



**Perbadanan Insurans Deposit Malaysia**  
**Protecting Your Insurance And Deposits In Malaysia**



**CORPORATE PLAN 2012 - 2014**



Even in its purest form, a single bamboo stem can demonstrate resilience, adaptability and strength, with the innate ability to persevere in adverse environments. These qualities are evident in PIDM as it embraced an expanded mandate to administer the takaful and insurance benefits protection system, transforming from a national deposit insurer into a broader financial consumer protection organisation.

As an integral member of the financial safety net, PIDM works closely with other safety net players to preserve the stability of the financial system in Malaysia. Like the bamboo, where even greater strength is harnessed when many bamboo stems are bound together, the close cooperation between financial safety net players is key to ensuring the interests of financial consumers are protected.





PIDM stresses on responsible management in all aspects of our work. This is reflected in the environmentally friendly paper specially chosen for the production of the Corporate Plan. This paper is certified by the Forest Stewardship Council (FSC), a worldwide body that supports the highest standards for forest management.



## OUR VISION

- To be a best practice financial consumer protection organisation

## OUR MISSION

We strive to promote and contribute to public confidence in the stability of the nation's financial system by:

- protecting Islamic and conventional deposits;
- protecting takaful and insurance benefits; and
- fulfilling our financial consumer protection mandate in an effective and efficient manner, having regard to the interests of our key stakeholders and employees.

## OUR STRATEGIC THRUSTS

- Sound governance
- Operational readiness and excellence
- Public confidence in the financial system

## OUR CORPORATE VALUES

- Financial Stewardship
- Excellence and Professionalism
- Respect and Fairness
- Integrity and Trustworthiness
- Communications and Teamwork

## OUR CORPORATE OBJECTIVES

- Educated and informed stakeholders
- Effective partnerships
- Well-governed and well-managed organisation
- Robust risk assessment, monitoring, intervention and resolution capabilities
- Sound business and financial practices
- Competent and knowledgeable workforce
- Conducive corporate environment



## Awards and Recognition

Guided by the mission and vision, PIDM has made significant inroads since its inception in 2005. With great teamwork and a culture of excellence, the Corporation has risen to greater heights towards being recognised as a best practice financial consumer protection organisation.

### **IADI 2011 Deposit Insurance Organisation (DIO) of the Year Award**

PIDM's continued efforts for improvement and adoption of best practices have produced results and earned the Corporation this award by the International Association of Deposit Insurers (IADI), which is in recognition of its accomplishments and contributions in the field of deposit insurance, both locally and internationally.

In his speech at the award presentation, the President of IADI, Martin Gruenberg, said:

***"PIDM was selected to receive the DIO of the year award because of its achievements in strengthening the deposit insurance systems and their associated contributions to financial stability in Malaysia. It was recognised for its willingness to share its knowledge and to assist in training other IADI members, and through all of its efforts in helping to achieve IADI objectives."***

### **NACRA 2011 Best Annual Report of Non-Listed Organisations**

PIDM has been awarded the "Best Annual Report of Non-Listed Organisations" by the National Annual Corporate Report Awards (NACRA) for the third consecutive year. This award is in recognition of achieving NACRA's benchmark of high governance standards, excellence in corporate reporting in terms of high standards of transparency and disclosure of information as well as greater corporate accountability.

Winning this prestigious accolade for three consecutive years is a further testimony of our continuous effort to enhance our quality of disclosure and reporting.

# Table Of Contents

<b>Summary Of Our Corporate Plan 2012 - 2014</b>	<b>5</b>
<hr/>	
<b>Our Strategic Planning Approach</b>	<b>7</b>
Strategic Management Framework	7
Corporate Values	8
Strategic Thrusts	9
Corporate Objectives	10
Our Strategy Map	11
<hr/>	
<b>Performance Against Previous Corporate Plan</b>	<b>13</b>
Highlights of Our Accomplishments Against 2011 - 2013 Plan	13
Snapshot of 2011 Corporate Scorecard	15
Past Financial Performance – Year 2011	19
<hr/>	
<b>Our Three-Year Plan 2012 - 2014</b>	<b>22</b>
Operating Environment	22
Enterprise Risk Management Review	23
Key Planning Assumptions	24
Strategic Direction	24
Corporate Scorecard 2012 - 2014	27
Our Financial Plan 2012	29
<hr/>	
<b>Conclusion</b>	<b>32</b>
Corporate Plan Derailment	32
Summary	32
<hr/>	
<b>Appendix: About PIDM</b>	<b>34</b>
Our Corporation	34
Our Mandate	34
Our Members	35
Our Board of Directors	36
Our Executive Management Committee	37
Contact Us	38

# Summary Of Our Corporate Plan 2012 - 2014

The Corporate Plan of Perbadanan Insurans Deposit Malaysia (PIDM) sets out our strategic direction, focus and priorities as well as the supporting financial plan for 2012. Aligning our planned initiatives to our strategic direction and corporate objectives, this three-year rolling Corporate Plan serves as our primary guide to ensure the effective and efficient fulfilment of our mandate and advance us towards our vision to be a best practice financial consumer protection organisation.

As in previous years, we have adopted an integrated approach in developing our Corporate Plan, whereby we identify and assess the challenges and significant risks facing PIDM using the Enterprise Risk Management (ERM) framework. We also continue to adopt the scenario planning approach with the aim of responding effectively in the unlikely event of an intervention in a troubled member institution which may derail our approved plan.

## Our Accomplishments in 2011

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We completed a majority of our planned key initiatives which include numerous takaful and insurance benefits protection system (TIPS) related initiatives that have strengthened our foundation towards ensuring the fulfilment of our expanded mandate. Additionally, the Corporation has been conferred the International Association of Deposit Insurers (IADI) "2011 Deposit Insurance Organisation (DIO) of the Year" award. In short, all the initiatives were completed within the approved financial plan, with the exception of five initiatives which have been deferred.

## Our Plan Moving Forward

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The strategic direction undertaken by PIDM is essential to achieve the Corporation's mandate, vision and mission in an effective and efficient manner and ultimately, to contribute towards promoting and maintaining public confidence in our financial system. Going forward, we will intensify our efforts in several key areas, including to:

- enhance the organisation's capacity and capability by focusing on employee competencies;
- strengthen the Corporation's operational readiness;
- promote public awareness and education; and
- continue to build and put in place the necessary policies, processes, systems and infrastructure for TIPS operations while enhancing and strengthening the current practices for the deposit insurance system (DIS).

## Conclusion

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Progressing to our seventh year of operations, we have gained further recognition of our efforts, accomplishments and contributions, both locally and internationally, as evident from the "2011 DIO of the Year" award, presented by the IADI. We will continue to uphold the highest standards encompassing the main aspects of governance, ethical conduct, corporate values as well as operational capacity such as policies and processes, systems and infrastructure. Towards this end, we will strive to achieve the initiatives set forth in this Plan by focusing our efforts and resources on strengthening the state of readiness of the Corporation in contributing to the stability of the financial system.



Our **Strategic** Planning Approach





# Our **Strategic** Planning Approach

## Strategic Management Framework

PIDM develops and maintains a dynamic three-year plan which sets out its objectives, strategic direction, supporting initiatives and their respective targets. In developing the Corporate Plan, PIDM reviewed and refined the elements of its strategic management framework and their definition. We continued to adopt a comprehensive strategic management framework, which incorporates the external environmental scan of our operating environment and the identification and assessment of the Corporation's significant risks using our ERM framework. With that, we are able to adjust the planning assumptions on which our Plan is based.

The strategic planning process requires us to consider:

- the external and internal environment in which the Corporation operates;
- the key planning assumptions used for the planning period;
- the strategic direction and corporate initiatives to be undertaken during the planning period;
- the budget required to support the corporate initiatives; and
- the outcomes that the Corporation wants to achieve.

An overview of our strategic management framework is illustrated below.



### Mandate

The objects of the Corporation are to:

- a) administer a deposit insurance system and a takaful and insurance benefits protection system;
- b) provide insurance against the loss of part or all of deposits for which a deposit-taking member is liable and provide protection against the loss of part or all of takaful or insurance benefits for which an insurer member is liable;
- c) provide incentives for sound risk management in the financial system; and
- d) promote or contribute to the stability of the financial system.

In achieving its objects under paragraphs (b) and (d), the Corporation shall act in such manner as to minimise costs to the financial system.

### Vision

To be a best practice financial consumer protection organisation.

### Mission

We strive to promote and contribute to public confidence in the stability of the nation's financial system by:

- protecting Islamic and conventional deposits;
- protecting takaful and insurance benefits; and
- fulfilling our financial consumer protection mandate in an effective and efficient manner, having regard to the interests of our key stakeholders and employees.

### Corporate Values

- Financial Stewardship
- Excellence and Professionalism
- Respect and Fairness
- Integrity and Trustworthiness
- Communications and Teamwork

### Strategic Thrusts

- Sound governance
- Operational readiness and excellence
- Public confidence in the financial system

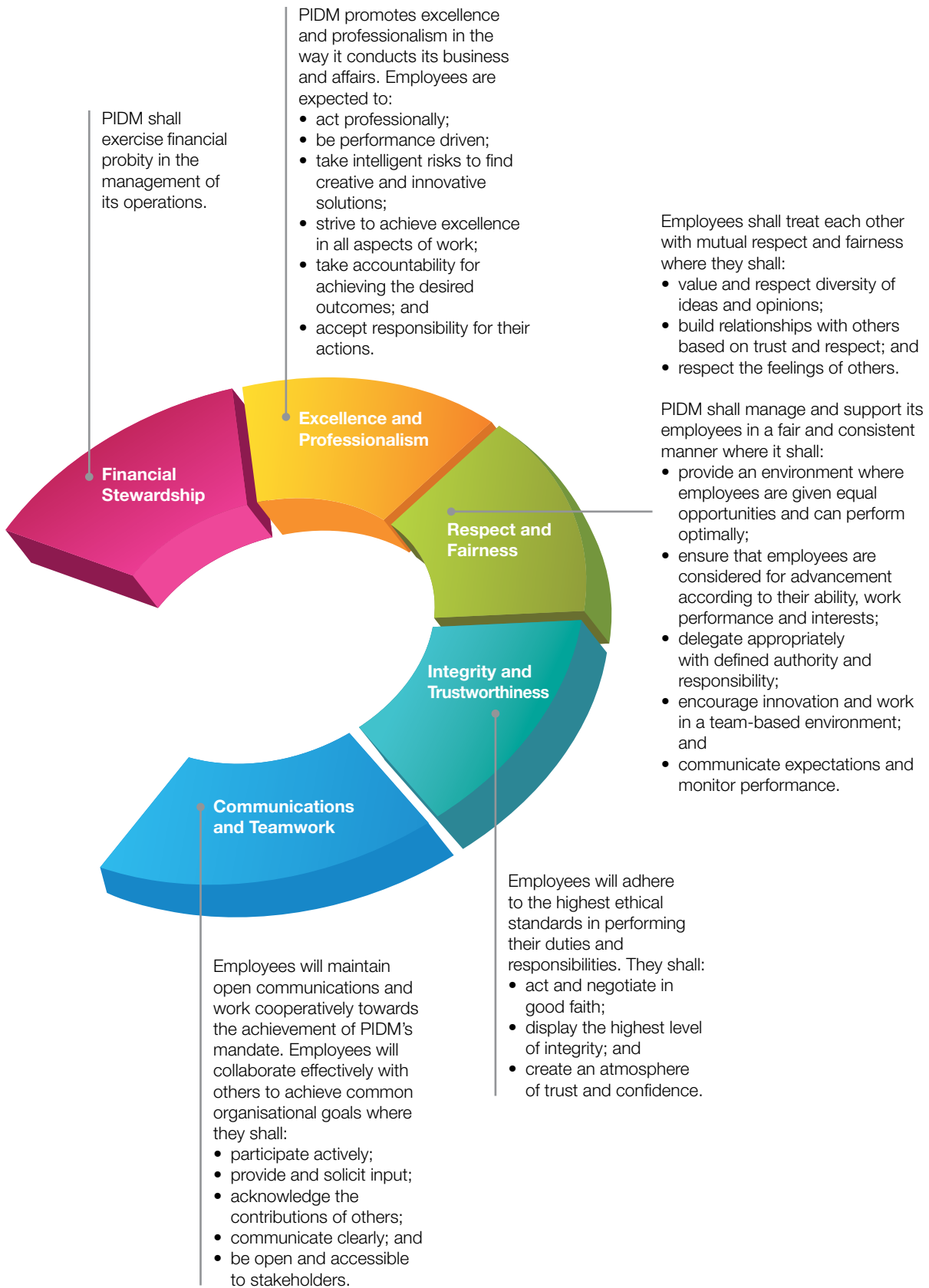
### Corporate Objectives

- Educated and informed stakeholders
- Effective partnerships
- Well-governed and well-managed organisation
- Robust risk assessment, monitoring, intervention and resolution capabilities
- Sound business and financial practices
- Competent and knowledgeable workforce
- Conducive corporate environment

Our strategic management pyramid above shows how we build our Corporate Plan by aligning the initiatives to the corporate objectives and strategic thrusts to achieve our vision and mission and ultimately, fulfil our mandate. The accountability and reporting regime at the bottom of the pyramid entails regular monitoring and reporting of our progress against the Corporate Plan.

# Corporate Values

PIDM's employees uphold the five Corporate Values and continuously strive to meet the highest business and ethical standards in all aspects of their work.



## Strategic Thrusts

We will continue to adopt three broad strategic thrusts to fulfil our mandate. These are:



We strive towards a well-governed and well-managed organisation by keeping abreast of leading edge governance practices and adopting relevant best practices.

This includes having in place sound governance and management practices, strong risk management and internal controls.

We demonstrate operational readiness and excellence by fulfilling our role as an effective and proactive financial consumer protection organisation.

This includes having in place a robust risk assessment and monitoring framework, intervention and resolution capabilities, effective and efficient operational infrastructure, as well as acquiring and retaining the right talent with the necessary skills and experience, supported by a conducive working environment.



We instill confidence by promoting and contributing to the stability of the financial system. In doing so, we establish sound public awareness and education programmes to inform and educate our stakeholders and the general public about our deposit insurance system, and takaful and insurance benefits protection system.

We also provide incentives for sound risk management in the financial system through our Differential Premium Systems, policies and regulations as well as a robust risk assessment and monitoring framework.



## Corporate Objectives

Our corporate objectives, which are the building blocks of our strategy, are based on three perspectives, namely Stakeholders, Governance and Internal Processes, and Learning and Growth.

### **Educated and informed stakeholders**

Well-informed stakeholders are integral to the effectiveness of the deposit insurance system and the takaful and insurance benefits protection system. We will continue to engage all stakeholders, to educate them through our comprehensive public awareness campaign and education programmes as well as to consult extensively with our stakeholders when developing our Regulations and Guidelines.

### **Effective partnerships**

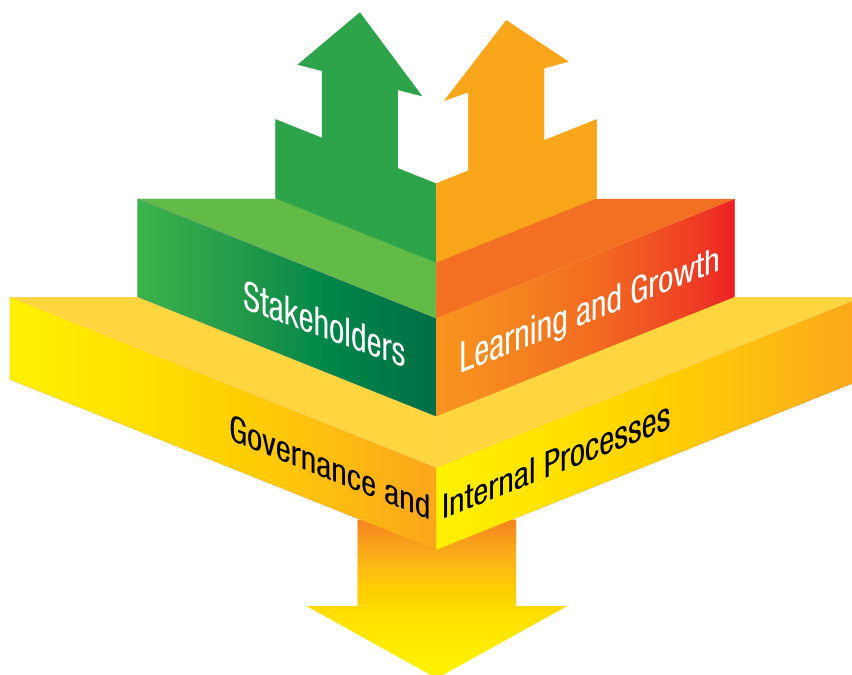
Given our business model, effective partnerships are critical to the fulfilment of our mandate. We will continue to work closely with our strategic partners including Bank Negara Malaysia, other regulators, other deposit insurers and key suppliers. We will also continue to maintain good relationships with our member institutions.

### **Competent and knowledgeable workforce**

Our people are our most important asset. We provide competitive compensation packages and programmes to attract and retain the right people with the right skills, experience and attitude. We are committed to provide employees with opportunities for continuous learning and development, so as to meet their full potential.

### **Conducive corporate environment**

We foster a conducive corporate culture and environment by instilling our corporate values as well as promoting a safe, healthy, harassment-free work environment and work-life balance.



### **Well-governed and well-managed organisation**

We shall demonstrate that we are well governed and well managed through our sound business conduct and governance practices, as well as by adopting effective enterprise-wide risk management and internal control framework.

### **Robust risk assessment, monitoring, intervention and resolution capabilities**

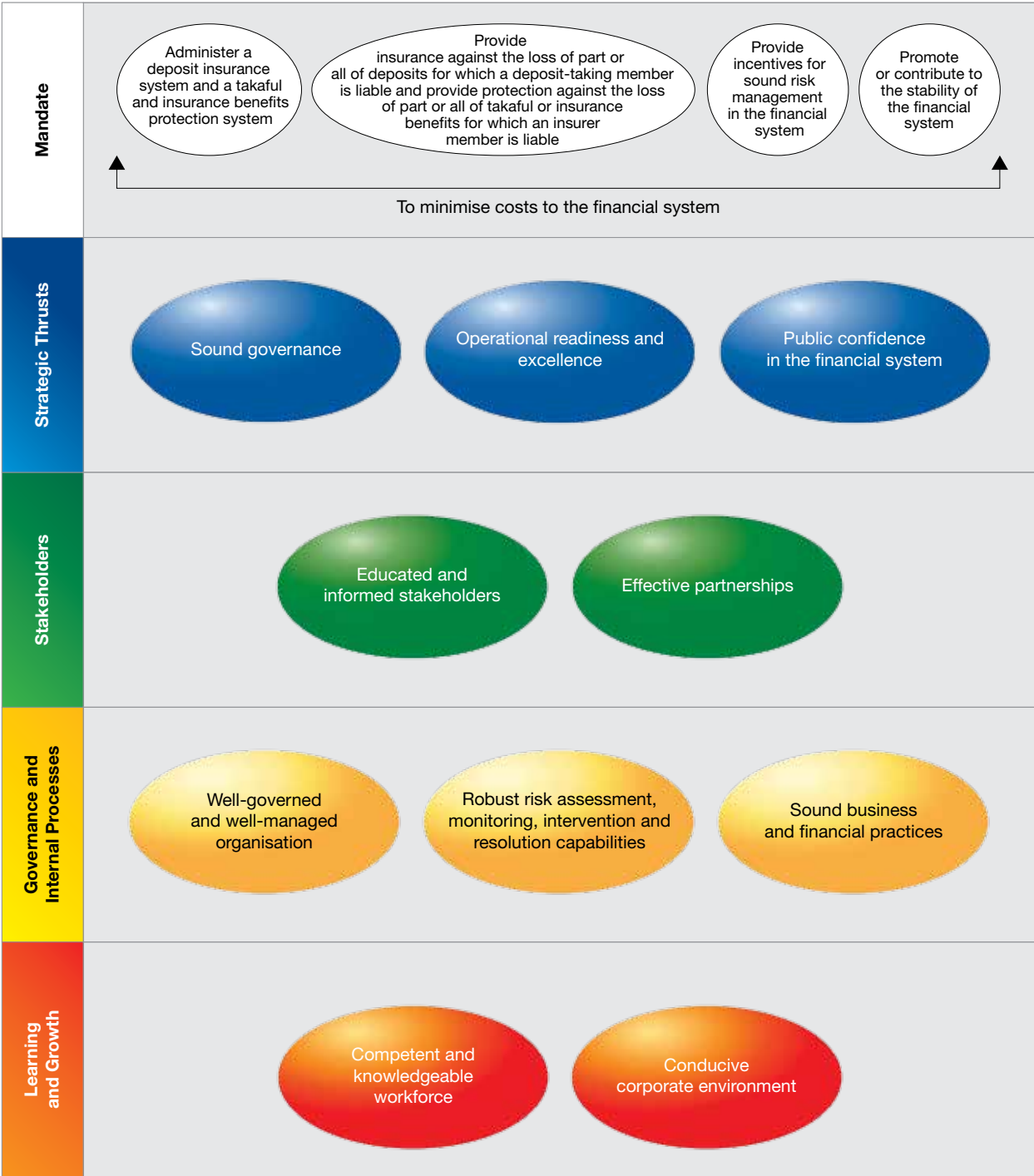
In ensuring fulfilment of our mandate and as readiness remains a key aspect of the Corporation, we will continue to maintain a robust risk assessment and monitoring capability, as well as to build the capacity and capabilities to effectively manage intervention and failure resolution activities.

### **Sound business and financial practices**

To effectively administer our deposit insurance system, and takaful and insurance benefits protection system, we will continue to maintain sound policies, processes, procedures and infrastructure to be current and relevant. The sound practices that govern our operations will be based on relevant domestic and international best practices. We will also continue to build on our capacity and capabilities to ensure we can fulfil our roles and responsibilities.

# Our Strategy Map

Our strategy map depicts the relationships between our mandate, strategic thrusts and corporate objectives in the three perspectives.





**Performance** Against Previous Corporate Plan



# Performance Against Previous Corporate Plan

## Highlights of Our Accomplishments Against 2011 - 2013 Plan

Our key focus for 2011 - 2013 continues to be on efforts to support the state of readiness of the Corporation in the following key areas:

- to build our capacity and capability in terms of operational readiness as well as intensify the risk assessment and monitoring activities;
- to promote public awareness including enhancing education initiatives;
- to improve our operational effectiveness and efficiency; and
- to enhance the infrastructure, systems, policies and practices to effectively administer TIPS.

The Corporation has achieved significant progress in relation to our 2011 - 2013 Corporate Plan, which is summarised in the 2011 Corporate Scorecard on pages 15 to 18. Over and above our achievements of the planned initiatives in 2011, the Corporation has been conferred the IADI “2011 DIO of the Year” award, an external recognition for sharing our deposit insurance expertise with the world. In addition, the Corporation has been awarded the 2011 National Annual Corporate Report Awards for “Best Annual Report of Non-Listed Organisations” for our 2010 Annual Report.

The forecast results in the scorecard show that the majority of our planned key initiatives were completed with:

- a) 12 initiatives progressing, a development which is further explained on page 18; and
- b) the exception of the following five corporate initiatives which have been reprioritised:
  - Enhancement to the Risk Assessment and Monitoring Methodology and System for member banks – To be performed in conjunction with the development and implementation of Bank Negara Malaysia’s (BNM) Integrated Statistical System.
  - Research for Claims Management System for TIPS – Reprioritised to 2012 to focus on the trial Standard File Format (SFF) validation exercise for member banks.
  - Research for Policy Holders Support Management System for TIPS – To be conducted in conjunction with the research for Claims Management System for TIPS as explained above.
  - Development and implementation of Phase 3: Intranet Portal Communication of the Corporate Information Management System – To be developed in 2012 after the unplanned upgrade of Sharepoint Portal and Microsoft Office 2007 to 2010.
  - Implementation of Phase 1(b): Identity Management and Digital Signature of the Corporate Information Security Infrastructure – As is the case above, this initiative has been deferred to be developed after the upgrade of Sharepoint Portal and Microsoft Office 2007 to 2010.

All the other initiatives were completed within the approved financial plan.

Highlights of our key achievements in 2011:

Stakeholders	<ul style="list-style-type: none"> <li>• We continued to implement our Integrated Communications Plan (ICP) initiatives, including advertising via various channels such as television, radio and print media. We also educated our stakeholders through on-the-ground activities such as briefings, road shows and exhibitions and conducted the Corporate Outreach Programme in Johor Bahru.</li> <li>• We implemented the enhanced PIDM Project MoneySmart 2011, the education programme for secondary schools and tertiary students, which included TIPS-related questions in the MoneySmart Online Game.</li> <li>• We implemented the Provision of Information on Deposit Insurance Regulations in April 2011.</li> <li>• We continued to participate in international fora by attending, organising and hosting various events. We also participated in and conducted various briefings, seminars, talks and conferences at the local and international levels.</li> <li>• We continued to maintain good relationships with other deposit insurers and central banks around the world through our participation in the IADI as well as organised and hosted study visits for them.</li> <li>• A Memorandum of Understanding was executed with the Central Deposit Insurance Corporation, Taiwan with the objective of promoting cooperation and collaboration for developing and enhancing the effectiveness of our respective systems through sharing and transfer of knowledge.</li> </ul>
Governance and Internal Processes	<ul style="list-style-type: none"> <li>• We continued to maintain a strong accountability regime and effective working relationship with our Board of Directors. As part of the Board Education and orientation programme, several sessions in various areas such as risk assessment and monitoring, target fund, Intervention and Failure Resolution (IFR) as well as TIPS were conducted. We also continued to implement the Board succession plan.</li> <li>• We completed the remaining ERM Board Risk Policies on Reputation Risk, Assessment and Monitoring Risk, Strategic and Governance Risk, Operational Risk as well as IFR Risk.</li> <li>• We continued to demonstrate our commitment towards Corporate Social Responsibility (CSR) by implementing our multi-year Scholarship Programme, whereby we awarded scholarships to 10 deserving individuals, an increase of five scholars from the previous year.</li> <li>• In relation to CSR, we also sponsored money management and career planning workshops for the hearing-impaired community and students.</li> <li>• We continued to support the Financial Institutions Directors' Education (FIDE) Programme and the Alumni.</li> <li>• We continued to maintain a sound risk assessment and monitoring process and system to effectively monitor our member institutions (MIs) by issuing guidelines to insurer members and various enhanced guidelines to member banks. We also developed the comprehensive Risk Assessment Methodology and Framework as well as the Supervisor Validation for the Returns on Calculation of Premiums for TIPS.</li> <li>• We continued to build our readiness by conducting the IFR Open Day for all employees, several IFR training sessions for selected employees, two mini simulations and a two-and-a-half-day simulation exercise.</li> <li>• In relation to payout readiness, we completed the integration between the Payout system modules, namely Depositor Liability Information Management System (DLIMS), Depositor Support Management System (DSMS), Product Registry System (PRS), Payout Payment Management System (PPMS) and Request Management System (RMS). We also completed the development of the audit programme for DLIMS to ensure integrity of payout data.</li> <li>• We completed the development of the interim Disaster Recovery Site (DRS) and tested the Business Continuity Plan at the interim DRS.</li> </ul>
Learning and Growth	<ul style="list-style-type: none"> <li>• We continued to develop our employee talents through a comprehensive Learning and Development plan, taking into consideration the 2010 competency gap assessment analyses. We also developed the Knowledge Management framework in support of continuous knowledge sharing among the employees.</li> <li>• We continued to implement the competency model and succession planning based on the Board-approved framework for key positions.</li> <li>• We conducted the employee satisfaction survey to address any gap arising from the survey to promote a conducive corporate environment.</li> <li>• We continued to reinforce our corporate values through employee-related activities such as Family Day; <i>Buka Puasa</i> for employees and their family members; health, wellness and motivational talks; a refresher briefing on the Conflict of Interest Code and the Code of Business Conduct and Ethics; as well as our Annual Dinner.</li> </ul>



## Snapshot of 2011 Corporate Scorecard

**P** Progressing as scheduled; and / or within budget  
**A** Target achieved, initiative completed

**F** Not yet initiated / future date  
**D** Deferred due to reprioritisation

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2011	Forecast Results Dec 2011
Stakeholders	A Educated and informed stakeholders	1. Public awareness index:		
		a. General awareness of PIDM	35%	P <sup>1</sup>
		b. General awareness of deposit insurance system (DIS)	30%	P <sup>1</sup>
		c. General awareness of takaful and insurance benefits protection system (TIPS)	10%	P <sup>1</sup>
		2. Engagement and responsiveness to external stakeholder needs	100% responsiveness	A
		3. Successful completion of key initiative(s):		
		a. Review and implement Integrated Communications Plan	Complete	A
		b. Education programme	Implement and review	A
	c. Provision of Information on Deposit Insurance Regulations 2011	Implement	A	
	B Effective partnerships	4. PIDM's relationship with:		
		a. Bank Negara Malaysia	Strong	A
		b. Member institutions	Satisfactory	A
		c. Key suppliers and strategic partners	Strong	A
d. Other deposit insurers		Strong	A	
e. Other stakeholders		Satisfactory	A	
5. Participate in international fora	Active participation	A		
Governance and Internal Processes	C Well-governed and well-managed organisation	6. Board assessment on:		
		a. Best practices of governance adopted	High satisfaction	A
		b. Significant policies and practices complied with	High satisfaction	A
		c. Timeliness and relevance of information and quality of recommendation provided by Management for the Board to make informed decisions and fulfil its responsibilities	High satisfaction	A
		7. Successful completion of key initiative(s):		
		a. Remaining ERM Board Risk policies and practices:		
		i. Strategic and Governance Risk	Develop and implement	A
		ii. Operational Risk	Develop and implement	A
		iii. Intervention and Failure Resolution (IFR) Risk	Develop	A
		b. Involvement in the Financial Institutions Directors' Education (FIDE) Programme	Active participation	A

Corporate Objectives	Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2011	Forecast Results Dec 2011	
Governance and Internal Processes	D Robust risk assessment, monitoring and resolution capability	8. Successful completion of key initiative(s):		
		a. Differential Premium Systems (DPS), Total Insured Deposits (TID) and Total Protected Policies (TPP) framework:		
		i. Review and enhance regulations and order for DPS and TID framework for DIS	Develop and implement	A
		ii. Develop and implement DPS and Return of TPP framework for TIPS:		
		a(ii)(1). Premiums assessed against insurance company	Implement	A
		a(ii)(2). Guidelines on Return of TPP: Calculation of TPP, Premium and Completion of Returns	Develop and implement	A
		a(ii)(3). Supervisor validation on Return of TPP	Develop	A
		a(ii)(4). DPS Framework	Research and develop	A
		a(ii)(5). Guidelines on DPS and the regulations	-	F
		a(ii)(6). External auditor validation on guidelines on Return of TPP	-	F
		b. Continuous enhancement to the Risk Assessment and Monitoring Methodology and Framework:		
		i. Banks	Review and implement	D
		ii. Insurance companies and takaful operators:		
		b(ii)(1). Risk Assessment Methodology and Framework	Develop and implement	A
		b(ii)(2). Insurance Risk Assessment System	Research	A
		c. Develop and implement Early Warning System (EWS) for banks	Research and develop	P <sup>2</sup>
		d. Components of Intervention and Failure Resolution Framework including processes, policies and procedures:		
		i(1). Develop and implement the final components for banks	Complete	A
		i(2). Develop and implement Least Cost Model and System	Research	A
		ii(1). Assess amendments required to the IFR policies and procedures for insurance companies and takaful operators	Develop	P <sup>3</sup>
		e. Develop and implement policies and regulations for banks:		
		i. Interest and dividend payable guidelines / rules	Develop and implement	P <sup>4</sup>
		ii. Premium surcharge	Develop and implement	P <sup>5</sup>
		iii. Research on standard of sound business and financial practices for member banks	Complete	A

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2011	Forecast Results Dec 2011
Governance and Internal Processes	D Robust risk assessment, monitoring and resolution capability	f. Develop and implement policies and regulations for insurance companies and takaful operators:		
		i. Terms and conditions of membership	Develop	A
		ii. Provision of TIPS Information Regulations	Research	P <sup>6</sup>
		g. Conduct simulation on:		
		i. Payout	Complete	P <sup>7</sup>
		ii. Intervention and Failure Resolution	Complete	A
		h. Develop and implement Payout system, policies and procedures:		
		i. Phase 2 – Integrate Payout Payment Management System	Develop	A
		ii. Phase 3 – Develop Dynamic Deposit Database	-	F
		i. Develop audit programme to ensure integrity of Payout Data, System and Processes	Develop and implement	P <sup>8</sup>
		j. Develop and implement claims management system, policies and procedures for insurance companies and takaful operators:		
		i. Phase 1a: Product Registry System	Research	A
		ii. Phase 1b: Claims Management System	Research	D
		iii. Phase 1c: Policy Holders Support Management System	Research	D
		iv. Phase 2: Payment Management System	-	F
		k. Member institutions' compliance programme	Develop	A
		E Sound business and financial practices	9. Reporting through:	
	a. Annual Report		Complete	A
	b. Corporate Plan		Complete	A
	10. Actual vs. approved expenditures budget		±10% variance	A <sup>9</sup>
	11. Internal Control Compliance		Strong	A
	12. Internal Customer Satisfaction		75%	A
	13. Successful completion of key initiative(s):			
	a. Financial accounting-related systems and processes upgrade and enhancement		Develop and implement	P <sup>10</sup>
	b. Develop and implement funding framework for Phase 1 – Government Borrowings, Phase 2 – Funding from capital market		Complete	A
	c. Implement Target Fund framework for banks		Complete	A
	d. Implement annual Information Technology Strategic Plan		Complete	P <sup>11</sup>
	e. Business Continuity Plan	Review and test	A	
f. Disaster Recovery Plan and infrastructure	Review and test	A		
g. Corporate Information Management System:				
i. Phase 2: Enhancements	Develop and enhance	A		
ii. Phase 3: Intranet Portal Communication	Develop and implement	D		

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2011	Forecast Results Dec 2011
Governance and Internal Processes	E	h. Corporate Information Security Infrastructure:		
		i. Phase 1(a): Information Security	Develop	A
		ii. Phase 1(b): Identity Management and Digital Signature	Implement	D
		iii. Phase 2: Remote Access	-	F
		i. Executive Information System:		
		i. Phase 1: Research	-	F
		ii. Phase 2: Corporate Dashboard	-	F
Learning and Growth	F	14. Develop and implement corporate-wide and employees' annual learning and development plan	Develop	A
		15. Successful completion of key initiative(s):		
		a. Continue to implement the competency model	Implement	A
		b. Develop and implement Knowledge Management framework and system:		
		i. Phase 1: Knowledge Management framework	Develop and implement	A
		ii. Phase 2: Knowledge Management policies and processes	-	F
G	Conducive corporate environment	16. Employee satisfaction index (survey conducted once every two years)	75%	A
		17. Successful completion of key initiative:		
		a. Implement employee-related programmes to promote conducive corporate environment	Complete	A

<sup>1</sup> The consumer survey results will be reported in our Annual Report 2011.

<sup>2</sup> The development of the Rating Prediction Model is progressing as scheduled.

<sup>3</sup> This project to amend the IFR policies and procedures to include consideration for insurer members is progressing as scheduled. To date, we have commenced the development of the IFR framework and two key areas identified, namely Due Diligence and Transfer of Business.

<sup>4</sup> The interest and dividend payable rules will be implemented in 2012.

<sup>5</sup> The draft premium surcharge framework will be presented to the Board for approval in 2012.

<sup>6</sup> Further research needs to be conducted for the development of the TIPS Information Regulations.

<sup>7</sup> The trial SFF validation exercise is progressing as scheduled and targeted to be completed by mid-2013.

<sup>8</sup> The development of audit programmes for PPMS and PRS is in progress and is expected to be completed in 2012.

<sup>9</sup> We achieved positive variances for both operating and capital expenditures.

<sup>10</sup> The implementation of the Enhanced Financial Management System will take place in 2012.

<sup>11</sup> We have completed most of the strategic and operational initiatives as set out in PIDM's Information Technology Strategic Plan except for the following corporate initiatives which have been deferred:

- Phase 3: Intranet Portal Communication of the Corporate Information Management System; and
- Phase 1(b): Identity Management and Digital Signature of the Corporate Information Security Infrastructure.

## Past Financial Performance – Year 2011

### A. Operating Results

	2011 Forecast*	2011 Budget	Variance	
	RM'000	RM'000	RM'000	(%)
<b>Revenues</b>				
Premiums	201,150	242,700	(41,550)	(17)
Investments	22,386	11,000	11,386	104
<b>Total Revenues</b>	<b>223,536</b>	<b>253,700</b>	<b>(30,164)</b>	<b>(12)</b>
<b>Operating Expenditures</b>				
Salaries and Benefits	36,370	44,310	7,940	18
General and Administration	31,288	35,435	4,147	12
Communications	8,967	9,755	788	8
<b>Total Operating Expenditures</b>	<b>76,625</b>	<b>89,500</b>	<b>12,875</b>	<b>14</b>
<b>Operational Net Surplus</b>	<b>146,911</b>	<b>164,200</b>	<b>(17,289)</b>	<b>(11)</b>
<b>Moneys and Investments Received from Insurance Guarantee Scheme Funds</b>	<b>924,522</b>	<b>-</b>	<b>924,522</b>	<b>100</b>
<b>Net Surplus for the Year</b>	<b>1,071,433</b>	<b>164,200</b>	<b>907,233</b>	<b>552</b>

### B. Capital Expenditures

	2011 Forecast*	2011 Budget	Variance	
	RM'000	RM'000	RM'000	(%)
<b>Capital Expenditures</b>				
Motor Vehicle	5	-	(5)	-
Furniture, Fittings and Office Refurbishment	410	550	140	26
Computer Systems and Office Equipment	2,490	6,950	4,460	64
<b>Total Capital Expenditures</b>	<b>2,905</b>	<b>7,500</b>	<b>4,595</b>	<b>61</b>

\*2011 Forecast = Actual (Jan-Oct 2011) + Forecast (Nov-Dec 2011)

## C. Commentary on 2011 Financial Performance

### Operating Results

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We forecast an operational net surplus of approximately RM146.9 million compared to RM164.2 million as budgeted in our Corporate Plan. The expected surplus is lower by RM17.3 million, primarily due to lower premiums received during the year compared to budget. However, during the year, PIDM received moneys and investments from the Insurance Guarantee Scheme Funds with fair value amounting to RM924.5 million. This is expected to result in an overall net surplus of RM1 billion for the year.

### Revenues

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- Total premiums collected from member banks during the year were RM120.2 million or 25% lower than budget of RM160.8 million. The lower premiums received were mainly due to improvement in the overall risk ratings of the member banks as well as lower growth of Total Insured Deposits.
- The premiums collected from insurer members during the year were RM80.7 million, which is 1% or RM1.2 million lower than budget. The lower premiums received were mainly due to lower business attributed to the general insurance segment.
- Investment income is significantly higher than budget primarily due to additional returns from the investment of the Insurance Guarantee Scheme Funds which was transferred to PIDM during the year.

### Operating Expenditures

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- Total operating expenditures up to 31 December 2011 are forecast at RM76.6 million, which is RM12.9 million or 14% below budget.
- The positive variance is mainly due to the lower salaries and benefits expenses arising from a lower number of new employees hired compared to budget.
- The positive variance of RM4.1 million or 12% on general and administrative costs is mainly attributed to lower expenditure on training and development, telecommunications and computer systems as well as travelling expenses.

### Capital Expenditures

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- Our capital expenditures are expected to be RM2.9 million or 61% lower than budget. The positive variance is mainly attributed to cost savings on the commissioning of the interim Disaster Recovery Site as well as IT infrastructure enhancements. There were also several IT systems projects which were reprioritised due to the administration of TIPS.

### Cost Allocation Methodology

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- During the year, we tracked, distinguished, captured and allocated the operating and capital expenditures between the two compensation systems and the respective six funds. We will continue to allocate all direct costs and indirect costs to the respective funds based on the Malaysia Deposit Insurance Corporation (MDIC) Act 2011 and the Malaysia Deposit Insurance Corporation (Allocation of Expenses, Costs or Losses) Order 2011.

In summary, we achieved positive variance in both our operating and capital expenditures as we practised prudent financial management and sound internal control. During the year, we carried out our planned key initiatives as set out in our Corporate Plan and implemented the takaful and insurance benefits protection system. All these initiatives were completed within the approved financial plan.

Our **Three-Year Plan** 2012 - 2014



# Our **Three-Year Plan** 2012 - 2014

## Operating Environment

As an integral part of the safety net framework that plays an important role in ensuring the stability of the financial system, the Corporation stays abreast of ongoing and emerging issues and risks that may affect the Corporation, depositors, policy holders and its MIs. In that regard, we continuously monitor and assess issues related to the global and domestic economy and our member institutions' operating environment. Internally, we continue to adopt the ERM framework to identify and assess risks which might adversely affect the Corporation.

### **Economic Environment**

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The global economic growth and prospects remain fluid, especially among industrial economies which face a number of powerful headwinds including escalating debt concerns, heavy fiscal restraints and deterioration in financial conditions.

Amid heightened uncertainties over the pace of recovery in the developed economies, the overall growth of the domestic economy would be supported by resilient domestic demand. Domestic demand is underpinned mainly by sustained growth in private consumption, spending and foreign direct investment as well as the acceleration in the pace of implementation of government projects in the second half of the year. Additionally, the cessation of supply disruptions due to the reconstruction of earthquake- and tsunami-ravaged regions of Japan should provide some support.

### **Member Institutions' Environment**

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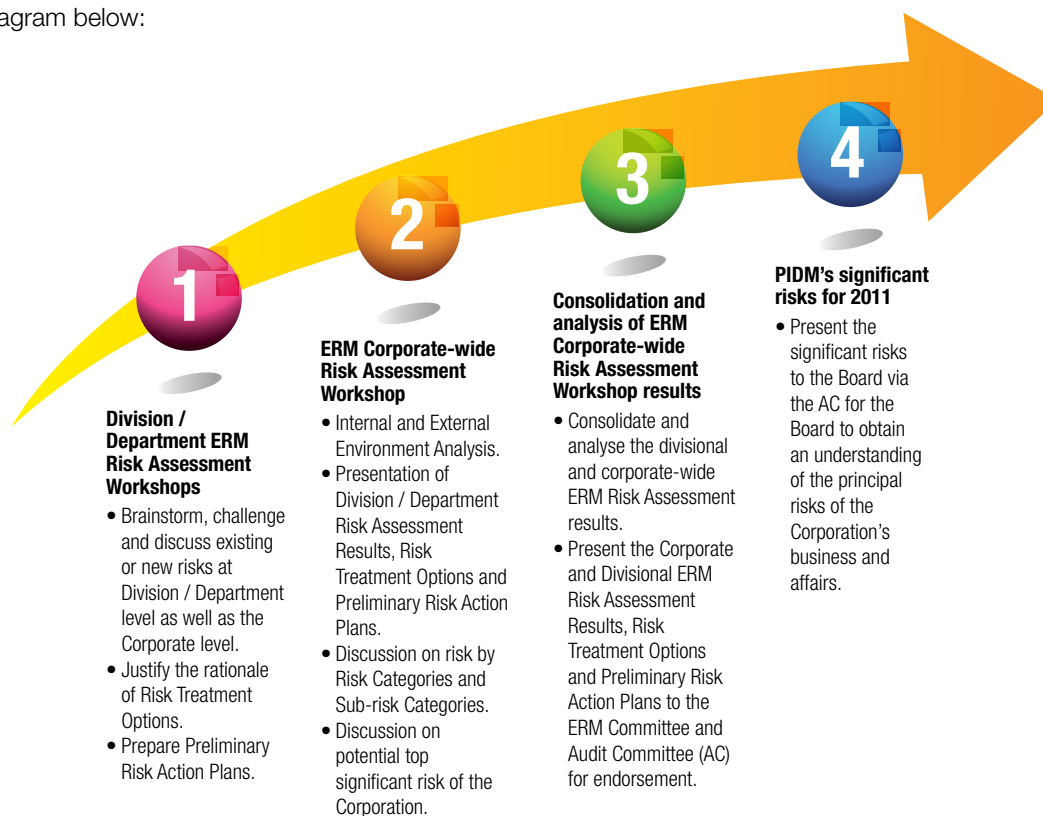
The continued uncertainties over the fiscal position and the intensified sovereign debt concerns in some advanced economies have had, so far, little impact on the domestic financial markets. The domestic market continues to sustain growth supported by resilient domestic demand.

Overall, the domestic financial sector remained resilient and supported the financial intermediation of domestic economic activity including the inflows of foreign direct investment. Collectively, the MIs are strong and we do not expect any failures in our MIs during the planning period.



## Enterprise Risk Management Review

The Corporation successfully completed another full cycle of the ERM risk assessment activities in 2011 as depicted in the diagram below:



The completion of Board Risk Policies and Reports for all of the five risk categories of the Corporation marks another key milestone for the Corporation in addressing the Board's oversight and expectations of Management's roles in supporting the Board in managing risks.

In addition, the top significant risks identified in 2011 provide the Corporation with the platform to prioritise its Corporate Plan based on a risk-based approach. Of the five risk categories of the Corporation, the key risk action plans and initiatives proposed to address the said top significant risks (which fall into the following four risk categories) are as follows:

- **Strategic and Governance Risk**

The Corporation conducts an annual Business Continuity Plan exercise to ensure the readiness of the Corporation to continue with its critical business functions at the newly established interim Disaster Recovery Site in the event of a disaster.

- **Insurance Risk**

Operational readiness of the Corporation, in particular for TIPS, remains the key risk factor attributed to the Insurance Risk category. In this regard, the Corporation has initiated the development of a Risk Assessment and Monitoring Methodology and System for TIPS, including the Risk Assessment System, Differential Levy System (DLS) framework and guidelines, Terms and Conditions of Membership Regulations, and Information Regulations.

The Corporation is also leveraging on its experience from its IFR project on DIS to incorporate any relevant applications for TIPS in its IFR policies, procedures and infrastructure, including the development of a claims management system for TIPS.

Furthermore, the Corporation is working on a compliance programme to mitigate the risk of non-compliance by the MIs with the MDIC Act and / or Regulations.

- **Operational Risk**

There is an ongoing process to develop a Competency framework and Knowledge Management framework for talent management as part of the operational readiness of the Corporation, taking into consideration the expertise required for both DIS and TIPS.

The Corporation will also continue to enforce its Information Classification Policy and enhance its Corporate Information Management System by establishing system administration and operations management policies and procedures to mitigate information security risk.

- **Reputation Risk**

The Corporation will continue with its efforts to strengthen public awareness of the Corporation, DIS and TIPS to achieve its targeted public awareness indices via various initiatives identified in the Integrated Communications Plan (ICP) 2012 - 2016.

The key risk action plans and initiatives that have been developed to address the significant risks are embedded in this Corporate Plan.

## Key Planning Assumptions

The strategic direction, plans and supporting budgets presented in this Corporate Plan are based on the key planning assumptions set out below.

### Stakeholders

- The Corporation's mandate remains current and relevant.
- We do not expect any intervention or failure resolution activity during the planning period. However, the Corporation must be operationally ready for IFR.

### Governance and Internal Processes

- Premium revenues will increase due to the growth in total insured deposits for member banks and total qualified certificates or policies for insurer members.
  - Member banks: Premium rates will be periodically reviewed in alignment with the Corporation's Target Fund framework which was implemented from 2011 onwards and the execution of the funding policy from 2012 onwards.
  - Insurer members: A flat rate premium will continue to apply for 2012 and the introduction of a DLS is planned for 2013.
- We will continue to develop and implement all key policies, processes and systems, including IFR approaches for both DIS and TIPS.
- We will continue to rely on a core team of employees supported by key suppliers, partners and ongoing good relationships with key stakeholders as well as effective processes, systems and infrastructure.
- Our Return on Investment will average at 3% per annum.

### Learning and Growth

- We will continue to maintain and develop existing talent as critical talent relevant to PIDM remains scarce.

## Strategic Direction

In developing the Corporate Plan, the Corporation carefully reviewed its vision, mission and strategic direction, taking into consideration its current operating environment and the significant risks faced by the Corporation. To achieve the Corporation's vision and mission, the strategic direction is anchored on the following:

- to enhance the organisation's capacity and capability by focusing on employee competencies;
- to strengthen the Corporation's operational readiness; and
- to promote public awareness and education.

Highlights of the initiatives and plans that support the strategic direction are presented below.

### **To enhance the organisation's capacity and capability by focusing on employee competencies**

It is essential to ensure that highly experienced and competent individuals are available to strengthen the Corporation's workforce and ensure operational readiness. Thus, the achievement of PIDM's vision and mission depends upon the Corporation's ability to attract, develop and retain talented people.

The Human Capital (HC) Strategic Plan, which is reviewed and revised annually, supports the Corporate Objectives of a "Competent and knowledgeable workforce" and a "Conducive corporate environment" through a variety of initiatives that enhance employee competencies and ensure that the employees have the necessary skills, knowledge and behaviours needed to fulfil their roles.

For the years 2012 - 2014, the HC Strategic Plan will focus on sustainability and the need for the Corporation to optimise its workforce, and to retain and deepen the expertise that resides in its employees. The rate of recruitment will slow down and the size of the organisation will stabilise. Recently hired employees will be integrated into the culture and will receive the required training. Learning and development will continue to be emphasised and the Competency framework will guide the identification of training needs. To this end, PIDM's employees will have access to extensive training opportunities to ensure that they acquire the necessary knowledge and understanding of DIS, TIPS and the role of PIDM in administering the financial consumer protection systems. PIDM will implement a more focused learning and development programme for different levels or groups of employees. In addition, the employees' compensation and benefits will be reviewed annually to ensure that remuneration is fair, equitable and competitive with the market to allow us to recruit and retain key talent.

Notwithstanding the key focus mentioned above, the plan will also emphasise on fostering an optimal workplace culture that is safe, free of discrimination and harassment as well as respectful of each employee. The HC policies and programmes will support an optimal workplace culture and reflect current legislation and state-of-the-art practices. PIDM will continue to monitor and assess employee satisfaction and engagement through regular surveys and will take appropriate action, where necessary.

### **To strengthen the Corporation's operational readiness**

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Over the planning period, PIDM will continue to focus on enhancing the key aspects of readiness which includes assessing and monitoring the risks affecting the MIs as well as expanding our intervention and failure resolution capacity. Improving the Corporation's infrastructure and operations is also vital to ensure that the Corporation is operationally ready and has the capabilities to promptly deal with troubled MIs.

**Risk Assessment and Monitoring:** It is crucial for PIDM to promptly identify and respond to potential risks affecting the MIs. The Corporation continuously monitors the economic and financial environment, as well as the risk profile and financial performance of individual MIs and of MIs as a whole. Given the expanded mandate, the Corporation expanded significantly in 2011 to monitor the additional MIs.

The key focus is to develop the necessary system and infrastructure to support the risk assessment and monitoring of insurer members, develop the DLS

framework and guidelines as well as the external validation programme guidelines for insurer members. We will also continue to review and enhance the risk assessment framework and DPS guidelines for member banks. To strategically position the Corporation as a leader in the field of Islamic deposit insurance, the Corporation will continue to focus its efforts on leading the development of guidance notes, research papers and core principles in relation to Islamic deposit insurance operations.

**Intervention and Failure Resolution:** In fulfilling our mandate in an effective and least cost manner to the financial system, PIDM needs to be in a state of readiness to intervene early in the affairs of a troubled MI. The Corporation must also be well coordinated with the other financial safety net players and its key stakeholders. To address the Corporation's overall readiness, we have developed a road map to assess and monitor our state of readiness to deal with troubled MIs. The key areas identified are divided into three phases focusing on internal readiness, effective coordination and cooperation with relevant government agencies and developing a clear IFR strategy in respect of MIs.

The focus in relation to DIS is to continue developing the final components of IFR activities. This will enable the Corporation to effectively carry out various IFR options such as the development of a Valuation Model to allow the Corporation to facilitate the least cost analysis, development of a database of information relating to MIs which would be useful to develop IFR strategy, and development of a database of competent service providers, amongst other things. The Corporation will also focus on enhancing its ability to conduct a prompt and accurate payout. On the other hand, the focus in relation to TIPS is to develop the policies and procedures (P&Ps) on various IFR options such as Due Diligence, Transfer of Business, Bridge Institution and Restructuring. The Corporation will also embark on building the framework, processes and infrastructure for carrying out its payout mandate to policy holders.

Additionally, in support of its intervention framework and processes, the Corporation ensures continuous employee training and simulation sessions to enhance its intervention readiness.

**Improving Infrastructure and Operations:** The Information Technology Strategic Plan (ITSP) provides information technology capabilities to the functional areas in support of the achievement of the vision, mission and corporate objectives as well as contributing to our capacity to intervene promptly in a troubled MI. The ITSP, which is reviewed and revised annually, sets out the direction and

objectives of technology utilisation and management within the Corporation. It also articulates priorities for developing and delivering IT capabilities and services to support the Corporation's business needs and requirements as well as to add long-term value to the Corporation.

To support the Corporation's operational readiness, it is essential for the IT infrastructure to remain current in an evolving technological environment and to stay in line with industry best practices. Additionally, the collaboration of processes and systems is vital in creating an integrated and secure information sharing platform.

PIDM's business continuity management programme will focus on ensuring the Corporation's ability to continue with its critical business functions from a Disaster Recovery Site (DRS) in the event of a disaster or pandemic. Annual tests will be performed to ensure that the business continuity management plan remains current and relevant.

One key initiative is the development of the Corporation's permanent DRS, equipped with the necessary infrastructure for the Corporation to continue with its critical business functions in the event of a disaster. The Corporation will purchase a piece of land to build the permanent DRS, which is also envisaged as a full alternative site that can be used for other operational functions such as a venue for training, off-site meetings, a second office as well as an off-site storage facility.

### **To promote public awareness and education**

Public awareness of PIDM, DIS and TIPS including the coverage, limits and insured products remains a priority in promoting confidence in PIDM and the nation's financial system. The ICP 2012 - 2016 has been developed based on the effective strategies and tactics from the previous initiatives and learning. The plan shows continuity to the "established" PIDM communications foundations that promote awareness and understanding of PIDM, DIS and TIPS. The ICP is driven by three strategic thrusts underpinning its communications strategy and initiatives as follows:

- to strengthen awareness of DIS and TIPS and to promote confidence in the role of PIDM;
- to actively contribute to the enhancement of financial awareness and literacy through education initiatives and programmes; and
- to enhance engagement with MIs and relevant strategic partners.

In achieving these thrusts, the Corporation will focus its efforts on the following strategies:

- to expand the relevant target audience base for optimum information dissemination and maximum public reach;
- to continuously implement effective key communication initiatives and tools such as advertising in print, broadcast and electronic media, stakeholder engagement and education programme, amongst others; and
- to strengthen existing partnerships among key stakeholders and to establish partnerships with new relevant stakeholders.

The multi-year plan provides a three-pronged approach to achieve the long-term awareness objectives as well as to serve as a platform for long-term strategy via adopting various initiatives and communications tools. To this end, the Corporation will continue to disseminate information in a direct, clear and simple manner as well as to strengthen its brand presence and awareness of DIS and TIPS. As the financial consumer protection organisation, the Corporation will also continue to educate the general public and specific groups including bankers, insurance agents, government employees as well as the younger generation on DIS, TIPS and the role of PIDM, and at the same time, to educate them about the importance of savings and prudent financial management. The Corporation will continue to engage and collaborate with key stakeholders via various activities which include briefings, training sessions and seminars.

In relation to the public awareness levels for 2012 and 2013, the Corporation aims to achieve the target levels as set out in the Corporate Scorecard 2012 - 2014. These targets will be revised subject to the findings of the year-end nationwide consumer research for 2011.

## **Corporate Scorecard 2012 - 2014**

The corporate initiatives that we will undertake over the planning period 2012 - 2014 and the respective targets are set out in our Corporate Scorecard in the following pages. Adopting the Balanced Scorecard approach, the Corporate Scorecard is used as a performance management tool to assist us in monitoring and measuring our performance against targets throughout the planning period. It manages our strategic direction by aligning our corporate objectives, performance measures and initiatives to the direction. The financial plan that supports our plans and initiatives is included in pages 29 to 30 of this Corporate Plan.

Corporate Scorecard 2012 - 2014

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
			2012	2013	2014
Stakeholders	A Educated and informed stakeholders	1. Public awareness index: a. General awareness of PIDM b. General awareness of deposit insurance system (DIS) c. General awareness of takaful and insurance benefits protection system (TIPS)	39% 35% 15%	42% 39% 20%	45% 42% 25%
		2. Successful completion of key initiative(s): a. Integrated Communications Plan b. Education programme	Complete Implement and monitor	Complete Implement and review	Complete Implement and review
	B Effective partnerships	3. PIDM's relationship with: a. Bank Negara Malaysia b. Member institutions c. Key suppliers and strategic partners d. Other deposit insurers e. Other stakeholders	Strong Satisfactory Strong Strong Satisfactory	Strong Satisfactory Strong Strong Satisfactory	Strong Satisfactory Strong Strong Satisfactory
		4. Participate in international fora	Active participation	Active participation	Active participation
		5. Support the Financial Institutions Directors' Education (FIDE) Programme and the Alumni	Active participation	Active participation	Active participation
C Well-governed and well-managed organisation	6. Board assessment on: a. Best practices of governance adopted b. Significant policies and practices complied with c. Quality of management support to the Board	High satisfaction High satisfaction High satisfaction	High satisfaction High satisfaction High satisfaction	High satisfaction High satisfaction High satisfaction	
	7. Successful completion of key initiative(s): a. ERM Board Risk policies b. MDIC Act 2011	Review and enhance Review	Review and enhance Review	Review and enhance -	
D Robust risk assessment, monitoring, intervention and resolution capabilities	8. Successful completion of key initiative(s): a. Differential Premium Systems (DPS), Total Insured Deposits (TID), Differential Levy System (DLS) and Total Protected Policies (TPP) frameworks: i. Review and enhance TID and DPS-related regulations for DIS ii. Develop and implement DLS and Return of TPP framework for TIPS: a(ii)(1). DLS framework a(ii)(2). Guidelines on DLS and the regulations a(ii)(3). Supervisor validation on Return of TPP a(ii)(4). External auditor validation on Guidelines on Return of TPP b. Risk Assessment and Monitoring Methodology and Framework: i. Enhance Risk Assessment System for DIS ii. Develop Risk Assessment System for TIPS c. Develop and implement Early Warning System (EWS): i. DIS ii. TIPS d. Intervention and Failure Resolution Framework including policies, processes and procedures: i. DIS: d(i)(1). Develop and implement the final components of IFR activities d(i)(2). Develop and implement Valuation Model and System ii. TIPS: d(ii)(1). Amend IFR policies and procedures to include consideration for insurer members	Review  Develop and consult Develop and consult Implement and review -  Develop and implement Develop  Develop -  Develop Develop  Develop and complete	Develop and consult  Implement Implement Review Develop  Review Develop and implement  Develop and validate Research  Complete Develop  Review	Implement  Review Review - Implement  Review and enhance Review and enhance  Implement Develop  Review Develop and implement  Enhance	

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Targets			
			2012	2013	2014	
Governance and Internal Processes	D Robust risk assessment, monitoring, intervention and resolution capabilities	e. Policies and regulations: i. DIS: e(i)(1). Interest and dividend payable guidelines / rules e(i)(2). Premium surcharge e(i)(3). Terms and Conditions of Membership Regulations 2008 e(i)(4). Provision of Information on Deposit Insurance Regulations 2011 ii. TIPS: e(ii)(1). Terms and Conditions of Membership Regulations e(ii)(2). TIPS Information Regulations f. Conduct simulation on: i. Payout ii. Intervention and Failure Resolution g. Develop the remaining audit programme to ensure integrity of Payout Data, Systems and Processes for member banks h. Develop and implement claims management system, policies and procedures for insurer members: i. Phase 1a: Product Registry System ii. Phase 1b: Claims Management System iii. Phase 1c: Policy Holders Support Management System iv. Phase 2: Payment Management System i. Member institutions' compliance programme	Implement Complete Review and implement Review and implement	Review Review - Monitor	Enhance Enhance - Monitor	
			Implement Research	- Develop and consult	- Complete	
			Complete Complete Complete	Complete Complete Review and enhance	Complete Complete Review and enhance	
			Develop Research Research Research Implement	Implement Develop Develop Develop Review and enhance	- Implement Implement Implement -	
		E Sound business and financial practices	9. Reporting through: a. Annual Report b. Corporate Plan	Complete Complete	Complete Complete	Complete Complete
			10. Actual vs. approved expenditures budget	±10% variance	±10% variance	±10% variance
			11. Internal Control Compliance	Strong	Strong	Strong
			12. Internal Customer Satisfaction	75%	75%	75%
			13. Successful completion of key initiative(s): a. Policies and Procedures for Phase 1: Government Borrowings and Phase 2: Funding from capital market b. Target Fund framework for TIPS c. Develop and implement the following strategic plans: i. Annual Information Technology Strategic Plan ii. Annual Business Continuity Management Plan d. Disaster Recovery Site and infrastructure e. Corporate Information Security Framework	Review and enhance - Complete Complete Acquire land Review and enhance	- Research Complete Complete Construct Implement	- Develop Complete Complete Complete Review and enhance
		Learning and Growth	F Competent and knowledgeable workforce	14. Develop and implement annual learning and development plan	Complete	Complete
15. Successful completion of key initiative(s): a. Integrate Competency framework in Human Capital processes b. Knowledge Management Policies and Procedures	Review and enhance Develop			Implement Implement	Implement Review and enhance	
G Conducive corporate environment	16. Employee satisfaction index (Survey conducted once every two years)		-	75%	-	
	17. Successful completion of key initiative: a. Implement employee-related programmes to promote conducive corporate environment	Complete	Complete	Complete		

## Our Financial Plan 2012

Our financial plan has been developed to support the achievement of our planned initiatives and is set out below.

### A. Operating Budget

	2012 Budget		2011 Forecast*		2011 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
<b>Revenues</b>						
Premiums	199,300	80	201,150	90	242,700	96
Investments	49,400	20	22,386	10	11,000	4
<b>Total Revenues</b>	<b>248,700</b>	<b>100</b>	<b>223,536</b>	<b>100</b>	<b>253,700</b>	<b>100</b>
<b>Operating Expenditures</b>						
Salaries and Benefits	48,000	50	36,370	47	44,309	49
General and Administration	37,000	39	31,288	41	35,436	40
Communications	10,000	11	8,967	12	9,755	11
<b>Total Operating Expenditures</b>	<b>95,000</b>	<b>100</b>	<b>76,625</b>	<b>100</b>	<b>89,500</b>	<b>100</b>
<b>Net Surplus</b>	<b>153,700</b>		<b>146,911</b>		<b>164,200</b>	

### B. Capital Budget

	2012 Budget		2011 Forecast*		2011 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
<b>Capital Expenditures</b>						
Land and Building	7,000	32	-	-	-	-
Motor Vehicle	-	-	5	0	-	-
Furniture, Fittings and Office Refurbishment	550	2	410	14	550	7
Computer Systems and Office Equipment	14,650	66	2,490	86	6,950	93
<b>Total Capital Expenditures</b>	<b>22,200</b>	<b>100</b>	<b>2,905</b>	<b>100</b>	<b>7,500</b>	<b>100</b>

\*2011 Forecast = Actual (Jan-Oct 2011) + Forecast (Nov-Dec 2011)

### C. Commentary on Operating and Capital Budget

#### Revenues

- The premiums budgeted for the deposit insurance system for 2012 is RM115.1 million, based on the Differential Premium Systems rate structure. We expect improvement in ratings of several member banks as well as moderate growth in Total Insured Deposits.
- We have also budgeted premiums of RM84.2 million from our insurer members under TIPS. The budgeted premiums are calculated based on flat rates applied on Total Protected Policies (TPP). The TPP is expected to grow moderately in 2012.
- Investment income is budgeted based on average yield of 3.3% return on investment.

#### Operating Expenditures

- Salaries and benefits costs include the annual compensation costs for 148 employees planned for 2012 and incorporate the costs of market adjustments that are in line with our approved compensation and benefit policy. The resources have been planned to ensure effective administration of both DIS and TIPS, effective succession management as well as to ensure operational readiness.
- General and administration costs mainly relate to the day-to-day costs of administering our operations. The increase in the budget is primarily due to higher ongoing costs of our expanded office infrastructure, in particular office rental, telecommunications charges and utilities. We have also planned for the required resources to support all our identified key initiatives for 2012, in particular to build the capacity and capabilities in carrying out intervention and failure resolution activities for TIPS.
- For 2012, our multi-year Integrated Communications Plan will continue to focus on increasing the level of awareness and understanding of PIDM. We will continue to implement our education programme in order to enhance public understanding on deposit insurance as well as takaful and insurance benefits protection. Resources for communications activities will be allocated to support key communications activities, namely advertising campaigns and public relations activities including briefings and road shows as well as media engagements.

#### Capital Expenditures

- Our capital expenditures have been planned to support our key initiatives as well as operational effectiveness through infrastructure enhancements. This includes the development of PIDM's permanent Disaster Recovery Site to ensure operational readiness.
- Other key areas of focus will include enhancements to our payout and risk assessment systems as well as other operational IT systems.

#### D. Pro Forma Balance Sheet

	2012 Budget Total	2011 Forecast* Total	2011 Budget Total
	RM'000	RM'000	RM'000
<b>ASSETS</b>			
Cash and cash equivalents	3,473	4,773	8,757
Investments	1,595,110	1,483,860	565,945
Other assets	13,110	8,930	3,135
Property and equipment	52,685	22,025	26,699
<b>TOTAL ASSETS</b>	<b>1,664,378</b>	<b>1,519,588</b>	<b>604,536</b>
<b>LIABILITIES</b>			
Payables	8,512	17,422	14,656
<b>TOTAL LIABILITIES</b>	<b>8,512</b>	<b>17,422</b>	<b>14,656</b>
<b>FUNDS AND RESERVES</b>			
<b>DEPOSIT INSURANCE FUNDS</b>			
Beginning balance	518,880	430,733	425,680
Surplus for the year	92,244	88,147	112,128
	611,124	518,880	537,808
<b>TAKAFUL AND INSURANCE BENEFITS PROTECTION FUNDS</b>			
Beginning balance	983,286	-	-
Surplus for the year	61,456	983,286	52,072
	1,044,742	983,286	52,072
<b>TOTAL PROTECTION FUNDS</b>	<b>1,655,866</b>	<b>1,502,166</b>	<b>589,880</b>
<b>TOTAL LIABILITIES AND PROTECTION FUNDS</b>	<b>1,664,378</b>	<b>1,519,588</b>	<b>604,536</b>

\*2011 Forecast = Actual (Jan-Oct 2011) + Forecast (Nov-Dec 2011)

#### E. Pro Forma Cash Flow Statement

	2012 Budget	2011 Forecast*	2011 Budget
	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premium receipts from member banks, takaful operators and insurance companies	199,300	201,150	242,700
Receipts from Insurance Guarantee Scheme Funds	-	924,522	-
Receipts of investment income	49,400	15,404	8,800
Payments in the course of operations to suppliers and employees	(90,000)	(64,000)	(95,082)
<b>Net cash flows from operating activities</b>	<b>158,700</b>	<b>1,077,076</b>	<b>156,418</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment securities	700,000	500,000	554,944
Purchase of investment securities	(850,000)	(1,575,000)	(712,771)
Purchase of property and equipment	(10,000)	(5,896)	(7,500)
<b>Net cash flows used in investing activities</b>	<b>(160,000)</b>	<b>(1,080,896)</b>	<b>(165,327)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,300)</b>	<b>(3,820)</b>	<b>(8,909)</b>
Cash and cash equivalents at the beginning of the year	4,773	8,593	17,666
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>3,473</b>	<b>4,773</b>	<b>8,757</b>

\*2011 Forecast = Actual (Jan-Oct 2011) + Forecast (Nov-Dec 2011)





## Conclusion



# Conclusion

## Corporate Plan Derailment

We are confident that we shall be able to achieve our planned initiatives as set out in this Plan with the commitment from our dedicated, competent and knowledgeable workforce as well as having in place sound processes and infrastructure to support the achievement of this Plan. Other factors that also play a role in helping us achieve our goals as we continue to build capacity and capability to fulfil our mandate include sound governance and planning, ongoing training and development, strong relationships with other deposit insurers, and reliance on key stakeholders and suppliers.

However, should there be an event of intervention in a troubled member institution or the loss of key employees, such events would potentially necessitate a reprioritisation of our planned initiatives and refocusing our available

resources on the task at hand. In managing the potential risks that may derail us from this Plan, we have developed the following action plans:

- should an intervention and failure resolution event occur during the planning period, we shall reprioritise our initiatives and realign our resources while maintaining operations in all critical functions; and
- we continue to put in place a comprehensive succession plan for key positions to mitigate the impact of loss of key personnel.

While such events are not totally within our control, we will continue to monitor our operating environment to ensure that the risks that could derail us from achieving our Plan are managed and their effects mitigated.

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## Summary

Since its inception in 2005, PIDM has established and maintained a strong governance framework, a system of internal controls and operational foundation. The new MDIC Act 2011, which came into operation on 31 December 2010, entrusted the Corporation with a larger mandate, powers and responsibilities to contribute to the stability of the financial system and to enhance public confidence in it. In 2011, we completed a substantial number of initiatives relating to TIPS and our public awareness campaign included initiatives on educating insurance policy and takaful certificate owners in addition to depositors.

Recognition of PIDM's efforts, accomplishments and contributions, both locally and internationally, is evident from the conferment of the IADI "2011 DIO of the Year" award on the Corporation. This award, the result of PIDM being nominated for the third time, will enhance

the Corporation's standing in the eyes of the world and strategically position it towards being recognised as a best practice financial consumer protection organisation.

In the 2012 - 2014 planning period, we will intensify our efforts to enhance the organisation's capacity and capability by focusing on employee competencies, strengthen the Corporation's operational readiness and promote public awareness and education in our mandate and activities. We will also continue to build and put in place the necessary policies, processes, systems and infrastructure for TIPS operations while enhancing and strengthening the current practices for DIS. As we strive to be an even better well-governed and well-managed organisation so that our stakeholders have confidence in our ability to meet our mandate, we continue to subscribe to best practices in governance.

## **Appendix:** About PIDM



# Appendix: About PIDM

## Our Corporation

PIDM is a statutory body established in 2005 under the Malaysia Deposit Insurance Corporation (MDIC) Act. Our role under the MDIC Act is to administer and provide deposit insurance to protect depositors as well as a takaful and insurance benefits system to protect owners of takaful certificates and insurance policies in the event of a failure of a member institution.

As an integral part of the national financial safety net, we have wide-ranging powers to promote and contribute to the stability of the financial system, to provide incentives for sound risk management in the financial system, to intervene in and resolve troubled member institutions and to act in the best interests of depositors and policy owners.

PIDM reports to Parliament through the Minister of Finance. We are also known as the Malaysia Deposit Insurance Corporation, especially within the international context.

The protection that PIDM provides comprises:

### **Deposit Insurance System (DIS)**

Protects depositors against the loss of their insured deposits placed with member banks, in the unlikely event of a member bank failure.

### **Takaful and Insurance Benefits Protection System (TIPS)**

Protects owners of takaful certificates and insurance policies from the loss of their eligible takaful or insurance benefits, in the unlikely event of a failure of an insurer member.

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## Our Mandate

PIDM's mandate is set out in the MDIC Act 2011 and its objects are to:

- a) administer a deposit insurance system and a takaful and insurance benefits protection system;
- b) provide insurance against the loss of part or all of deposits for which a deposit-taking member is liable and provide protection against the loss of part or all of takaful or insurance benefits for which an insurer member is liable;
- c) provide incentives for sound risk management in the financial system; and
- d) promote or contribute to the stability of the financial system.

In achieving its objects under paragraphs (b) and (d), the Corporation shall act in such manner as to minimise costs to the financial system.

## Our Members

PIDM's member institutions comprise:

- commercial and Islamic banks, including locally incorporated foreign banks, licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983; and
- insurance companies and takaful operators licensed under the Insurance Act 1996 or the Takaful Act 1984.

As at 29 December 2011, PIDM's member institutions are as follows:

### Commercial Banks (25)

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1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bangkok Bank Berhad
5. Bank of America Malaysia Berhad
6. Bank of China (Malaysia) Berhad
7. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
8. BNP Paribas Malaysia Berhad
9. CIMB Bank Berhad
10. Citibank Berhad \*
11. Deutsche Bank (Malaysia) Berhad \*
12. Hong Leong Bank Berhad
13. HSBC Bank Malaysia Berhad
14. Industrial and Commercial Bank of China (Malaysia) Berhad
15. J.P. Morgan Chase Bank Berhad
16. Malayan Banking Berhad
17. Mizuho Corporate Bank (Malaysia) Berhad
18. OCBC Bank (Malaysia) Berhad
19. Public Bank Berhad
20. RHB Bank Berhad
21. Standard Chartered Bank Malaysia Berhad
22. Sumitomo Mitsui Banking Corporation Malaysia Berhad (SMBCM)
23. The Bank of Nova Scotia Berhad
24. The Royal Bank of Scotland Berhad
25. United Overseas Bank (Malaysia) Berhad

*\*denotes this bank provides Islamic banking services*

### Islamic Banks (16)

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1. Affin Islamic Bank Berhad
2. Alliance Islamic Bank Berhad
3. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
4. Amlslamic Bank Berhad
5. Asian Finance Bank Berhad
6. Bank Islam Malaysia Berhad
7. Bank Muamalat Malaysia Berhad
8. CIMB Islamic Bank Berhad
9. Hong Leong Islamic Bank Berhad
10. HSBC Amanah Malaysia Berhad
11. Kuwait Finance House (M) Berhad
12. Maybank Islamic Berhad
13. OCBC Al-Amin Bank Berhad
14. Public Islamic Bank Berhad
15. RHB Islamic Bank Berhad
16. Standard Chartered Saadiq Berhad

### Insurance Companies (36)

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1. ACE Synergy Insurance Berhad
2. Allianz General Insurance Company (Malaysia) Berhad
3. Allianz Life Insurance Malaysia Berhad
4. American International Assurance Bhd.
5. AmG Insurance Berhad
6. AmLife Insurance Berhad
7. AXA Affin General Insurance Berhad
8. AXA Affin Life Insurance Berhad
9. Berjaya Sompo Insurance Berhad
10. Chartis Malaysia Insurance Berhad
11. CIMB Aviva Assurance Berhad
12. Etiqa Insurance Berhad
13. Great Eastern Life Assurance (Malaysia) Berhad
14. Hong Leong Assurance Berhad
15. ING Insurance Berhad
16. Jerneh Insurance Berhad
17. Kurnia Insurance (Malaysia) Berhad
18. Lonpac Insurance Berhad
19. Malaysian Assurance Alliance Berhad
20. Manulife Insurance Berhad
21. MCIS Zurich Insurance Berhad
22. MSIG Insurance (Malaysia) Bhd.
23. MUI Continental Insurance Berhad
24. Multi-Purpose Insurans Berhad
25. Oriental Capital Assurance Berhad
26. Overseas Assurance Corporation (Malaysia) Berhad
27. Pacific & Orient Insurance Co. Berhad
28. Progressive Insurance Berhad
29. Prudential Assurance Malaysia Berhad
30. QBE Insurance (Malaysia) Berhad
31. RHB Insurance Berhad
32. The Pacific Insurance Berhad
33. Tokio Marine Insurans (Malaysia) Berhad
34. Tokio Marine Life Insurance Malaysia Bhd.
35. Uni.Asia General Insurance Berhad
36. Uni.Asia Life Assurance Berhad

### Takaful Operators (11)

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1. AIA AFG Takaful Berhad
2. CIMB Aviva Takaful Berhad
3. Etiqa Takaful Berhad
4. Great Eastern Takaful Sdn. Bhd.
5. Hong Leong MSIG Takaful Berhad
6. HSBC Amanah Takaful (Malaysia) Sdn. Bhd.
7. ING PUBLIC Takaful Ehsan Berhad
8. MAA Takaful Berhad
9. Prudential BSN Takaful Berhad
10. Syarikat Takaful Malaysia Berhad
11. Takaful Ikhlas Sdn. Bhd.

## Our Board of Directors

PIDM is currently governed by a seven-member Board of Directors, with a balanced representation from the public and private sectors. The Board is responsible for the conduct of the business and affairs of PIDM.

A non-executive Chairman heads the Board while other representatives include two *ex officio* members, namely the Governor of BNM and the Secretary General of the Treasury, one director from the public sector and three directors from the private sector with one having relevant banking and financial sector experience. The Chairman and all non-*ex officio* members are appointed by the Minister of Finance.



**Tan Sri Datuk Dr. Abdul Samad  
Haji Alias**  
Chairman



**Tan Sri Dato' Sri Dr. Zeti  
Akhtar Aziz**  
Board Member



**Tan Sri Dato' Sri Dr. Wan  
Abdul Aziz Wan Abdullah**  
Board Member



**Dato' Halipah binti Esa**  
Board Member



**Mr. George Anthony  
David Dass**  
Board Member



**Mr. Lim Tian Huat**  
Board Member



**Mr. Alex Foong Soo Hah**  
Board Member

## Our Executive Management Committee

PIDM's Executive Management Committee (EMC) is chaired by the Chief Executive Officer who is not a member of the Board of Directors. The EMC is a forum for the discussion of issues relating to the management and day-to-day operations of PIDM. Its members comprise the Heads of Division who are also responsible for supporting the Board of Directors in fulfilling its governance responsibilities. The EMC is intended to facilitate effective communications, teamwork, adaptability to change and effective collaboration throughout all areas of PIDM, as well as to serve as a conduit for information to all employees.



**Jean Pierre Sabourin**  
Chief Executive Officer



**Md Khairuddin  
bin Hj Arshad**  
Chief Operating Officer



**Lim Yam Poh**  
General Counsel and  
Corporate Secretary



**Wan Ahmad Ikram Wan Ahmad Lotfi**  
Chief Financial Officer and General Manager,  
Finance and Administration



**Chong Chen Voon**  
Chief Risk Officer and General Manager,  
Enterprise Risk Management



**Noorida Baharuddin**  
Chief Internal Auditor and General Manager,  
Audit and Consulting Services



**Lee Yee Ming**  
General Manager,  
Policy and International



**Lim Kong Kuan**  
General Manager,  
Intervention and Failure Resolution



**Patricia Griffin**  
General Manager,  
Human Capital



**Rafiz Azuan Abdullah**  
General Manager,  
Insurance, Risk Assessment and Monitoring



**Chua Ee Leen**  
General Manager,  
Strategic Planning



**Hasina Mohamed**  
Deputy General Manager,  
Communications and Public Affairs

## Contact Us

### For more information about PIDM

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- Contact our Customer Service Call Centre at:  
Toll Free **1-800-88-1266**  
**From 8.30 am to 5.30 pm, Mondays to Fridays**
- Visit our website at **www.pidm.gov.my**
- Email to **info@pidm.gov.my**
- Write to:  
**Communications and Public Affairs Division**  
**Perbadanan Insurans Deposit Malaysia**  
**Level 12, Quill 7,**  
**No. 9, Jalan Stesen Sentral 5,**  
**Kuala Lumpur Sentral,**  
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