



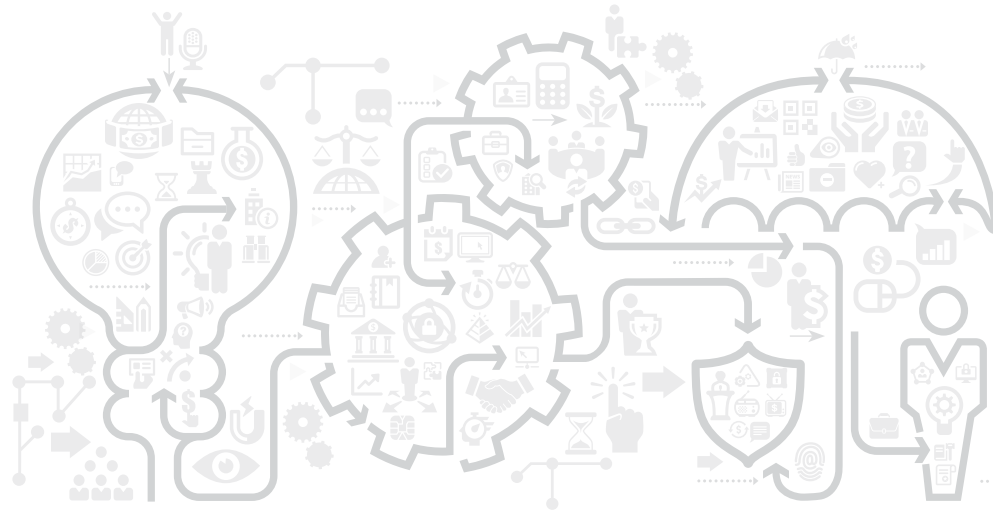
Perbadanan Insurans Deposit Malaysia  
Protecting Your Insurance And Deposits In Malaysia

SUMMARY OF THE CORPORATE PLAN 2016 - 2018



WORKING IN  
**UNISON**





## Working In Unison

PIDM celebrated 10 years of success in 2015, a significant milestone in our journey towards becoming a best practice financial consumer protection and resolution authority.

In the last decade, we have worked hard on cementing our foundations as a well governed and well managed organisation. Part of this effort means, among others, that we must remain in a constant state of readiness to protect depositors and takaful certificate and insurance policy owners against the failure of any member institution.

Working In Unison – our cover design encapsulates the essence of how PIDM serves the community and financial system, with the view to protect the interests of its key stakeholders, the public, at all times. It depicts the varied components of work that we must do and how we work together as a team to ensure that PIDM's engine works smoothly and that it can fulfil its mandate and aspirations in the best possible manner.

***“Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work.”***

***Vince Lombardi***

## The Corporation's Mandate

The objects of Perbadanan Insurans Deposit Malaysia (the Corporation) under the Malaysia Deposit Insurance Corporation Act (PIDM Act) are as follows, namely, to:

- a) administer a deposit insurance system and takaful and insurance benefits protection system;
- b) provide insurance against the loss of deposits in member banks and provide protection against the loss of takaful and insurance benefits in respect of insurer members;
- c) provide incentives for sound risk management in the financial system; and
- d) promote and contribute to the stability of the financial system.

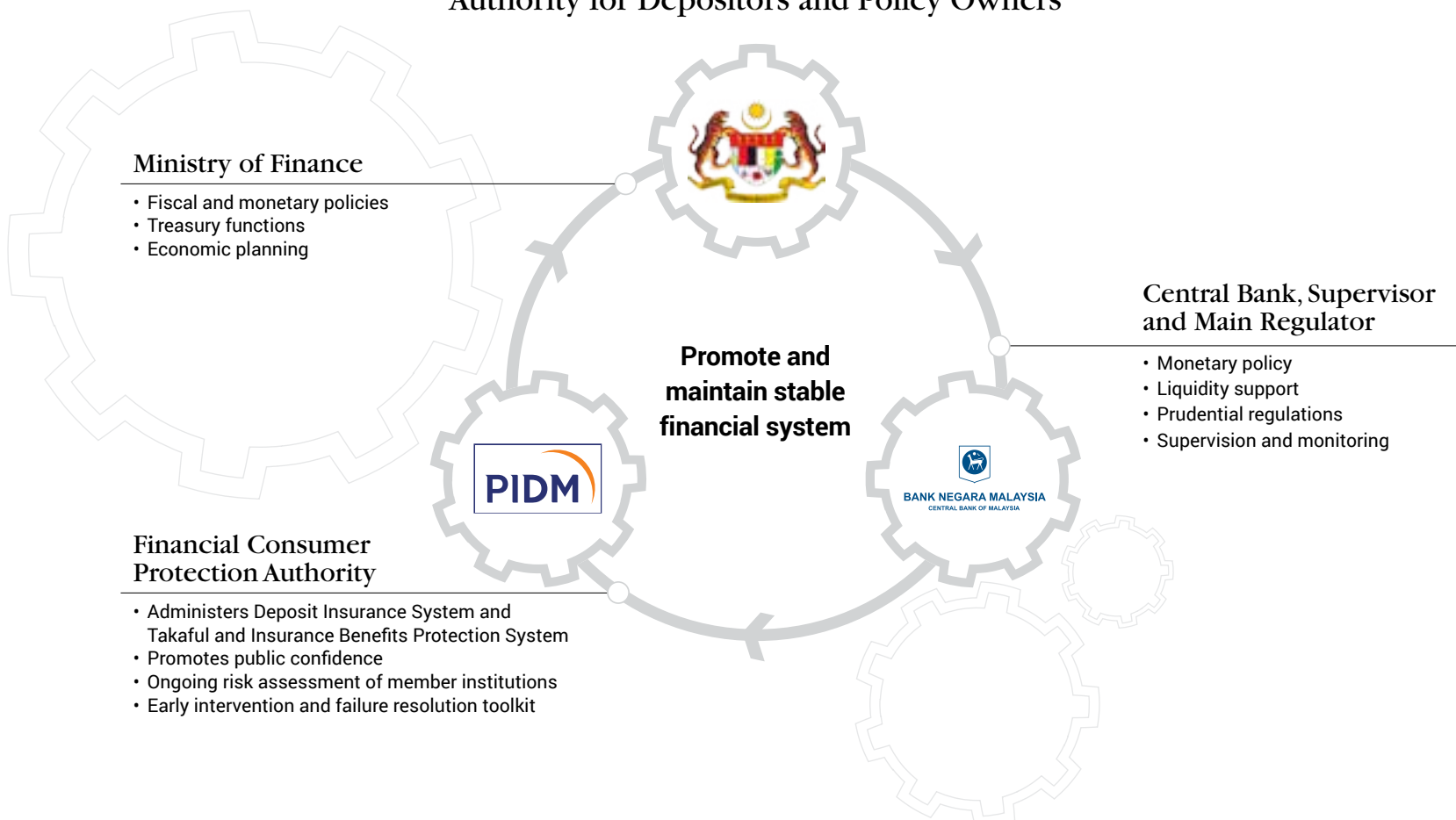
In achieving its objects under paragraphs (b) and (d), the Corporation shall act in such manner as to minimise costs to the financial system.

The preamble to the PIDM Act underlines the public policy objectives of the Corporation's protection systems and recognises that:

- a) the stability of the financial system is a key determinant in the economic growth and prosperity of Malaysia;
- b) our protection systems are important components of the financial safety net and promote and contribute to the stability of the financial system;
- c) speed and efficiency are necessary for us to carry out our mandated functions; and
- d) special provisions are needed to allow the Corporation to promptly implement resolution actions contemplated under the PIDM Act at minimum cost to the financial system.

The Corporation is one of the financial safety net players in ensuring financial system stability.

### PIDM is an Integrated Financial Consumer Protection Authority for Depositors and Policy Owners





## OUR VISION

To be a best practice financial consumer protection and resolution authority



## OUR MISSION

To execute our mandate efficiently and effectively, with a commitment to make a difference to our community and our employees



## 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



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# *Section* **1** Introduction

Where We are Today – After 10 Years in Operation

Foundations are in Place

Our People – Developed and Engaged

# Introduction

## WHERE WE ARE TODAY – AFTER 10 YEARS IN OPERATION

2015 marks our 10<sup>th</sup> year in operation. Established in 2005 to administer the Deposit Insurance System (DIS), our journey began with building sound foundations as our key goal. Over the years, the key areas we have focused on are:

- a) developing our people and infrastructure;
- b) developing and establishing good governance and management within the organisation; and
- c) ensuring our ability to carry out all aspects of our mandate effectively.

Since establishment, our mandate has expanded beyond DIS. In 2008, as concerns about the effects of the global financial crisis reverberated across many parts of the world, the scope of our functions was expanded. We were responsible for administering the Government Deposit Guarantee (GDG) to maintain public confidence and financial stability. Subsequently, at the end of 2010, and as Malaysia exited the GDG, our mandate was expanded to also protect takaful certificate and insurance policy owners under the Takaful and Insurance Benefits Protection System (TIPS).

## FOUNDATIONS ARE IN PLACE

10 years later, we believe that we have made considerable progress and our foundations are solid. Among others, we are:

Recognised to uphold best practices in corporate governance	<ul style="list-style-type: none"> <li>• Received the National Annual Corporate Report Award (NACRA) for “Best Annual Report of Non-Listed Organisations” five years in a row.</li> <li>• Corporate Plan and Annual Report disclosure provide strong accountability regime.</li> <li>• Actively involved, together with Bank Negara Malaysia (BNM), in promoting the Financial Institutions’ Directors Education (FIDE) Programme as well as supporting its alumni association, FIDE FORUM, to promote high standards of corporate governance in financial institutions.</li> </ul>
Recognised in our fields of practice	<ul style="list-style-type: none"> <li>• Received the “Deposit Insurance Organisation of the Year Award” from the International Association of Deposit Insurers (IADI) (2011).</li> <li>• Founding member of the International Forum of Insurance Guarantee Schemes (IFIGS) (2012).</li> <li>• Assessed to be in conformance with the “Core Principles for Effective Deposit Insurance Systems” by the International Monetary Fund / World Bank’s Financial Sector Assessment Programme (2012).</li> <li>• Active participation in the Executive Committee of IADI. Leading IADI’s working group in the field of Islamic Deposit Insurance Systems.</li> </ul>
Recognised as playing a significant role in the stability of the financial system	<ul style="list-style-type: none"> <li>• Called upon to administer the GDG to ensure confidence in the stability of the financial system. Protection coverage extended to takaful certificate and insurance policy owners at the end of 2010.</li> <li>• Resolution authority in Malaysia for all member banks and insurer members.</li> <li>• Contemplated within the national Financial Sector Blueprint 2011 - 2020 as a national resolution authority with a wider scope by 2020.</li> </ul>



# Introduction

Significant outcomes in respect of our statutory objects include the following:

Our Statutory Objects	Key Outcomes
Administering DIS and TIPS, Islamic and conventional	Developed and established policies, systems, processes and infrastructure, as well as rules and regulations for operational efficiency and effectiveness. Our system is unique in the world as we administer both an Islamic as well as a conventional system within one organisation.
Protecting depositors and takaful certificate and insurance policy owners	<ul style="list-style-type: none"> <li>• Operationally and people-ready with comprehensive contingency plans to carry out an intervention or failure resolution should it be necessary.</li> <li>• Continuous review of legislation (in particular intervention and failure resolution powers) to ensure adequacy and relevance.</li> </ul>
Providing incentives for sound risk management	<ul style="list-style-type: none"> <li>• Established risk-based differential premiums and levies systems, which encourage member institutions to strive to achieve the best rated categories, so as to pay lower premiums.</li> <li>• Promoted best corporate governance practices in financial institutions, leading by example, as well as by promoting a world-class corporate governance education programme for directors of financial institutions and supporting its alumni association, FIDE FORUM.</li> </ul>
Promoting and contributing to stability in the financial system	<ul style="list-style-type: none"> <li>• Implemented continuous public awareness strategies and initiatives to enhance public confidence.</li> <li>• Issued Information Regulations to require member banks to disseminate information about PIDM and its systems where relevant.</li> </ul>

## OUR PEOPLE – DEVELOPED AND ENGAGED

With regard to our people:

- We have invested heavily in our workforce with a view to building the right culture and values. We have focused on learning and development, and a conducive work environment for engagement and retention.
- Our workforce has grown over the years to address our expanded mandate. We plan to continue to develop our workforce to meet the current and future needs of our organisation. In 2014, we restructured the organisation for leadership development, learning and succession planning, as we transition into the next phase of the Corporation's development.
- We also have developed a long-term Strategic Human Capital Plan that will ensure that our vision on human capital is aligned with our long-term strategic direction and plan.

▶ Transfer of knowledge and expertise through international networks for escalated learning and development

▶ Implemented a Strategic Human Capital Plan with key goals of building the right culture and values, skills through learning and development, and a conducive work environment

▶ Emphasised leadership development, succession planning, engagement and retention



# Section **2** Long-Term Strategic Plan

Where We Want to be Over the Long Term

What Value Can We Add and How?

Vision and Mission

Strategic Priorities

# Long-Term Strategic Plan

## WHERE WE WANT TO BE OVER THE LONG TERM

During our planning in 2015, we focused on our long-term future. The ultimate objective of this exercise was to ensure that we will continue to have a robust strategic plan that will guide us in delivering value to our stakeholders over the long term. The key question we sought to address in deciding our long-term strategic direction was this – *“What value can we continue to add to our stakeholders over the long term?”*

## WHAT VALUE CAN WE ADD AND HOW?

Clearly, we must be able to deliver on our mandate effectively and efficiently. We must continue to be vigilant and operationally ready. This has been the focus of our work to date and will continue to be so. Yet as the financial services and regulatory landscape continue to change, we must monitor and take cognisance of these changes and challenges. We must be adaptable and flexible enough to respond promptly, and be proactive in anticipating, recognising and dealing with significant risks.

As continued stakeholder trust and confidence is critical to our success in meeting our mandate, underlining all of our plans and our work must be:

- a) integrity and professionalism; and
- b) the desire to make recognisable and positive contributions to society.

## VISION AND MISSION

Our vision is to be a best practice financial consumer protection and resolution authority.

Our mission is to execute our mandate efficiently and effectively, with a commitment to make a difference to our community and our employees.

## STRATEGIC PRIORITIES

The key drivers leading to our decision on our strategic priorities that are aligned with the long-term strategic direction include the following:

Key Drivers	Strategic Priorities
<ul style="list-style-type: none"> <li>• The financial services and regulatory landscape has changed and will continue changing. Thus, we are adopting the culture of continuous learning to ensure that our people are adaptable, open to new ideas, and new and better ways of doing things.</li> <li>• A key success factor to achieving our goals is our people. As such, the ability to keep talents that we have invested in, and making sure that our people will continue to grow and work successfully as a team, are also key to our continued operational readiness.</li> <li>• Long-term success will depend on the retention, engagement and competence of our people.</li> </ul>	<p>We will implement our long-term Strategic Human Capital Plan that addresses the critical resources and core competencies that will help us reach our goals.</p>
<ul style="list-style-type: none"> <li>• It is globally recognised that jurisdictions should have an effective resolution regime to minimise the risks of disorderly failures of financial institutions that could disrupt critical financial services and consequently, affect the economy as a whole.</li> <li>• The Financial Sector Blueprint 2011 - 2020 contemplates that the Corporation's role will be expanded to become a national resolution authority.</li> </ul>	<p>We will work towards developing and implementing an Effective Resolution Regime Plan.</p>
<ul style="list-style-type: none"> <li>• The public must not only be aware of the Corporation's role and responsibilities, but also have trust and confidence in the Corporation as a regulator and a public sector body.</li> </ul>	<p>We will continue to work towards enhancing stakeholder engagement and continue to promote best practices in corporate governance.</p>

# *Section* **3** 2016 - 2018 Plan

Operating Environment

Enterprise Risk Management Review

Key Planning Assumptions

Highlights of Our Three-Year Plan

Corporate Scorecard 2016 - 2018

Financial Plan 2016

Financial Projections 2017 - 2018

# 2016 - 2018 Plan

## OPERATING ENVIRONMENT

The Corporation continuously monitors and assesses the global and domestic economic trends and developments as well as its member institutions' operating environment, applying our Enterprise Risk Management (ERM) framework to identify and assess all material risks.

Based on our environmental scan, we conclude as follows:

- Amidst a challenging global environment, the Malaysian economy remains resilient. Underpinned by domestic demand, a possible modest turnaround in exports and conducive monetary conditions, we expect the Malaysian economy to continue to be on a steady but slower growth path and expand at a slower pace in 2016.
- The operating landscape and business environment is challenging. Despite this, the banking sector remains resilient, with strong capitalisation, stable asset quality, sustained profitability and ample liquidity amid slower growth. Similarly, the outlook for the insurance industry continues to show sound performance, with strong level of capitalisation.

## ENTERPRISE RISK MANAGEMENT REVIEW

In our latest ERM risk assessments, we concluded that our risks in the relevant categories are either "acceptable" or "manageable" with risk trends remaining stable or decreasing as shown in the table below. For risk categories assessed as "manageable", specific action plans or initiatives will be carried out to manage the risks and we will continually monitor the risk ratings and the implementation of the action plans or initiatives.

Our Plan incorporates key risk action plans and initiatives to address the key risks identified in the relevant categories.

Risk Category	Residual Risk Rating	Risk Trend
a) <b>Financial Risk:</b> Group of risks that result from the adverse movements in the value of financial assets and liabilities, both on and off balance sheet. The Financial Risk category, typically driven by external factors, generally consists of Market Risk (including equity, foreign currency or assets, interest rates that affect prices or values), Liquidity Risk and Credit Risk. <sup>1</sup>	●	—
b) <b>Insurance Risk:</b> Group of risks related to the Corporation's capability in carrying out assessment, monitoring, intervention, and other related risk inherent in providing DIS and TIPS.	●	▼
c) <b>Operational Risk:</b> Risks in relation to the Corporation's internal processes, people, information technology, compliance requirements and information security that could affect its ability to carry out its mandate.	●	▼
d) <b>Reputation Risk:</b> An event that may have a negative impact on key stakeholders' trust and confidence in the Corporation's ability and capability to carry out its mandate.	●	—
e) <b>Strategic and Governance Risk:</b> Risks that affect the achievement of the Corporation's strategic priorities as set out in the Corporate Plan and risks that might hinder the effectiveness of its governance structures and processes.	●	▼

<sup>1</sup> The Corporation's Financial Risk is currently focused on two sub-risk categories, namely, Market Risk and Liquidity Risk

### Residual Risk Rating:

- **ACCEPTABLE** - Overall, the residual risk is acceptable and appropriate risk management practices are in place.
- **MANAGEABLE** - Overall, the residual risk warrants risk action plans as mitigation, and appropriate and timely action is being taken to manage the risk.
- **CAUTIONARY** - Overall, the residual risk warrants close monitoring, and / or that previously identified initiatives to enhance the management of the risk are not fully implemented, albeit appropriate and timely action is being taken to do so.
- **SERIOUS CONCERN** - Overall, the residual risk is unacceptable; including that significant gaps may exist in risk management practices and controls.

### Risk Trend:

- Stable
- ▲ Increasing
- ▼ Decreasing

# 2016 - 2018 Plan

## KEY PLANNING ASSUMPTIONS

This Plan is based on the following key planning assumptions:

- The domestic economic environment and our financial system will remain resilient.
- Our mandate will remain current and relevant. We will develop the proposed policy and legislation to provide for our enhanced role as the National Resolution Authority for non-member institutions of the Corporation.
- We do not expect any need for an intervention and failure resolution in respect of any member institution during the planning period. However, we will remain in a state of operational readiness which will require continuously enhancing the necessary expertise, tools and systems to support intervention and failure resolution as well as resolution plan activities.

- In respect of the Corporation's funding:

- i) income from premium and levy will increase in tandem with the growth in Total Insured Deposits (TID) for member banks and total qualified certificates or policies for insurer members, as follows:

### *Member banks' premiums and Target Fund framework*

- Premium rates under the revised Differential Premium Systems (DPS) framework for the best rated category will be 0.06% for the planning period.
- The time to reach the set Target Fund level is projected to be between seven to nine years.

### *Insurer members' levies and Target Fund framework*

- Levy rates will be based on the Differential Levy System (DLS) and the approved rates calculated on Actuarial Valuation Liabilities and / or net premiums of the Total Qualified Policies / Certificates.
- The Target Fund framework for General Insurance Protection Fund will be implemented in 2016 and the Life Insurance Protection Fund and Takaful Protection Fund will thereafter be implemented during the planning period.

- ii) investment income is generated from reserves held in the six Funds. Our Investment Policy's objective is capital preservation. It is assumed that the investment yield will remain stable during the planning period.

- The Corporation will continue to rely on a skilled team of employees supported by key suppliers, partners and ongoing good relationships with key stakeholders.

# 2016 - 2018 Plan

## HIGHLIGHTS OF OUR THREE-YEAR PLAN

The strategic priorities guide the Corporation's activities over the planning period. Highlights of the key initiatives during the planning period are as below.

### Employee Engagement and Retention

**Key outcome:** During the planning period, we will work on implementing key human capital strategies with a view to achieving our workforce goals in line with our Strategic Human Capital Plan.

Areas	Initiatives
Talent management	<ul style="list-style-type: none"> <li>• Continue to develop leadership skills for the management team.</li> <li>• Implement a career management strategy.</li> <li>• Review and validate the current competency model.</li> <li>• Monitor succession planning and develop the next level of successors.</li> </ul>
Learning organisation	<ul style="list-style-type: none"> <li>• Develop the learning organisation framework and strategies for implementation.</li> </ul>
Employee engagement	<ul style="list-style-type: none"> <li>• Continue to promote a positive work culture and environment.</li> </ul>

### Effective Resolution Regime

**Key outcome:** During the planning period, the Corporation will –

- develop a resolution planning framework; and
- work with other authorities to determine the scope of the Corporation's role, and related policy and legislative issues in relation to the national resolution of financial institutions that are not member institutions of the Corporation.

The objective of an effective resolution regime is to make it feasible for a financial institution to be resolved in an orderly manner, without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions.

We will be guided by the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions but will ensure the resolution regime is applicable to Malaysia. The building blocks for an effective resolution regime and accompanying key initiatives are set out below.

Building Blocks	Initiatives
Operational readiness – Intervention and Failure Resolution	<ul style="list-style-type: none"> <li>• Develop a resolution plan framework in respect of Systemically Important Financial Institutions (SIFIs).</li> <li>• Complete the development of the evaluation model that supports the assessment of our resolution options.</li> <li>• Continue to conduct simulations for intervention and failure resolution readiness.</li> <li>• Develop systems to support faster reimbursement of insurance claims in the event of an insurer member failure.</li> </ul>
Operational readiness – Funding	<ul style="list-style-type: none"> <li>• Complete the Target Fund for life and takaful funds.</li> <li>• Continue to develop other liquidity funding arrangements.</li> </ul>

# 2016 - 2018 Plan

## Effective Resolution Regime

Building Blocks	Initiatives
Operational readiness – Risk Assessment and Monitoring	<ul style="list-style-type: none"> <li>• Implement the “Failure Prediction Model of the Early Warning System” for insurer members.</li> <li>• Enhance the risk assessment framework to address the Islamic banking and takaful businesses.</li> <li>• Develop a separate DPS framework for the Islamic member banks.</li> </ul>
Information Technology and infrastructure	<ul style="list-style-type: none"> <li>• Implement the “PIDM Industry Portal” to provide member institutions access to an interactive portal for information submissions.</li> <li>• Expand the collaboration facilities for employees to securely access corporate Information Technology (IT) systems remotely.</li> </ul>
National Resolution Authority	<ul style="list-style-type: none"> <li>• Conduct research on the current financial landscape and make recommendations in regard to the related policy, legislative, funding and other issues.</li> <li>• Consult with other authorities with a view to determining the scope of PIDM’s role.</li> </ul>

## Stakeholder Engagement and Corporate Governance

**Key outcome:** Throughout the planning period, the Corporation will collaborate with member institutions and their industry associations as well as FIDE FORUM to engage with key stakeholders and promote sound risk management and corporate governance.

Areas	Initiatives
Stakeholder engagement	<ul style="list-style-type: none"> <li>• Engage with relevant regulators and policymakers at the national and international levels.</li> <li>• Directly engage with member institutions and industry associations on financial consumer protection or resolution matters.</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• Enhance public awareness of PIDM.</li> <li>• Conduct a consumer behavioural economics study to better understand public behaviour in situations of uncertainty.</li> <li>• Enhance the Corporation’s profile and credibility through media profiling and engagement, positioning our experts as speakers at relevant events and international conferences, and participation by member associations.</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>• Continue to provide support and collaborate with FIDE FORUM to raise standards of corporate governance among directors of financial institutions in Malaysia.</li> </ul>

## CORPORATE SCORECARD 2016 - 2018

The corporate initiatives for the planning period and the respective targets are set out in the following pages.

The financial plan and projections that include estimated resources for our plans are set out in pages 17 to 23 of this Plan. The progress of the initiatives towards the targets will be reported in our 2016 Annual Report.



## 2016 - 2018 Plan

## CORPORATE SCORECARD 2016 - 2018

Corporate Objectives		Corporate Initiatives	Targets		
			2016	2017	2018
STAKEHOLDERS	A Educated and informed stakeholders	1. Public awareness index:			
		a. General awareness of PIDM	58%	63%	65%
		b. General awareness of Deposit Insurance System (DIS)	46%	50%	54%
		c. General awareness of Takaful and Insurance Benefits Protection System (TIPS)	28%	31%	35%
		2. Successful completion of:			
		a. Integrated Communications Plan	Complete	Complete	Complete
	B Effective partnerships	3. PIDM's relationship with:			
		a. Bank Negara Malaysia (BNM)	Strong	Strong	Strong
		b. Member institutions and their industry associations	Satisfactory	Satisfactory	Satisfactory
		c. Ministries and other Government regulatory agencies	Strong	Strong	Strong
		d. Key suppliers and strategic partners	Strong	Strong	Strong
		e. Deposit insurers and insurance guarantee schemes	Strong	Strong	Strong
C Well-governed and well-managed organisation	f. Other key stakeholders	Satisfactory	Satisfactory	Satisfactory	
	4. Other international fora	Active participation	Active participation	Active participation	
	5a. Best practices of governance adopted and maintained	Compliance	Compliance	Compliance	
	5b. Laws and significant corporate policies and practices complied with, and kept current and relevant	Full compliance and updated	Full compliance and updated	Full compliance and updated	
	5c. Quality of management support to the Board	High satisfaction	High satisfaction	High satisfaction	
	6. The Financial Institutions Directors' Education Association (FIDE FORUM)	Active support and participation	Active support and participation	Active support and participation	
	7. Successful completion of:				
D Robust risk assessment, monitoring, intervention and resolution capabilities	a. PIDM legislation kept current and relevant	Review	Review	Review	
	8. Successful completion of:				
	a. Early Warning System for TIPS	Research	Develop	Implement	
	b. Evaluation Model for DIS and TIPS	Develop	Complete and simulate	Review	
	c. Intervention and resolution plans for complex financial institutions:				
	i. Resolution Planning Framework and Guidelines	Develop and complete	Review	Consult	
ii. Resolvability Assessment Framework	Develop and complete	Review	Review		
GOVERNANCE AND INTERNAL PROCESSES					

## 2016 - 2018 Plan

## CORPORATE SCORECARD 2016 - 2018

Corporate Objectives		Corporate Initiatives	Targets		
			2016	2017	2018
D	Robust risk assessment, monitoring, intervention and resolution capabilities	d. Claims management system, policies and procedures for insurer members:			
		i. Premium Reimbursement Information Management System	Develop	Complete and implement	Maintain
		ii. Claims Management System	Develop	Complete and implement	Maintain
		iii. Policy Holders Support Management System	-	Develop	Complete
		iv. Payment Management System	-	Develop	Complete
		e. Regulations:			
		i. TIPS Information Regulations	Implement	Monitor	Monitor
		ii. Terms and Conditions of Membership Regulations – DIS and TIPS	Monitor	Monitor	Monitor
		f. Member institutions' compliance programme with PIDM legislation for insurer members	Develop	Develop	Implement
		E	Sound business and financial practices	9. Reporting through:	
a. Annual Report	Complete			Complete	Complete
b. Corporate Plan	Complete			Complete	Complete
10. Financial performance against approved budgets	±10% variance			±10% variance	±10% variance
11. Internal Control and Risk Management Compliance	Strong			Strong	Strong
12. Successful completion of:					
a(i). Target Fund for TIPS:					
i(1). General Fund	Review			Review	Review
i(2). Life Fund	Implement			Review	Review
i(3). Takaful Funds	Research			Develop	Implement
a(ii). Alternative funding arrangements	Complete			Review	Review
b. Annual Information Technology Strategic Plan	Complete			Complete	Complete
c. Disaster Recovery Centre (DRC) and infrastructure	Complete			Maintain	Maintain
d. Corporate Information Security Management	Maintain	Maintain	Maintain		
F	Competent and knowledgeable workforce	13. Strategic Human Capital Plan	Develop	Implement	Implement
G	Conducive corporate environment	14. Sustainable Engagement Index (survey conducted once every two years to gauge level of employee engagement)	-	80%	-

# 2016 - 2018 Plan

## FINANCIAL PLAN 2016

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

### a) Income and Operating Expenditures Budget

	2016 Budget		2015 Forecast*		2015 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
<b>INCOME</b>						
Premiums and Levies**	512,550	85	442,006	85	364,500	83
Investment Income	91,350	15	78,500	15	74,800	17
Miscellaneous Income	-	-	805	- ***	-	-
<b>Total Income</b>	<b>603,900</b>	<b>100</b>	<b>521,311</b>	<b>100</b>	<b>439,300</b>	<b>100</b>
<b>OPERATING EXPENDITURES</b>						
Employee Benefits	58,750	48	51,055	54	57,250	53
General and Administration	48,150	40	30,550	32	37,300	34
Communications	14,100	12	12,665	14	14,450	13
<b>Total Operating Expenditures</b>	<b>121,000</b>	<b>100</b>	<b>94,270</b>	<b>100</b>	<b>109,000</b>	<b>100</b>
<b>Net Surplus</b>	<b>482,900</b>		<b>427,041</b>		<b>330,300</b>	

### b) Capital Expenditures Budget

	2016 Budget		2015 Forecast*		2015 Budget	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
<b>CAPITAL EXPENDITURES</b>						
Motor Vehicle	450	4	441	3	460	2
Furniture, Fittings and Office Refurbishment	3,160	28	1,110	8	4,330	22
Computer Systems and Office Equipment	7,590	68	12,230	89	14,805	76
<b>Total Capital Expenditures</b>	<b>11,200</b>	<b>100</b>	<b>13,781</b>	<b>100</b>	<b>19,595</b>	<b>100</b>

\* 2015 Forecast = Actual (Jan - Nov 2015) + Forecast (Dec 2015)

\*\* For the purpose of this Plan, "levy" or "levies" shall have the same meaning as "premium" or "premiums" in the PIDM Act 2011

\*\*\* The amount is significantly below the rounding threshold

# 2016 - 2018 Plan

## c) Commentary on Income, Operating Expenditures and Capital Expenditures Budget

### Income

- The budgeted premiums for 2016 will continue to be based on the DPS rate structure for DIS and the budgeted levies will be based on the DLS rate structure for TIPS.
- We have budgeted premiums of RM425 million to be received from member banks in 2016, which is RM65.8 million or 18% higher than the actual premiums received in 2015. This is primarily due to the expected moderate growth in TID.
- We have budgeted levies of RM87.6 million to be received from insurer members, which is RM4.8 million or 6% higher than the actual levies received in 2015. The higher budget for levies is primarily due to the following:
  - the expected growth in net premiums and Actuarial Valuation Liabilities (AVL) for general insurance as well as in net premiums and AVL for non-qualified policies for life insurance;
  - the expected growth in net contributions and AVL for general takaful and family solidarity takaful; and
  - transition period upward adjustment for takaful operators of general takaful and family solidarity takaful.
- The investment income for 2016 is budgeted based on the weighted average effective yield rate of 3.25% return on investment based on the Overnight Policy Rate announced by the Monetary Policy Committee on 5 November 2015.

### Operating Expenditures Budget

The main cost drivers for the operating expenditures budget for 2016 are:

- Employee benefits expenditures, which represent the annual compensation costs for our employees and new hires for 2016. The increase in employee benefits expenditures is primarily due to the annual salary increment for eligible employees to ensure our compensation plan continues to remain attractive and competitive with market practices, the impact of employee costs of new hires in 2016 and the expected increase in employee insurance and medical costs consistent with the increase in the insurance premium and the actual claim ratio for 2015.
- General and administration expenditures, which mainly relate to the day-to-day costs of administering the Corporation's operations including IT operations and the planned resources required to support all the identified key initiatives for 2016. A significant increase in the general and administration expenditures in 2016 is mainly attributed to the professional and consultancy fee to develop a resolution planning and resolvability assessment framework and the costs of managing the permanent DRC that is expected to be fully operational by 1 September 2016.
- The communications expenditures, which is to support key communications activities as outlined in the multi-year Integrated Communications Plan 2012 - 2016 to enhance awareness and promote confidence in the role of the Corporation, DIS and TIPS and to enhance financial awareness and literacy, particularly among the younger generation. The advertising costs continue to show consistent upward trend from year to year to accommodate potential price increase in television, print, radio and media.

### Capital Expenditures Budget

The capital expenditures for 2016 are intended to support our plans for key IT systems and general infrastructure as follows:

- enhancement of IT infrastructure, security facilities and systems;
- development of the core engines for the industry portal;
- installation of IT equipment and construction of interior fittings for the DRC; and
- renovation works for additional office space in the office building.

## 2016 - 2018 Plan

### d) Pro Forma Statement of Financial Position

	2016 Budget Total	2015 Forecast* Total	2015 Budget Total
	RM'000	RM'000	RM'000
<b>ASSETS</b>			
Cash and cash equivalents	15,000	15,000	14,990
Investments	3,062,994	2,584,844	2,484,052
Other assets	20,000	25,000	12,740
Property and equipment	30,000	20,000	36,080
<b>TOTAL ASSETS</b>	<b>3,127,994</b>	<b>2,644,844</b>	<b>2,547,862</b>
<b>LIABILITIES</b>			
Payables	10,750	10,500	10,250
<b>TOTAL LIABILITIES</b>	<b>10,750</b>	<b>10,500</b>	<b>10,250</b>
<b>FUNDS AND RESERVES</b>			
<b>Deposit Insurance Funds</b>			
Beginning balance	1,298,240	973,123	973,137
Surplus for the year	374,333	325,117	248,144
	1,672,573	1,298,240	1,221,281
<b>Takaful And Insurance Benefits Protection Funds</b>			
Beginning balance	1,336,104	1,234,180	1,234,175
Surplus for the year	108,567	101,924	82,156
	1,444,671	1,336,104	1,316,331
<b>TOTAL FUNDS AND RESERVES</b>	<b>3,117,244</b>	<b>2,634,344</b>	<b>2,537,612</b>
<b>TOTAL LIABILITIES, FUNDS AND RESERVES</b>	<b>3,127,994</b>	<b>2,644,844</b>	<b>2,547,862</b>

\* 2015 Forecast = Actual (Jan - Nov 2015) + Forecast (Dec 2015)

# 2016 - 2018 Plan

## e) Pro Forma Statement of Cash Flows

	2016 Budget	2015 Forecast*	2015 Budget
	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premium and levy receipts from member institutions	512,550	442,006	364,500
Receipts of investment income	105,000	102,000	67,400
Receipts of miscellaneous income	-	795	-
Payments in the course of operations to suppliers and employees	(95,000)	(82,500)	(87,200)
<b>Net cash flows from operating activities</b>	<b>522,550</b>	<b>462,301</b>	<b>344,700</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment securities	3,075,000	2,930,000	3,055,000
Purchase of investment securities	(3,577,550)	(3,386,106)	(3,385,000)
Proceeds from sale of property and equipment	-	15	-
Purchase of property and equipment	(20,000)	(6,500)	(15,000)
<b>Net cash flows used in investing activities</b>	<b>(522,550)</b>	<b>(462,591)</b>	<b>(345,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-</b>	<b>(290)</b>	<b>(300)</b>
Cash and cash equivalents at beginning of the year	15,000	15,290	15,290
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>15,000</b>	<b>15,000</b>	<b>14,990</b>

\* 2015 Forecast = Actual (Jan - Nov 2015) + Forecast (Dec 2015)

# 2016 - 2018 Plan

## FINANCIAL PROJECTIONS 2017 - 2018

The financial projections for 2017 and 2018 have been prepared based on conservative forecasts and assumptions relating to the Corporation's past trends in income and expenditures.

### a) Pro Forma (Projected) Statement of Comprehensive Income

	2016 Budget	Y-O-Y increase / (decrease)	2017 Projection	Y-O-Y increase / (decrease)	2018 Projection
	RM'000	(%)	RM'000	(%)	RM'000
<b>INCOME</b>					
Premiums and Levies	512,550	5	538,300	5	566,000
Investment Income	91,350	20	109,500	15	126,400
<b>Total Income</b>	<b>603,900</b>	<b>7</b>	<b>647,800</b>	<b>7</b>	<b>692,400</b>
<b>OPERATING EXPENDITURES</b>					
Employee Benefits	58,750	6	62,300	6	66,100
General and Administration	48,150	(16)	40,300	5	42,300
Communications	14,100	5	14,800	5	15,500
<b>Total Operating Expenditures</b>	<b>121,000</b>	<b>(3)</b>	<b>117,400</b>	<b>6</b>	<b>123,900</b>
<b>Net Surplus</b>	<b>482,900</b>	<b>10</b>	<b>530,400</b>	<b>7</b>	<b>568,500</b>

#### Income

- Premiums and levies are projected to increase steadily at 5% per annum. The anticipated increase in premiums is in line with the projected moderate growth in TID and the application of the same annual premium rates as applied for assessment year 2015 in 2017 and 2018. The increase in levies will be in line with the historical trend.
- The projected investment income for 2017 will increase significantly from 2016 due to higher investable funds as a result of higher premiums and levies that are expected to be collected in 2017 as well as higher realised investment income from the Insurance Guarantee Scheme Fund (IGSF) maturing in 2017. Investment income in 2018 is projected to increase at a lower rate compared to that in 2017, as the weighted average effective yield rate for re-investment of IGSF in 2018 is capped conservatively at 3.25%.

#### Operating Expenditures

- Employee benefits expenditures for 2017 and 2018 will continue to increase at 6% per annum, consistent with the average annual increment in salary in previous years and the increase in other employee benefits and related costs such as insurance and medical costs.
- General and administration expenditures in 2017 are projected to be lower than the budgeted amount in 2016 due to the following:
  - lower professional and consultancy fees as the consultants for the development of a resolution planning and resolvability assessment framework will be engaged in 2016;
  - decrease in costs for hosting of events as there will not be any key events organised in 2017; and
  - decrease in rental as the temporary disaster recovery site will be surrendered to BNM in the last quarter of 2016.

Notwithstanding the above, depreciation will increase in 2017 in line with the completion of the DRC including the installation of IT equipment and interior fittings.

- Other general and administration expenditures, which include telecommunication, utilities, office and building maintenance and IT-related operational costs for the Corporation's office and the DRC are projected to increase steadily in 2017 and 2018 at 5% per annum.
- Education scholarship will increase steadily in 2017 and 2018 consistent with the increase in scholarship recipients from 10 to 20 annually.
- Communications expenditures are projected to increase steadily in 2017 and 2018 in line with the increase in advertising costs for television, print, radio and media.

# 2016 - 2018 Plan

## b) Pro Forma (Projected) Statement of Financial Position

	2016 Budget Total	2017 Projection Total	2018 Projection Total
	RM'000	RM'000	RM'000
<b>ASSETS</b>			
Cash and cash equivalents	15,000	13,500	14,500
Investments	3,062,994	3,602,644	4,172,894
Other assets	20,000	17,500	20,000
Property and equipment	30,000	25,000	20,000
<b>TOTAL ASSETS</b>	<b>3,127,994</b>	<b>3,658,644</b>	<b>4,227,394</b>
<b>LIABILITIES</b>			
Payables	10,750	11,000	11,250
<b>TOTAL LIABILITIES</b>	<b>10,750</b>	<b>11,000</b>	<b>11,250</b>
<b>FUNDS AND RESERVES</b>			
<b>Deposit Insurance Funds</b>			
Beginning balance	1,298,240	1,672,573	2,080,311
Surplus for the year	374,333	407,738	439,153
	1,672,573	2,080,311	2,519,464
<b>Takaful And Insurance Benefits Protection Funds</b>			
Beginning balance	1,336,104	1,444,671	1,567,333
Surplus for the year	108,567	122,662	129,347
	1,444,671	1,567,333	1,696,680
<b>TOTAL FUNDS AND RESERVES</b>	<b>3,117,224</b>	<b>3,647,644</b>	<b>4,216,144</b>
<b>TOTAL LIABILITIES, FUNDS AND RESERVES</b>	<b>3,127,994</b>	<b>3,658,644</b>	<b>4,227,394</b>



## 2016 - 2018 Plan

### c) Pro Forma (Projected) Statement of Cash Flows

	2016 Budget	2017 Projection	2018 Projection
	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premium and levy receipts from member institutions	512,550	538,300	566,000
Receipts of investment income	105,000	120,000	145,000
Payments in the course of operations to suppliers and employees	(95,000)	(97,500)	(100,000)
<b>Net cash flows from operating activities</b>	<b>522,550</b>	<b>560,800</b>	<b>611,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment securities	3,075,000	3,345,000	3,615,000
Purchase of investment securities	(3,577,550)	(3,897,300)	(4,217,500)
Purchase of property and equipment	(20,000)	(10,000)	(7,500)
<b>Net cash flows used in investing activities</b>	<b>(522,550)</b>	<b>(562,300)</b>	<b>(610,000)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>-</b>	<b>(1,500)</b>	<b>1,000</b>
Cash and cash equivalents at beginning of the year	15,000	15,000	13,500
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>15,000</b>	<b>13,500</b>	<b>14,500</b>

## Section 4

# Performance Against Previous Corporate Plan

Highlights of Our Key Achievements in 2015

Snapshot of 2015 Corporate Scorecard

Past Financial Performance – Year 2015

# Performance Against Previous Corporate Plan

## HIGHLIGHTS OF OUR KEY ACHIEVEMENTS IN 2015

The Corporation has achieved significant progress in relation to the 2015 - 2017 Corporate Plan, which focused on initiatives to:

- a) strengthen operational effectiveness and readiness;
- b) develop a dynamic learning organisation and focus on talent management; and
- c) improve the level of public awareness and education of financial consumers.



### STAKEHOLDERS

- Fulfilled the legislative requirements and submitted the 2014 Annual Report to the Minister of Finance by 31 March 2015.<sup>2</sup> The Annual Report was publicly released on 28 May 2015.
- Public awareness initiatives:
  - partnered with the famous cartoonist, Lat, on a new advertising campaign focused on a wider public audience;
  - launched the PIDM Interactive Learning Platform for employees of member institutions and the public;
  - signed a collaboration agreement with Lions Clubs International District 308 B1 Malaysia to reach out to the community; and
  - collaborated with member institutions to certify targeted employees under PIDM's Train-the-Trainer and accreditation programme.
- Recognised as a "Partner in Co-curriculum" by the Ministry of Education.
- Organised and hosted international conferences and seminars for our key stakeholders including inviting industry associations, member banks and insurer members to participate as speakers and panellist for the following events:
  - International Conference on Insurance Guarantee Schemes with the theme "Recovery and Resolution of Insurance Companies". A dinner talk was also held as part of our engagement activities with the insurer members;
  - 5<sup>th</sup> Seminar on Islamic Deposit Insurance with the theme "Essential Elements for Effective Islamic Deposit Insurance Systems: Shariah Governance, Sources and Management of Funds"; and
  - 14<sup>th</sup> IADI Annual General Meeting and Conference with the theme "Crisis Preparedness – Institutional Arrangements and Coordination, Crisis Communication and Contingency Planning".



### GOVERNANCE AND INTERNAL PROCESSES

- Corporate Social Responsibility:
  - awarded scholarships to 10 external scholars and three employees' children under our Scholarship Programmes;
  - organised a cash donation drive for the students of Sekolah Kebangsaan Kuala Krai in Kelantan who were affected by the floods; and
  - contributed 24 of the Corporation's used desktop computers to selected schools and non-governmental organisations.
- Continued to support the FIDE alumni association (FIDE FORUM).
- Legislative amendments to the PIDM Act were enacted in late 2015 whereby:
  - PIDM's resolution powers have been expanded to include share transfer powers; and
  - relevant provisions in the Act are now aligned with the Financial Services Act and the Islamic Financial Services Act, insofar as they relate mainly to the resolution of member institutions.

<sup>2</sup> Tabled in Dewan Rakyat on 7 April 2015 and Dewan Negara on 21 April 2015

## Performance Against Previous Corporate Plan



### GOVERNANCE AND INTERNAL PROCESSES

- Risk assessment and monitoring of our member institutions – issued Guidelines on the Differential Premium Systems for Deposit Insurance System; Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits; and Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Premiums for Takaful and Insurance Businesses.
- Submitted the draft Regulations and Order for the Differential Levy System for Takaful to the Minister of Finance.
- Completed the Target Fund policy for our General Insurance Fund and commenced the development of the Target Fund for Life Insurance Fund.
- Conducted an Intervention and Failure Resolution (IFR) workshop on liquidation base-case followed by a simulation exercise for bank failure.
- Developed an option for alternative liquidity funding arrangements.
- Consulted with the industry and completed a public consultation on Information Regulations for DIS and TIPS.
- Completed the Corporate Information Security Framework and updated the procedures for the Information Security Management System (ISMS) to prepare the Corporation to be ISO 27001:2013 certification ready.



### LEARNING AND GROWTH

- Completed a career profiling and career action plan exercise for employees.
- Achieved a sustainable engagement index of 88% (Employee Voice Survey).
- Continued to reinforce our corporate values and enhance employee engagement through various activities.

# Performance Against Previous Corporate Plan

## SNAPSHOT OF 2015 CORPORATE SCORECARD

The forecast results are summarised in a snapshot of the 2015 Corporate Scorecard below. All of our planned key initiatives have been completed within the approved financial plan with 14 initiatives progressing as scheduled, which is further explained on page 28.

**P** Progressing as scheduled; and / or within budget

**F** Not yet initiated / future date

**A** Target achieved, initiative completed

Corporate Objectives		Key Performance Indicators / Corporate Initiatives	Target 2015	Forecast Results Dec 2015	
STAKEHOLDERS	A Educated and informed stakeholders	1. Public awareness index:			
		a. General awareness of PIDM	53%	P <sup>1</sup>	
		b. General awareness of Deposit Insurance System (DIS)	42%	P <sup>1</sup>	
		c. General awareness of Takaful and Insurance Benefits Protection System (TIPS)	33%	P <sup>1</sup>	
	B Effective partnerships	2. Successful completion of key initiative:			
		a. Integrated Communications Plan	Implement and review	A	
		3. PIDM's relationship with:			
		a. Bank Negara Malaysia (BNM)	Strong	A	
		b. Member institutions	Satisfactory	A	
		c. Ministries and other Government regulatory agencies	Strong	A	
GOVERNANCE AND INTERNAL PROCESSES	C Well-governed and well-managed organisation	d. Key suppliers and strategic partners	Strong	A	
		e. Deposit insurers and insurance guarantee schemes	Strong	A	
		f. Other key stakeholders	Satisfactory	A	
		4. Other international fora	Active participation	A	
	D Robust risk assessment, monitoring, intervention and resolution capabilities	5. Board assessment on:			
		a. Best practices of governance adopted and maintained	High satisfaction	A	
		b. Significant policies and practices complied with and kept current and relevant	High satisfaction	A	
		c. Quality of management support to the Board	High satisfaction	A	
		6. Successful completion of key initiative:			
		a. PIDM legislation	Maintain	A	
		7. Successful completion of key initiative(s):			
		a. Differential Levy System framework for Takaful	Complete	P <sup>2</sup>	
		b. Early Warning System for TIPS	Develop	P <sup>3</sup>	
		c. Evaluation Model for DIS and TIPS	Develop	P <sup>4</sup>	
		d. Intervention and resolution plans for complex financial institutions	Develop	P <sup>5</sup>	
		e. Claims management system, policies and procedures for insurer members:			
		i. Premium Reimbursement and Claims Management System	Develop	P <sup>6</sup>	
		ii. Policy Holders Support Management System	-	F <sup>7</sup>	
		iii. Payment Management System	-	F <sup>7</sup>	

# Performance Against Previous Corporate Plan

Corporate Objectives		Key Performance Indicators / Corporate Initiatives	Target 2015	Forecast Results Dec 2015	
GOVERNANCE AND INTERNAL PROCESSES	D Robust risk assessment, monitoring, intervention and resolution capabilities	f. Regulations:			
		i. TIPS Information Regulations	Implement	P <sup>8</sup>	
		ii. Terms and Conditions of Membership Regulations - DIS and TIPS	Implement	P <sup>9</sup>	
		g. Member institutions' compliance programme with the PIDM legislation for insurer members	-	F <sup>10</sup>	
		8. The Financial Institutions Directors' Education (FIDE) Programme and the FIDE FORUM	Active participation and support	A	
	E Sound business and financial practices	9. Reporting through:			
		a. Annual Report	Complete	A	
		b. Corporate Plan	Complete	A	
		10. Financial performance against approved budgets	±10% variance	A <sup>11</sup>	
		11. Internal Control and Risk Management Compliance	Strong	A	
		12. Successful completion of key initiative(s):			
		a(i). Target Fund for TIPS:			
		i(1). General Fund	Implement	A	
		i(2). Life Fund	Develop	A	
		i(3). Takaful Funds	Research	P <sup>12</sup>	
a(ii). Alternative funding arrangements	Complete	A			
b. Annual Information Technology Strategic Plan	Complete	P <sup>13</sup>			
c. Disaster Recovery Centre (DRC) and infrastructure	Construct	P <sup>14</sup>			
d. Corporate Information Security Management	Develop	P <sup>15</sup>			
F Competent and knowledgeable workforce	13. Annual Human Capital Strategic Plan	Complete	A		
G Conducive corporate environment	14. Employee Engagement Index (survey conducted once every two years to gauge level of employee engagement)	80%	A		

<sup>1</sup> The consumer survey was carried out in quarter 3, 2015 and the results will be reported in our 2015 Annual Report.

<sup>2</sup> The regulations and order are expected to be issued in 2016.

<sup>3</sup> The development of the Rating Prediction Model of the Early Warning System is progressing and will continue into 2016.

<sup>4</sup> The development of the Evaluation Model is progressing and is expected to be completed in 2017.

<sup>5</sup> The research and development work related to the resolution plans for complex financial institutions is progressing and will continue into 2016.

<sup>6</sup> The development of the Premium Reimbursement System and Claims Management System is progressing and is expected to be completed in 2017.

<sup>7</sup> This initiative has been planned for development in 2017 as per the 2016 - 2018 Plan.

<sup>8</sup> The regulations is expected to be issued in 2016, pending the gazetting process.

<sup>9</sup> The revised regulations is expected to be issued in 2016, pending the gazetting process.

<sup>10</sup> This initiative has been planned for development in 2016 as per the 2016 - 2018 Plan.

<sup>11</sup> We achieved positive variances for both operating and capital expenditures.

<sup>12</sup> The research work will continue in 2016.

<sup>13</sup> We have completed most of the strategic and operational initiatives as set out in PIDM's IT Strategic Plan except for the following that have been deferred:

- Implementation of Phase 2 and Phase 3 of the Enhanced Financial Management System.
- Implementation of the information security programmes to assess the condition and risk surrounding the Corporation's IT infrastructure and system.

<sup>14</sup> The construction of the DRC is progressing as scheduled and will be completed in 2016.

<sup>15</sup> The audit on Information Security Management System certification readiness will be carried out in 2016.

# Performance Against Previous Corporate Plan

## PAST FINANCIAL PERFORMANCE – YEAR 2015

### a) Operating Results

	2015 Forecast*	2015 Budget	Variance	
	RM'000	RM'000	RM'000	(%)
<b>INCOME</b>				
Premiums and Levies	442,006	364,500	77,506	21
Investment Income	78,500	74,800	3,700	5
Miscellaneous Income	805	-	805	-
<b>Total Income</b>	<b>521,311</b>	<b>439,300</b>	<b>82,011</b>	<b>19</b>
<b>OPERATING EXPENDITURES</b>				
Employee Benefits	51,055	57,250	6,195	11
General and Administration	30,550	37,300	6,750	18
Communications	12,665	14,450	1,785	12
<b>Total Operating Expenditures</b>	<b>94,270</b>	<b>109,000</b>	<b>14,730</b>	<b>14</b>
<b>Net Surplus</b>	<b>427,041</b>	<b>330,300</b>	<b>96,741</b>	<b>29</b>

### b) Capital Expenditures

	2015 Forecast*	2015 Budget	Variance	
	RM'000	RM'000	RM'000	(%)
<b>CAPITAL EXPENDITURES</b>				
Motor Vehicle	441	460	19	4
Furniture, Fittings and Office Refurbishment	1,110	4,330	3,220	74
Computer Systems and Office Equipment	12,230	14,805	2,575	17
<b>Total Capital Expenditures</b>	<b>13,781</b>	<b>19,595</b>	<b>5,814</b>	<b>30</b>

\* 2015 Forecast = Actual (Jan - Nov 2015) + Forecast (Dec 2015)

# Performance Against Previous Corporate Plan

## c) Commentary on 2015 Financial Performance

### Operating Results

We forecast an operational net surplus of approximately RM427 million compared to RM330.3 million as budgeted in our Plan. The expected surplus is higher by RM96.7 million or 29%, primarily due to significantly higher premiums and levies received during the year as well as the positive variance for operating expenditures as compared to budget.

### Income

- Total premiums and levies collected from member institutions during the year was RM442 million, which was significantly higher than budget by RM77.5 million or 21%.
- Investment income was higher than budget by 5%, mainly attributable to the increase in the base of investable funds as well as the upward trend in the weighted average effective yield rate as observed during the year.
- Miscellaneous income represents annual conference contribution received from IADI for hosting the annual IADI Conference in Kuala Lumpur, as well as fees collected from international participants attending the Conference and gains from the sale of property and equipment.

### Operating Expenditures

- The total operating expenditures up to 31 December 2015 are forecasted at RM94.3 million, RM14.7 million or 14% below budget.
- The key variances as compared to budget are as follows:
  - the positive variance for employee benefits expenditures is primarily attributable to the lower number of headcount at the end of the year as compared to budget due to the timing of hiring of new employees as well as the resignations of several employees;
  - the expected favourable variance on general and administration expenditures is primarily attributable to lower expenses incurred for professional and consultancy fees, board-related expenses, the scholarship programme and travelling expenses; and
  - the positive variance for the communications expenditures is primarily due to the different approach taken in relation to the education programme (i.e., a digital-based campaign).

### Capital Expenditures

Capital expenditures are expected to be RM5.8 million or 30% lower than budget mainly due to the following:

- a change in approach for the development of the Evaluation Model for DIS and TIPS. The Evaluation Model will be developed internally instead of engaging an external consultant as earlier planned;
- deferment of IT equipment installation and interior fit-out works for the DRC which is expected to commence in March 2016; and
- cost savings on renovation of additional office space in the office building.

### Cost Allocation Methodology

During the year, we have tracked, captured and allocated operating and capital expenditures between the two compensation systems and the respective six Funds. For 2015, the allocation of operating expenditures for DIS and TIPS were 76% and 24%, whilst capital expenditures were 55% and 45% respectively. We will continue to allocate all direct costs and indirect costs to the respective Funds based on the relevant laws.

In summary, we have achieved positive variance in both operating and capital expenditures as we continue to practise prudent financial management and sound internal control. During the year, we carried out our planned key initiatives as set out in our Plan. All these initiatives have been completed within the approved financial plan.



# Section **5** Next Steps

Summary of the Corporate Plan 2016 - 2018  
Monitoring Progress Against the Approved Plan

# *Next Steps*

## **SUMMARY OF THE CORPORATE PLAN 2016 - 2018**

The “Summary of the Corporate Plan 2016 - 2018” provides a corporate level business plan which is disseminated publicly. It is a summary of corporate initiatives as many other initiatives are expected to be achieved during the planning period.

Our initiatives will be cascaded throughout the Corporation to ensure that individual Key Performance Indicators (KPIs) are developed. The Corporation’s pay and rewards programme is linked to the achievement of the annual targets set in this Plan.

## **MONITORING PROGRESS AGAINST THE APPROVED PLAN**

The completion and implementation of the 2016 - 2018 initiatives will be tracked. On a semi-annual basis, Management will table the reporting on its performance against this Plan to both the Audit Committee and the Board of Directors which highlights the summary of:

- a) accomplishments and progress of the initiatives against the targets set in the Corporate Scorecard; and
- b) key financial results and variances.

As part of the monitoring process on the progress of the achievement of these initiatives, financial forecasts are also prepared.

We will continuously monitor our environment to ensure that our Plan remains relevant and reflects changes in the priorities and strategies of the Corporation. Where appropriate, revisions may be made to our Plan where there are changes in assumptions, priorities or significant adverse developments.

# Section **6** Conclusion

Corporate Plan Derailment  
Summary



# Conclusion

## CORPORATE PLAN DERAILMENT

An intervention or failure resolution in a troubled member institution or the loss of key employees could potentially necessitate a reprioritisation of our planned initiatives and a refocusing of our available resources for the tasks at hand. To manage the potential risks of derailment, we have developed the following action plans:

- should an IFR occur during the planning period, we will reprioritise our initiatives and realign our available resources while maintaining operations in all critical functions; and
- we continue to monitor the succession plan for key positions to mitigate the impact from the loss of key employees.

Whilst 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.

## SUMMARY

In conclusion, we have considered the potential impact of our key strategic risks and critical issues in relation to our mandate and aspirations. The key drivers underpinning our long-term strategic direction and the action plans to achieve our key objectives include the following:

- a) our mandate and our aspirations; and
- b) the increasing complexities of the financial industry.

Increasing complexity of the financial industry is one of the biggest strategic risks to the achievement of our mandate and aspirations over the long term. Domestically, our financial services industry already impacts everything – from capital to the growth of businesses, employment and the economy as a whole. As the world becomes more global and the financial services industries more intertwined, we are increasingly confronted with new issues and vulnerabilities.

To achieve our mandate and aspirations, our attention is thus focused on ensuring the following:

- we continue to be operationally ready and effective at all times; and
- we are adaptable enough to sustain success over the long term under any conditions.

Going forward, our initiatives will support our long-term strategies:

- a) Talent management and development will be key to ensure our employees are equipped with the necessary competencies and remain highly engaged to effectively and efficiently carry out our mandate. We plan to execute our Strategic Human Capital Plan to ensure that over the long term we are able to sustain a competent, adaptable and engaged team that can meet challenges and achieve our long-term aspirations.
- b) We will necessarily continue to ensure readiness to intervene in the event of a member institution failure. As part of the effective resolution regime, this means continuing to ensure that all the key elements are in place – that there is public awareness about the Corporation and its systems; that by promoting corporate governance both in the Corporation as well as in industry, the public will have trust in the Corporation and the stability of the financial system.

In addition, we will need to complete the establishment of an effective resolution regime that will aim to ensure that any financial institution failure – regardless of size and complexity – can be dealt with in an orderly manner, with minimal adverse consequences to the economy and costs to the public at large. As an integral part of the financial safety net, this is one of our major tasks going forward, so that we are able to fulfil our mandate and aspirations and ultimately, to sustain financial stability over the long term.

# Section **7** Appendix

Our Corporation

Our Members

Our Board of Directors

Our Executive Management Committee

Our Strategic Management Framework

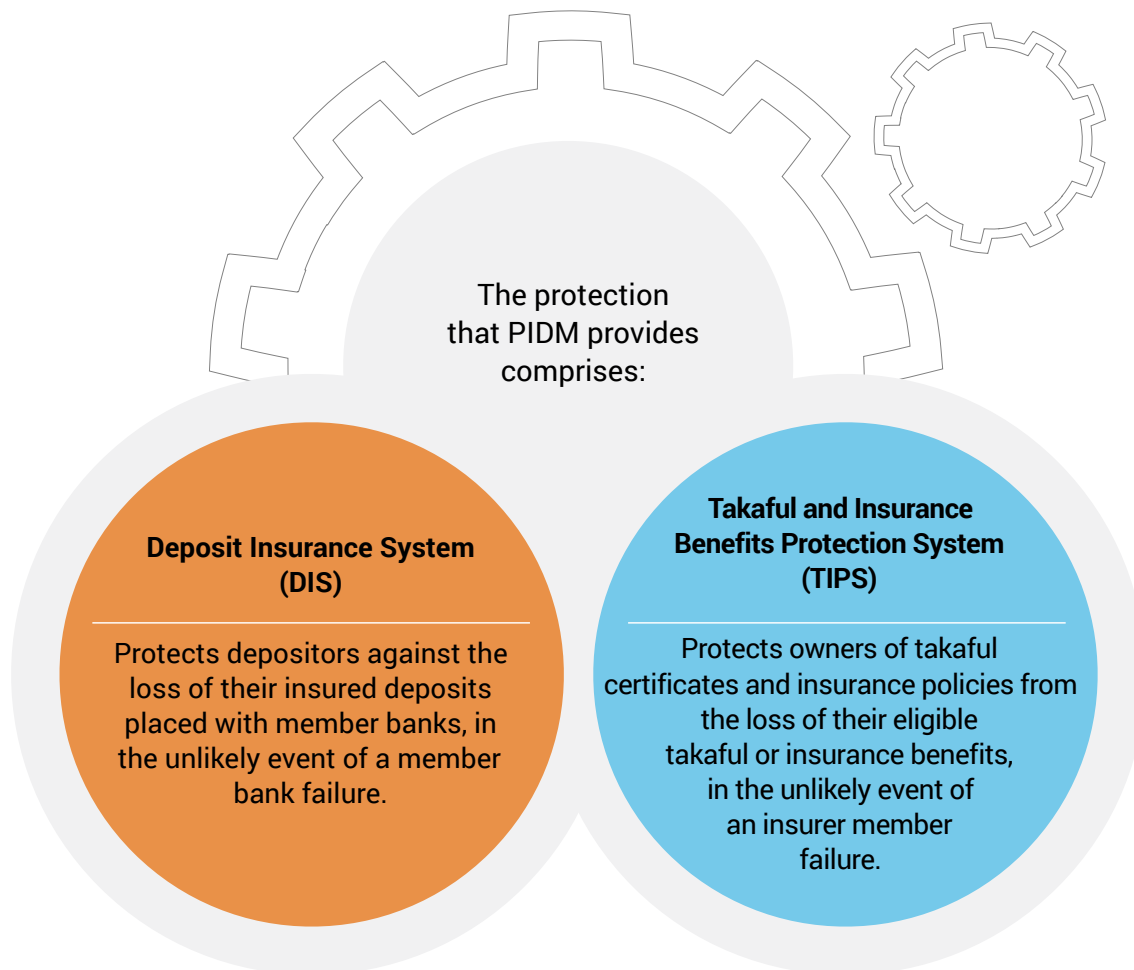
Contact Details

## Our Corporation

PIDM is a statutory body established in 2005 under the Malaysia Deposit Insurance Corporation Act (PIDM Act). Our role under the PIDM Act is to administer and provide deposit insurance to protect depositors against the loss of part or all of their deposits as well as a takaful and insurance benefits protection to protect owners of takaful certificates and insurance policies in the event of a failure of a member institution. Further, PIDM is legislatively empowered to act as the national resolution authority for member institutions.

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, to intervene early and resolve troubled member institutions and to act in the best interests of depositors and policy owners.

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



# Our Members

PIDM's member institutions comprise:

- commercial and Islamic banks, including domestic and locally incorporated foreign banks, licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; and
- insurance companies licensed under the Financial Services Act 2013 to conduct life and / or general insurance business in Malaysia and takaful operators licensed under the Islamic Financial Services Act 2013 to conduct family and / or general takaful business in Malaysia.

As at 31 December 2015, PIDM's member institutions are as follows:

## COMMERCIAL BANKS

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. India International Bank (Malaysia) Bhd
15. Industrial and Commercial Bank of China (Malaysia) Berhad
16. J.P Morgan Chase Bank Berhad
17. Malayan Banking Berhad
18. Mizuho Bank (Malaysia) Berhad
19. National Bank of Abu Dhabi Malaysia Berhad
20. OCBC Bank (Malaysia) Berhad
21. Public Bank Berhad
22. RHB Bank Berhad
23. Standard Chartered Bank Malaysia Berhad
24. Sumitomo Mitsui Banking Corporation Malaysia Berhad
25. The Bank of Nova Scotia Berhad
26. The Royal Bank of Scotland Berhad
27. United Overseas Bank (Malaysia) Bhd

## ISLAMIC BANKS

1. Affin Islamic Bank Berhad
2. Alliance Islamic Bank Berhad

3. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
4. AmBank Islamic Berhad (formerly known as 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 (Malaysia) 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

1. ACE Jerneh Insurance Berhad
2. AIA Bhd.
3. AIG Malaysia Insurance Berhad
4. Allianz General Insurance Company (Malaysia) Berhad
5. Allianz Life Insurance Malaysia Berhad
6. AmGeneral Insurance Berhad
7. AmMetLife Insurance Berhad
8. AXA Affin General Insurance Berhad
9. AXA Affin Life Insurance Berhad
10. Berjaya Sampo Insurance Berhad
11. Etiqa Insurance Berhad
12. Gibraltar BSN Life Berhad
13. Great Eastern Life Assurance (Malaysia) Berhad
14. Hong Leong Assurance Berhad
15. Liberty Insurance Berhad (formerly known as Uni.Asia General Insurance Berhad)

16. Lonpac Insurance Bhd
17. Manulife Insurance Berhad
18. MCIS Insurance Berhad
19. MPI Generali Insurans Berhad (formerly known as Multi-Purpose Insurans Bhd)
20. MSIG Insurance (Malaysia) Bhd.
21. Overseas Assurance Corporation (Malaysia) Berhad
22. Pacific & Orient Insurance Co. Berhad
23. Progressive Insurance Bhd
24. Prudential Assurance Malaysia Berhad
25. QBE Insurance (Malaysia) Berhad
26. RHB Insurance Berhad
27. The Pacific Insurance Berhad
28. Sun Life Malaysia Assurance Berhad
29. Tokio Marine Insurans (Malaysia) Berhad
30. Tokio Marine Life Insurance Malaysia Bhd.
31. Tune Insurance Malaysia Berhad
32. Zurich Insurance Malaysia Berhad

## TAKAFUL OPERATORS

1. AIA Public Takaful Bhd.
2. AmMetLife Takaful Berhad
3. Etiqa Takaful Berhad
4. Great Eastern Takaful Berhad
5. Hong Leong MSIG Takaful Berhad
6. HSBC Amanah Takaful (Malaysia) Berhad
7. MAA Takaful Berhad
8. Prudential BSN Takaful Berhad
9. Sun Life Malaysia Takaful Berhad
10. Syarikat Takaful Malaysia Berhad
11. Takaful Ikhlas Berhad

\* denotes that this bank provides Islamic banking services under the Skim Perbankan Islam (SPI). SPI is defined by Bank Negara Malaysia as the Islamic banking scheme provided by licensed institutions to conduct banking business based on Islamic principles

## Our Board Of Directors

**PIDM is governed by a nine-member Board of Directors (Board), with 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 Bank Negara Malaysia and the Secretary General of the Treasury, two directors from the public sector and four directors from the private sector with three 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*



*Tan Sri Dr. Mohd Irwan  
Serigar Abdullah*



*Datuk Dr. Rabamat  
Bivi Yusoff*



*Dato' Halipah Esa*



*Mr. George Anthony  
David Dass*



*Mr. Lim Tian Huat*



*Mr. Alex  
Foong Soo Hab*



*Mr. Mobamad  
Abdul Halim Ahmad*



## Our Executive Management Committee

PIDM's Executive Management Committee (EMC) is chaired by the Executive General Manager and General Counsel who is not a member of the Board of Directors. The Chief Executive Officer is an ex officio member of the committee. 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 in fulfilling its governance responsibilities and for managing the day-to-day business and affairs of PIDM. 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



**Lim Yam Pob**  
Executive General Manager  
and General Counsel



**Rafiz Azuan Abdullah**  
Executive General Manager



**Affeiz Abdul Razak**  
Chief Risk Officer and General Manager,  
Enterprise Risk Management



**Lim Lee Na**  
Corporate Secretary



**Noorida Babaruddin**  
Chief Financial Officer and General  
Manager, Finance and Administration



**Wan Ahmad Ikram**  
**Wan Ahmad Lotfi**  
Chief Internal Auditor and General  
Manager, Audit and Consulting Services



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



**Helena Prema John**  
General Manager,  
Human Capital



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



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



**Lim Tai Ching**  
General Manager, Legal



**Mohd Izazee Ismail**  
General Manager, Insurance, Risk  
Assessment and Monitoring

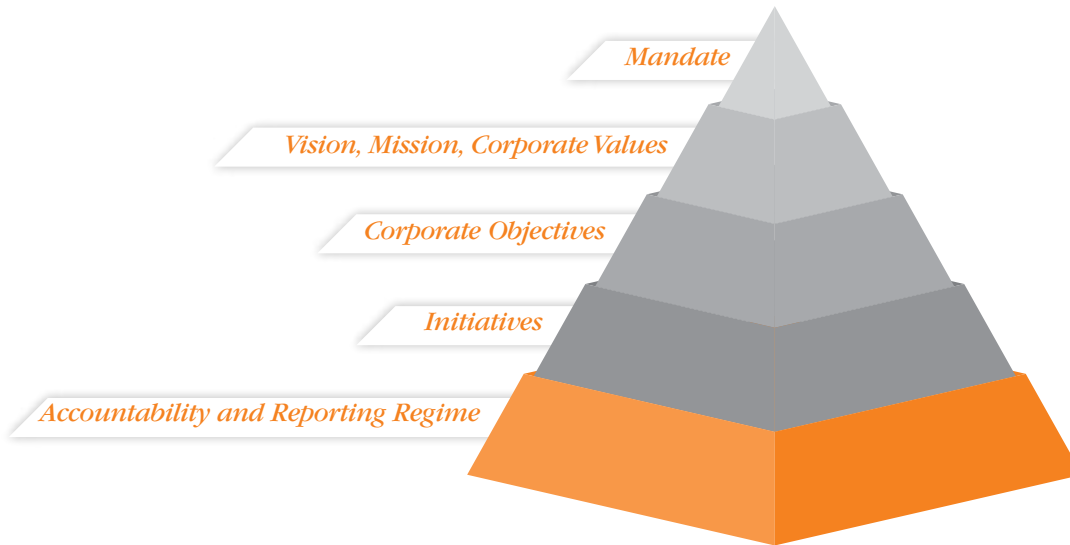


**Syed Mohammed Idid Dato'**  
**Syed Ahmed Idid**  
General Manager,  
Communications and Public Affairs

# Our Strategic Management Framework

Our strategic management pyramid demonstrates how we build our Plan by aligning our initiatives to the corporate objectives 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 Plan. This is in line with our commitment towards greater accountability and transparency in meeting our mandate.

An overview of our strategic management framework is described 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 and resolution authority.

## MISSION

To execute our mandate efficiently and effectively, with a commitment to make a difference to our community and our employees.

# Our Strategic Management Framework

## 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.



### FINANCIAL STEWARDSHIP

PIDM shall exercise financial probity in the management of its operations.



### EXCELLENCE AND PROFESSIONALISM

PIDM promotes excellence and professionalism in the way it conducts its business and affairs. Employees are expected to:

- act professionally;
- be performance driven;
- take intelligent risks to find creative and innovative solutions;
- strive to achieve excellence in all aspects of work;
- accept responsibility for their actions; and
- take accountability for achieving the desired outcomes.



### RESPECT AND FAIRNESS

Employees shall treat each other with mutual respect and fairness where they shall:

- value and respect diversity of ideas and opinions;
- build relationships with others based on trust and respect; and
- respect the feelings of others.

PIDM shall manage and support its employees in a fair and consistent manner where it shall:

- provide an environment where employees are given equal opportunities and can perform optimally;
- ensure that employees are considered for advancement according to their ability, work performance and interests;
- delegate appropriately with defined authority and responsibility;
- encourage innovation and work in a team-based environment; and
- communicate expectations and monitor performance.



### INTEGRITY AND TRUSTWORTHINESS

Employees will adhere to the highest ethical standards in performing their duties and responsibilities. They shall:

- act and negotiate in good faith;
- display the highest level of integrity; and
- create an atmosphere of trust and confidence.



### COMMUNICATIONS AND TEAMWORK

Employees will maintain open communications and work cooperatively towards the achievement of PIDM's mandate. Employees will collaborate effectively with others to achieve common organisational goals where they shall:

- participate actively;
- provide and solicit input;
- acknowledge the contributions of others;
- communicate clearly; and
- be open and accessible to stakeholders.

# Our Strategic Management Framework

## CORPORATE OBJECTIVES

Our Corporate Objectives are based on three perspectives, namely Stakeholders, Governance and Internal Processes, and Learning and Growth.



## Contact Details



Toll Free Information Line

**1-800-88-1266**

Mondays to Fridays

8.30 am to 5.30 pm

General Line

**603 - 2173 7436 / 2265 6565**

Fax

**603 - 2173 7527 / 2260 7432**



[www.pidm.gov.my](http://www.pidm.gov.my)

FAQs on PIDM, DIS and TIPS  
are available on our website



[info@pidm.gov.my](mailto:info@pidm.gov.my)



Communications and Public Affairs Division  
Perbadanan Insurans Deposit Malaysia  
Level 12, Axiata Tower,  
No. 9, Jalan Stesen Sentral 5,  
Kuala Lumpur Sentral, 50470 Kuala Lumpur.

