission and activities by actively contributing to ASBA's research and guidance initiatives and its education and training services.

■ **Shared National Credit Program**

The FDIC participates with the other federal financial institution regulatory agencies in the Shared National Credit Program, an interagency effort to perform a uniform credit review of financial institution loans that exceed \$20 million and are shared by three or more financial institutions. The results of these reviews are used to identify trends in industry sectors and banks' credit risk management practices. These trends are typically published in September of each year to aid the industry in understanding economic and credit risk-management trends.

■ **Joint Agency Task Force on Discrimination in Lending**

The FDIC participates on the Joint Agency Task Force on Discrimination in Lending with all five of the federal financial institution regulators (FDIC, FRB, OCC, OTS and NCUA) along with the Department of Housing and Urban Development, the Federal Housing Finance Agency, the Department of Justice (DOJ), and the Federal Trade Commission. The agencies exchange information about fair lending issues, examination and investigation techniques, and interpretations of the statute and regulations and case precedents.

■ **European Forum of Deposit Insurers**

The FDIC shares mutual interests with the European Forum of Deposit Insurers (EFDI) and supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance. As such, the FDIC

contributes its expertise and experience in supervision and deposit insurance and openly shares this expertise through discussions and exchanges on issues that are of mutual interest and concern (e.g., cross-border issues, bilateral and multilateral relations and financial customers' protections).

■ **Bank Secrecy Act, Anti-Money Laundering, Counter-Financing of Terrorism, and Anti-Fraud Working Groups**

The FDIC works with the Department of Homeland Security and the Office of Cyberspace Security through the Finance and Banking Information Infrastructure Committee (FBIIC) to improve the reliability and security of the financial industry's infrastructure. Other members of FBIIC include the Commodity Futures Trading Commission (CFTC), FRB, NCUA, OCC, OTS, the Securities and Exchange Commission (SEC), the Department of the Treasury, and the National Association of Insurance Commissioners (NAIC).

The FDIC participates in several other interagency groups, described below, to assist in efforts to combat fraud and money laundering and to implement the USA PATRIOT Act:

- The Bank Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meet to discuss strategies and industry efforts to address money laundering controls.
- The National Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meet to discuss strategies and industry efforts to curb money laundering.
- The FFIEC Bank Secrecy Act/Anti-Money Laundering Working Group, which is composed of the federal bank regulatory agencies, FinCEN and the CSBS, to coordinate BSA/AML training and awareness efforts and to improve communications among the agencies. The BSA/AML working group builds on existing activities and works to strengthen initiatives that are already being pursued by other formal and informal interagency groups providing oversight of various BSA/AML-related matters.
- The National Bank Fraud Working Group, which is sponsored by DOJ.
- The Check Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is co-chaired by the FDIC and the Federal Bureau of Investigation (FBI) and is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the Internal Revenue Service (IRS), the Bureau of Public Debt (BPD), and the U.S. Postal Service.
- The Cyber Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the IRS, and BPD.

- The National Money Laundering Strategy Steering Committee, which is co-chaired by DOJ and the Department of the Treasury.
- The Terrorist Finance Working Group, which is sponsored by the State Department to assist in the AML training effort internationally and the assessment of foreign countries' financial structures for potential money laundering and terrorist financing vulnerabilities.
- Other working groups that are sponsored by the Department of the Treasury to develop USA PATRIOT Act rules, interpretive guidance and other relevant BSA materials applicable to insured financial institutions.

■ Financial Literacy and Education Commission

The FDIC is a member of the Financial Literacy and Education Commission (FLEC), as mandated by the Fair and Accurate Credit Transactions (FACT) Act of 2003 established. The FDIC actively supports FLEC's efforts to improve financial literacy in America by assigning experienced staff to work in the Office of Financial Education, providing leadership in the development and maintenance of the *My Money* hotline and toolkits, and participating in on-going meetings that address issues affecting the promotion of financial literacy and education.

■ Alliance for Economic Inclusion

The FDIC established and leads the Alliance for Economic Inclusion (AEI), a national initiative to bring all unbanked and underserved populations into the financial mainstream. The AEI is comprised of broad-based coalitions of financial institutions, community-based organizations and other partners in eleven markets across the country. The coalitions work to increase banking services for underserved consumers in low- and moderate-income neighborhoods, minority and immigrant communities, and rural areas. These expanded services include savings accounts, affordable remittance products, targeted financial education programs, short-term loans, alternative delivery channels and other asset-building programs.

■ Government Performance and Results Act Financial Institutions Regulatory Working Group

The interagency Financial Institutions Regulatory Working Group, which is composed of all five federal financial institution regulators (OTS, FRB, OCC, NCUA and FDIC), was formed in October 1997 to support compliance with the Government Performance and Results Act (GPRA). The Federal Housing Finance Agency, which supervises Freddie Mac and Fannie Mae, and the Department of the Treasury also participate. This group identifies programs and strategic goals/objectives that are common to these organizations and promotes discussion among them on appropriate performance indicators and targets.

■ Federal Trade Commission, National Association of Insurance Commissioners and the Securities and Exchange Commission

GLBA was enacted in 1999. It permitted insured financial institutions to expand the products they offer to include insurance and securities. This Act also included increased security requirements and disclosures to protect consumer privacy. The FDIC and other FFIEC agencies coordinate with the FTC, the SEC, and NAIC to develop industry research and guidelines relating to these products.

APPENDIX E

External Factors: The Economy and Its Impact On the Banking Industry and the FDIC

Economic conditions at the national, regional, and local levels affect banking strategies and the industry's overall performance. Economic conditions also affect the performance of businesses and consumers, which impact loan growth and credit exposure for the banking industry. Overall business conditions and macroeconomic policies are key determinants of inflation, domestic interest rates, the exchange value of the dollar, and equity market valuations, which in turn influence the lending, funding, and off-balance sheet activities of FDIC-insured depository institutions.

Adverse economic conditions, such as a national or regional economic downturn, raise the risk profile of the banking industry or select groups of insured institutions. An economic downturn may accelerate statutory examination frequencies and increase the incidence of failures, resolution costs, and the pace at which the FDIC markets assets and terminates receiverships. Adverse economic scenarios may also divert FDIC staff from other activities to address these or other operational concerns.

The U.S. economy will continue in recession in 2009. The U.S. economy has been in a recession since December 2007, according to the National Bureau of Economic Research, and it is already the longest recession since the 16-month recession that ended in 1982. In addition, during 2008, financial market disruptions evolved into a crisis that challenged the soundness and profitability of some FDIC-insured institutions, and the banking industry will likely continue to experience elevated levels of stress over the coming year. Financial markets became extremely stressed in mid-September 2008 following the failure and near-failure of several major financial institutions, which triggered a global re-pricing of risk. Credit spreads and interbank lending markets spiked, but have recently subsided following unprecedented government stabilization initiatives.

Weak economic conditions continue to exert significant stress on banking industry performance. Large job losses and reduced household wealth pose risks to consumer credit performance, while slower business activity raises concerns about commercial loan portfolios. Consumer spending declined in the third quarter 2008 for the first time since 1991, and it declined again in fourth quarter as rising unemployment and falling home and equity prices dampened consumer sentiment. The housing sector continues to experience weakness in home sales, prices, and starts. Business activity has also slowed in other industries. The manufacturing sector faces continued weakness, particularly the automotive industry, as vehicle sales posted continued declines during 2008. Weakening export growth has reduced a significant contributor to economic growth, as global demand has fallen.

The economic outlook remains uncertain and depends to a large extent on the results of U.S. and foreign government fiscal stimulus efforts and initiatives to stem financial market disruptions.

Government efforts, including several FDIC initiatives, have resulted in a number of programs to preserve public confidence and mitigate the impact of an economic downturn.

Banking industry performance has been affected by the economic slowdown. In the fourth quarter of 2008, the banking industry posted a net loss of \$26.2 billion, the first aggregate net loss for the industry since the fourth quarter of 1990. The industry's quarterly return on assets (ROA) was -0.77 percent, the lowest in 22 years. Almost one in every three institutions (32 percent) reported a net loss in the fourth quarter.

Non-current loans and leases increased to \$230.7 billion in the fourth quarter of 2008, more than double the fourth quarter 2007 level of \$109.9 billion. The percentage of total loans and leases that were non-current rose to 2.93 percent, the highest level since the end of 1992. More than two-thirds (69 percent) of the growth in non-current loans during the quarter came from loans secured by real estate. The industry's "coverage ratio" of reserves to non-current loans decreased during the fourth quarter from 0.84 to 0.75 – the lowest level since the third quarter of 1992.

Loan-loss provisions in the fourth quarter of 2008 totaled \$69.3 billion, more than double the \$32.1 billion that insured institutions set aside for credit losses in the fourth quarter of 2007. Net charge-offs totaled \$37.9 billion, up 132 percent from the previous year. The largest increases occurred in real estate construction and development loans (up \$6.1 billion, or 448 percent), residential mortgage loans (up \$4.6 billion, or 206 percent), commercial and industrial loans (up \$3.0 billion, or 97 percent), and credit cards (up \$2.5 billion, or 60 percent).

As of year-end 2008, there were 252 problem institutions with a combined \$159 billion in assets. If non-current loans and net charge-offs on loans continue to increase as earnings performance declines, the number of problem institutions may increase further.

Net interest income increased 4.9 percent to \$97.0 billion in the fourth quarter of 2008 from the year earlier. The average net interest margin (NIM) was 3.34 percent in the fourth quarter of 2008, up slightly from 3.32 percent a year earlier, but lower than the 3.37 percent average in the third quarter. The improvement in the industry's NIM was concentrated among larger institutions. Average net interest margins at community banks fell to a 20-year low.

Recent bank failures have reduced the DIF balance. In 2008, there were 25 failures with a combined \$372 billion in assets. Also in 2008, five banks with combined assets of \$1.3 trillion received open-bank assistance under a systemic risk determination. At the end of the fourth quarter of 2008, the DIF stood at \$18.9 billion, down from \$52.4 billion a year earlier, and the reserve ratio was 0.40 (based on unaudited fund balance results). On February 27, 2009, the FDIC adopted an amended restoration plan that will raise assessment rates, impose an emergency special assessment, and make other changes to restore the DIF reserve ratio to at least 1.15 over a seven-year period.

The banking industry has the capacity to provide the necessary backing to the insurance fund, given its historically strong capital levels. More than 97 percent of all FDIC-insured institutions are well-capitalized according to the regulatory capital definition for Prompt Corrective Action. This, together with the backing of the full faith and credit of the U.S. government provide confidence that the FDIC will continue to protect insured depositors.