



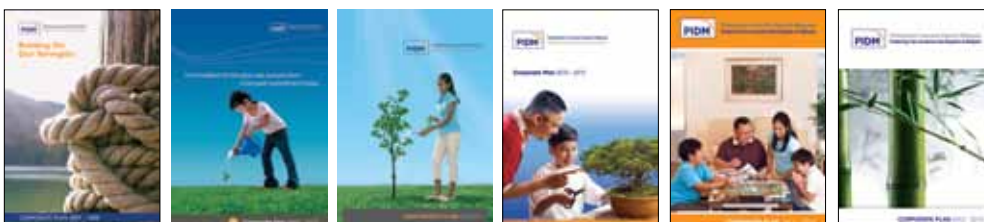
Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia





As a financial consumer protection authority, Perbadanan Insurans Deposit Malaysia (PIDM) has demonstrated dynamism and versatility in administering two protection systems, namely the deposit insurance system and the takaful and insurance benefits protection system, for the benefit of financial consumers in Malaysia. Synonymous with the rubber band's ability to stretch and adapt to various forms and functions, PIDM draws on its flexibility to adapt to the demands of an evolving financial landscape yet maintaining resilience in striving to achieve its mandated purpose.

While on its own a rubber band is agile and versatile, but when linked together, it is more robust and harnesses greater strength and energy. Much like the rubber band link, PIDM continues to grow from strength to strength through the highly coordinated teamwork among its employees of diverse expertise and close collaboration with its key stakeholders, towards fulfilling its corporate mission of promoting and maintaining public confidence in the stability of the financial system in Malaysia.





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 authority

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 CORPORATE VALUES

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

OUR STRATEGIC THRUSTS

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

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

Since its establishment in 2005, PIDM has recorded important achievements in fulfilling its statutory mandate. With great teamwork, a culture of excellence and guided by its vision and mission, the Corporation has risen to greater heights towards being recognised as a best practice financial consumer protection authority.

NACRA 2012 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 fourth consecutive year. This award acknowledges and recognises excellence in corporate reporting, in line with its objective of promoting greater accountability and transparency in financial reporting.

Winning this prestigious accolade for four consecutive years is a testimony of our continuous commitment to upholding high standards of governance, transparency and disclosure of information to our stakeholders, which is a key requirement for a financial safety net player.

PMAA Bronze Winner for the Best Brand-Building Campaign Award

PIDM, together with its advertising agency, Long’s Creative Sdn. Bhd., emerged as the Bronze winner for the “Best Brand-Building Campaign Award” under the Malaysian Chapter, by the Promotion Marketing Awards of Asia (PMAA). This award was in recognition of the communications initiatives executed for the Corporation’s 2011 advertising campaign.

PMAA, a regional awards organiser based in Australia, recognises the “best from the best” promotion marketing programmes run in North and South America, Europe, the Middle East, Asia and Australia.

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Summary of Our Corporate Plan 2013 - 2015

The Corporate Plan of Perbadanan Insurans Deposit Malaysia (PIDM) is a dynamic three-year rolling Corporate Plan which sets out our strategic direction, focus and priorities that drive the activities over the planning period as well as the supporting financial plan for 2013. The Plan is underpinned by key operational plans, which will provide more details about how we will achieve the outcomes. Our planned initiatives are aligned to our strategic direction and corporate objectives to ensure the effective and efficient fulfilment of our mandate and advance us towards our vision to be a best practice financial consumer protection authority.

In developing this Corporate Plan, we continued to adopt an integrated approach with risk management, where we identified and assessed the challenges and significant risks facing PIDM using the Enterprise Risk Management (ERM) framework. We have also considered scenario planning 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 2012

In 2012, all the initiatives were completed within the approved financial plan, with the exception of two information technology-related initiatives which have been deferred. The completed initiatives included numerous ones related to the takaful and insurance benefits protection system (TIPS) that have strengthened our foundation and operational capacity. As the Corporation strives for continuous improvement and adoption of relevant best practices, we continued to review and enhance the current policies, procedures and infrastructure in relation to the deposit insurance system (DIS), in order to ensure that they remain current and relevant.

Our Plan Moving Forward

The strategic direction undertaken by PIDM is essential in its quest towards pursuing its mandate, vision and mission in an effective and efficient manner and ultimately, contributes towards promoting and maintaining public confidence in our financial system. For the planning period, the strategic direction is focused on initiatives to:

- sustain PIDM's capacity and capability by focusing on enhancing employee competencies and developing necessary infrastructure;
- strengthen the operational readiness in relation to Intervention and Failure Resolution; and
- enhance the level of public awareness and education of financial consumers in PIDM's protection systems.

Conclusion

As the Corporation serves as an integral component in the financial safety net framework, it is mandated to administer the financial consumer protection systems with the overarching aim of promoting public confidence and contributing to the stability of the financial system. In this regard, the Corporation will continue to expand its capacity and capabilities as well as to enhance and strengthen its infrastructure and operations by having in place the necessary policies, processes and systems for both DIS and TIPS operations. In striving to achieve the strategies and the challenging targets set over the planning period, the Corporation will focus its efforts and resources on strengthening the state of operational readiness towards advancing its mandate.

A hand-drawn orange pentagon is centered on a light blue background. Five hands are visible, each pointing to one of the five vertices of the pentagon. The hands are positioned around the pentagon, with fingers pointing towards the corners. The text "Our Strategic Planning Approach" is written in white, bold, sans-serif font in the center of the pentagon.

**Our Strategic
Planning Approach**

Our Strategic Planning Approach

Strategic Management Framework

PIDM develops a three-year rolling plan that is updated annually, where the objectives, strategic direction, supporting initiatives and their respective targets are set. 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 significant risks that the Corporation will need to manage, 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 seeks to achieve.

An overview of our strategic management framework is described below.

Mandate

The objects of the Corporation are to:

- administer a deposit insurance system and a takaful and insurance benefits protection system;
- 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;
- provide incentives for sound risk management in the financial system; and
- 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 authority.

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

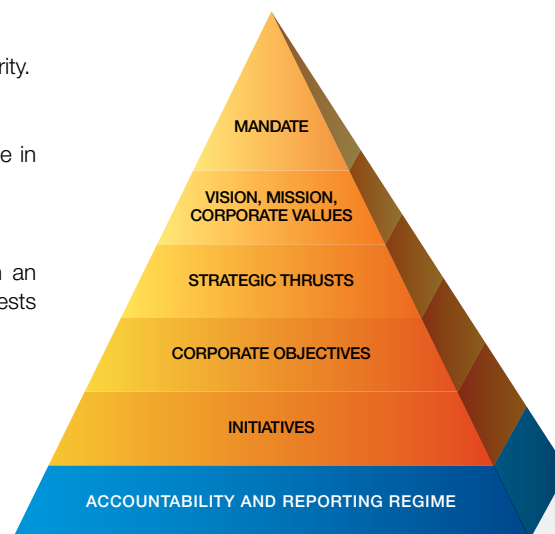
- Financial Stewardship
- Excellence and Professionalism
- Respect and Fairness
- Integrity and Trustworthiness
- Communications and Teamwork

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. This is in line with our commitment towards greater accountability and transparency in meeting our organisational objectives.

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:



SOUND GOVERNANCE

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.



OPERATIONAL READINESS AND EXCELLENCE

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

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.



PUBLIC CONFIDENCE IN THE FINANCIAL SYSTEM

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, Differential Levy System, 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.



STAKEHOLDERS

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 collaborate closely with our strategic partners including Bank Negara Malaysia, other regulators, international deposit insurers and insurance guarantee schemes as well as key suppliers. We will also continue to maintain good relationships with our member institutions.

GOVERNANCE AND INTERNAL PROCESSES

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.

LEARNING AND GROWTH

Competent and knowledgeable workforce

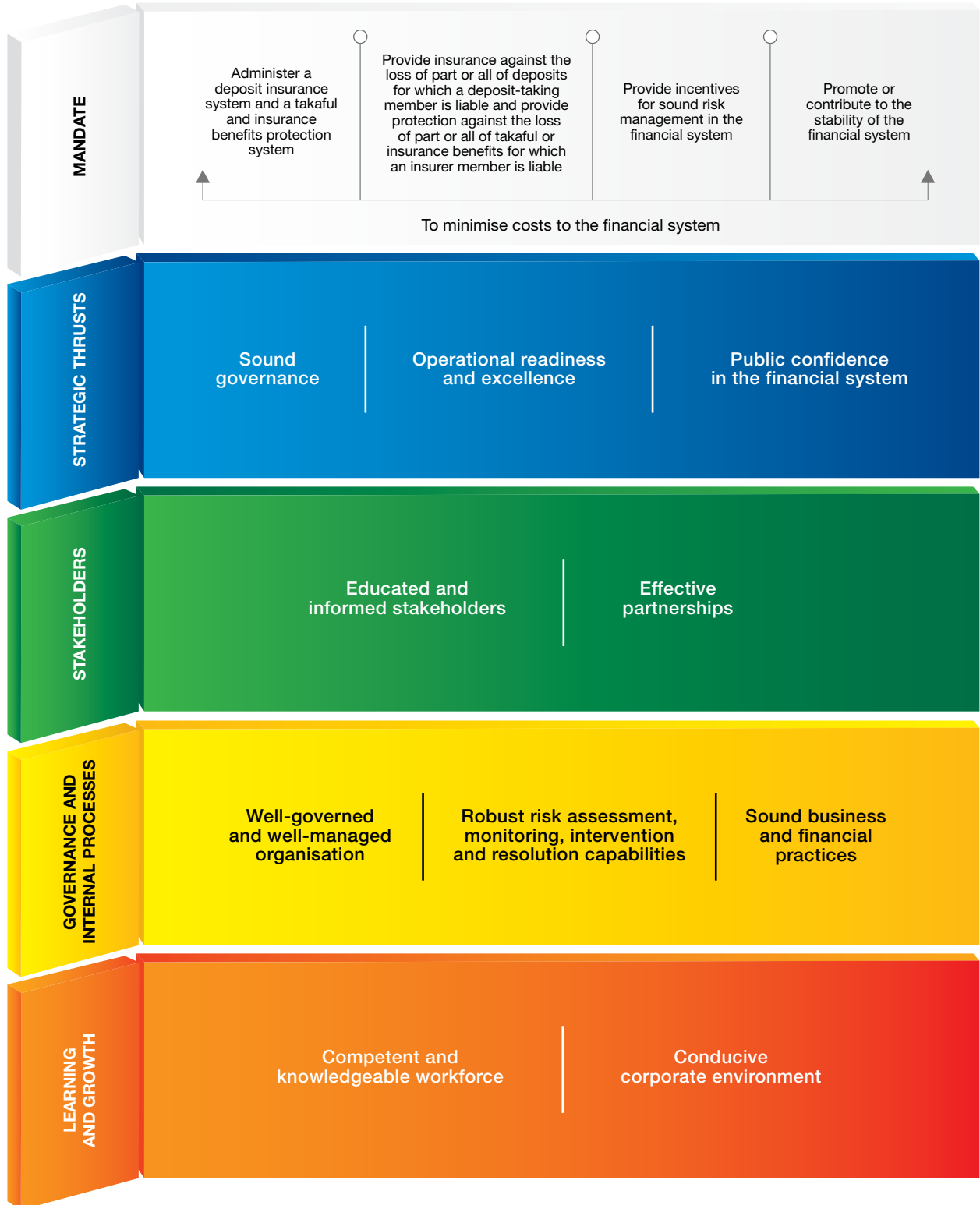
Our people are our most important asset. We provide competitive compensation packages and programmes to attract and retain the right people with the right skills, experience and attitude. We are committed to provide employees with opportunities for continuous learning and development as well as enhancement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

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 2012 - 2014 Plan

The Corporation has achieved significant progress in relation to our 2012 - 2014 Corporate Plan in line with our strategic direction, which was focused on initiatives 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 administering the financial consumer protection systems with the overarching aim of promoting public confidence and contributing to the stability of the financial system, the Corporation has embarked on and completed numerous initiatives, in particular TIPS-related initiatives, which have strengthened its foundation and operational capacity towards advancing its mandate and being recognised as a leader in integrated financial consumer protection.

In addition, for the fourth consecutive year, the Corporation has been awarded the 2012 National Annual Corporate Report Awards for "Best Annual Report of Non-Listed Organisations" for our 2011 Annual Report. The Corporation, jointly with our advertising agency, was also awarded the Bronze Winner under the Malaysian chapter for the "Best Brand-Building Campaign Award" by the Promotion Marketing Awards of Asia. This award is in recognition of the communications initiatives executed for the 2011 advertising campaign.

The forecast results, which are summarised in the 2012 Corporate Scorecard on pages 15 to 18, shows that the majority of our planned key initiatives were completed with:

- a) 15 initiatives progressing, a development which is further explained on page 18; and
- b) the exception of the following two corporate initiatives which have been deferred:
 - Enhancement to the Risk Assessment System for DIS – The enhancement will be conducted in 2013 in accordance with the timeline on the development of Bank Negara Malaysia's (BNM) Integrated Statistical System.
 - Development of the Risk Assessment System for TIPS – The system will be developed in 2013 in accordance with the timeline on the development of BNM's Integrated Statistical System.

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

Highlights of our key achievements in 2012:

Stakeholders	<ul style="list-style-type: none"> • We continued to implement our Integrated Communications Plan initiatives, including advertising via various channels such as television, radio, online 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 Kuantan. • We conducted separate dialogue sessions for member banks and insurer members in conjunction with the 2011 Annual Report launch. • We completed a mid-year survey on the public awareness index for DIS, TIPS and PIDM. • We implemented the Education Programme 2012, which included the new components on Interschool Thematic Project Competition and National Poster Drawing Competition. • We continued to maintain good relationships with other deposit insurers and central banks through our participation in the International Association of Deposit Insurers (IADI) as well as organised and hosted study visits or workshops which included the following: <ul style="list-style-type: none"> - Regional Workshop on the “Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems”. - International Workshop on “Integrated Deposit Insurance System”. • 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 both local and international levels.
Governance and Internal Processes	<ul style="list-style-type: none"> • As part of the Board education and orientation programme, we conducted several education sessions, which included topics on the impact of the Financial Sector Blueprint on PIDM, Takaful and Insurance Risk Assessment Framework, and an overview of insurance companies’ financial statements. • We continued to demonstrate our commitment towards Corporate Social Responsibility (CSR) whereby we: <ul style="list-style-type: none"> - awarded scholarships to 10 deserving individuals under the multi-year Scholarship Programme. - organised CSR activities which included a visit to an Orang Asli settlement in Pahang, sponsoring the Deaf Moolah Financial Fair at YMCA Brickfields, organising an awareness talk on organ donation and transplant by the National Kidney Foundation for all employees, co-facilitating the Money Management and Career Planning Workshop for hearing-impaired students, and visiting a charity home for the less fortunate and disabled. • We continued to support the Financial Institutions Directors’ Education (FIDE) Programme and the Alumni (FIDE Forum). • We continued to maintain a sound risk assessment and monitoring process and system to effectively monitor our member institutions. This included developing the Differential Levy System (DLS) framework and regulations for conventional insurer members, as well as the Supervisor Validation framework on Return on Calculation of Premium. Besides this, we completed research on applicable takaful contracts and subsequently issued the Note on Takaful Benefits Protection System. • In relation to operational readiness in the event of an intervention and failure resolution, five subsidiaries, namely four for bridge institutions and one asset management company, have been incorporated. • We continued to build our readiness by conducting the annual Intervention and Failure Resolution (IFR) training session and simulation exercise. The focus of the session, which was conducted for selected employees, was in relation to failure of an insurer member. • We tested the Business Continuity Plan and Disaster Recovery Plan at the interim Disaster Recovery Site following the actual incident of an earthquake in Aceh, Indonesia in April 2012 which resulted in tremors being felt at the Quill 7 building.
Learning and Growth	<ul style="list-style-type: none"> • We completed the competency mapping exercise to identify competency gaps for development purposes. • Following the Employee Voice Survey 2011, briefings were conducted to communicate the results and to identify gaps arising from the survey. • We continued to reinforce our corporate values through employee-related activities such as team building, <i>Buka Puasa</i> for employees and their family members, safety and health related training sessions, a refresher briefing on the Conflict of Interest Code and the Code of Business Conduct and Ethics, as well as our Annual Dinner.

Snapshot of 2012 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 2012	Forecast Results Dec 2012
Stakeholders	A Educated and informed stakeholders	1. Public awareness index:		
		a. General awareness of PIDM	39%	P ¹
		b. General awareness of deposit insurance system (DIS)	35%	P ¹
		c. General awareness of takaful and insurance benefits protection system (TIPS)	15%	P ¹
		2. Successful completion of key initiative(s):		
		a. Integrated Communications Plan	Complete	A
		b. Education programme	Implement and monitor	A
	B Effective partnerships	3. 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
4. Participate in international fora		Active participation	A	
5. Support the Financial Institutions Directors' Education (FIDE) Programme and the Alumni		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. Quality of management support to the Board	High satisfaction	A
		7. Successful completion of key initiative(s):		
		a. ERM Board Risk policies	Review and enhance	A
		b. MDIC Act 2011	Review	A

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2012	Forecast Results Dec 2012
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	Review	A
		ii. Develop and implement DLS and Return of TPP framework for TIPS:		
		a(ii)(1). DLS framework	Develop and consult	A
		a(ii)(2). Guidelines on DLS and the regulations	Develop and consult	A
		a(ii)(3). Supervisor validation on Return of TPP	Implement and review	A
		a(ii)(4). External auditor validation on Guidelines on Return of TPP	-	F
		b. Risk Assessment and Monitoring Methodology and Framework:		
		i. Enhance Risk Assessment System for DIS	Develop and implement	D
		ii. Develop Risk Assessment System for TIPS	Develop	D
		c. Develop and implement Early Warning System (EWS):		
		i. DIS	Develop	P ²
		ii. TIPS	-	F
		d. Intervention and Failure Resolution (IFR) Framework including policies, processes and procedures:		
		i. DIS:		
		d(i)(1). Develop and implement the final components of IFR activities	Develop	P ³
		d(i)(2). Develop and implement Valuation Model and System	Develop	P ⁴
		ii. TIPS:		
		d(ii)(1). Amend IFR policies and procedures to include consideration for insurer members	Develop and complete	P ⁵
		e. Policies and regulations:		
		i. DIS:		
		e(i)(1). Interest and dividend payable guidelines / rules	Implement	A
		e(i)(2). Premium surcharge	Complete	A

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2012	Forecast Results Dec 2012
Governance and Internal Processes	D Robust risk assessment, monitoring, intervention and resolution capabilities	e(i)(3). Terms and Conditions of Membership Regulations 2008	Review and implement	P ⁶
		e(i)(4). Provision of Information on Deposit Insurance Regulations 2011	Review and implement	P ⁷
		ii. TIPS:		
		e(ii)(1). Terms and Conditions of Membership Regulations	Implement	P ⁶
		e(ii)(2). TIPS Information Regulations	Research	A
		f. Conduct simulation on:		
		i. Payout	Complete	A
		ii. Intervention and Failure Resolution	Complete	A
		g. Develop the remaining audit programme to ensure integrity of Payout Data, Systems and Processes for member banks	Complete	P ⁸
		h. Develop and implement claims management system, policies and procedures for insurer members:		
		i. Phase 1a: Product Registry System	Develop	P ⁹
		ii. Phase 1b: Claims Management System	Research	A
		iii. Phase 1c: Policy Holders Support Management System	Research	A
		iv. Phase 2: Payment Management System	Research	A
		i. Member institutions' compliance programme	Implement	P ¹⁰
	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 ¹¹
		11. Internal Control Compliance	Strong	A
12. Internal Customer Satisfaction		75%	A	
13. Successful completion of key initiative(s):				
a. Policies and Procedures for Phase 1: Government Borrowings and Phase 2: Funding from capital market		Review and enhance	A	

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2012	Forecast Results Dec 2012
Governance and Internal Processes	E	b. Target Fund framework for TIPS	-	F
		c. Develop and implement the following strategic plans:		
		i. Annual Information Technology Strategic Plan	Complete	P ¹²
		ii. Annual Business Continuity Management Plan	Complete	A
		d. Disaster Recovery Site and infrastructure	Acquire land	A
		e. Corporate Information Security Framework	Review and enhance	P ¹³
Learning and Growth	F	14. Develop and implement annual learning and development plan	Complete	A
		15. Successful completion of key initiative(s):		
		a. Integrate Competency framework in Human Capital processes	Review and enhance	A
		b. Knowledge Management Policies and Procedures	Develop	A
	G	16. Employee satisfaction index (Survey conducted once every two years)	-	F
		17. Successful completion of key initiative:		
		a. Implement employee-related programmes to promote conducive corporate environment	Complete	A

¹ The consumer survey results will be reported in our Annual Report 2012.

² The development of the Rating Prediction Model is progressing as scheduled.

³ The development of the framework to operationalise the IFR policies and procedures for member banks is progressing as scheduled.

⁴ The development of the Valuation Model is progressing as scheduled.

⁵ The 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 IFR framework and policies and procedures for Due Diligence, Transfer of Business, Assumption of Control, Closure and Liquidation, Bridge Institution, Receivership and Restructuring.

⁶ There will be one Terms and Conditions of Membership Regulations which will be applicable for both DIS and TIPS. The new regulations are targeted to be issued in 2013.

⁷ The regulations will be revised in 2013.

⁸ The development of audit programme for Payout Payment Management System (PPMS) will be completed in 2013.

⁹ The development of the insurance products and benefits repository is progressing as scheduled.

¹⁰ The compliance programme will be implemented in 2013.

¹¹ We achieved positive variances for both operating and capital expenditures.

¹² We have completed most of the strategic and operational initiatives as set out in PIDM's Information Technology Strategic Plan except for the following initiatives which have been deferred:

- Enhancement to the Risk Assessment System for DIS
- Development of the Insurance Risk Assessment System for TIPS
- Enhancement to the Payout System
- Corporate Information Security Infrastructure

¹³ The implementation plan for the first phase of the Corporate Records Management System will be rolled out in 2013.

Past Financial Performance – Year 2012

A. Operating Results

	2012 Forecast*	2012 Budget	Variance	
Revenues	RM'000	RM'000	RM'000	(%)
Premiums	214,262	199,300	14,962	8
Investments	48,987	49,400	(413)	(1)
Total Revenues	263,249	248,700	14,549	6
Operating Expenditures				
Salaries and Benefits	39,150	48,000	8,850	18
General and Administration	28,890	37,000	8,110	22
Communications	9,760	10,000	240	2
Total Operating Expenditures	77,800	95,000	17,200	18
Net Surplus for the Year	185,449	153,700	31,749	21

B. Capital Expenditures

	2012 Forecast*	2012 Budget	Variance	
Capital Expenditures	RM'000	RM'000	RM'000	(%)
Land and Building	6,250	7,000	750	11
Furniture, Fittings and Office Refurbishment	450	550	100	18
Computer Systems and Office Equipment	4,820	14,650	9,830	67
Total Capital Expenditures	11,520	22,200	10,680	48

*2012 Forecast = Actual (Jan - Nov 2012) + Forecast (Dec 2012)

C. Commentary on 2012 Financial Performance

Operating Results

We forecast operational net surplus of approximately RM185.4 million compared to RM153.7 million as budgeted in our Corporate Plan. The expected surplus is higher by RM31.7 million, primarily due to higher premiums received during the year as well as the expected positive variance on operating expenditures compared to budget.

Revenues

- Total premiums collected from member banks during the year was RM126.5 million or 10% higher than budget of RM115.2 million. The higher premiums received was mainly due to the higher than expected growth in Total Insured Deposits.
- The premiums collected from insurer members during the year were RM87.8 million, 4% or RM3.7 million higher than budget. The higher premiums received was mainly attributable to the Life Insurance business segment due to the increase in the Actuarial Valuation Liabilities.

Operating Expenditures

- Total operating expenditures up to 31 December 2012 are forecast at RM77.8 million, which is RM17.2 million or 18% below budget.
- The positive variance is mainly due to the lower salaries and benefits expenses arising from the timing of new employees hired during the year.
- The positive variance of RM8.1 million or 22% on general and administration costs is mainly attributed to lower expenditures on professional and consultancy, Information Technology (IT) systems licensing and maintenance, training and development as well as travelling expenses.

Capital Expenditure

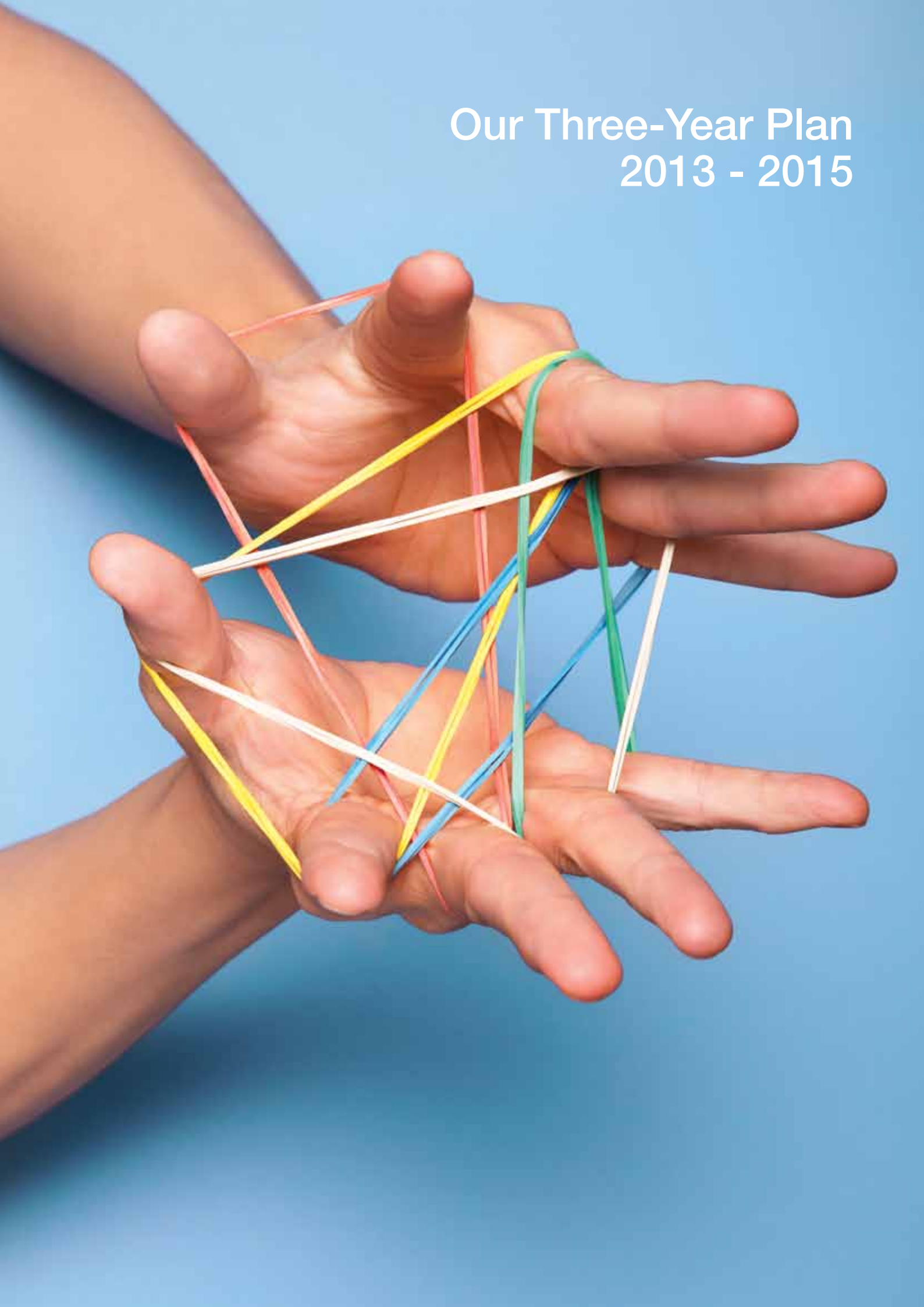
Our capital expenditures are expected to be RM11.5 million or 48% lower than budget. The positive variance is mainly attributed to cost savings on the development of several IT systems including our enhanced financial management system as well as the human resource information system. There were also several IT system projects which were deferred due to external factors.

Cost Allocation Methodology

During the year, we have 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 relevant laws.

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

Our Three-Year Plan 2013 - 2015



Our Three-Year Plan 2013 - 2015

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 owners and the member institutions (MIs). In this regard, we continuously monitor and assess the global and domestic economic trends and developments as well as our MIs' operating environment. Internally, we continue to adopt the ERM framework to identify and assess risks which might adversely affect the Corporation.

Economic Environment

The global economic environment will remain challenging with the persistent economic weakness in the Eurozone and the potential to induce further financial market stress. Economic growth in the United States will remain subdued, dragged down by the financial turmoil in Europe and a fiscal drag in 2013, while in China, industrial production remains weak. As a result, there are increasing growth worries in trade-dependent East Asian economies.

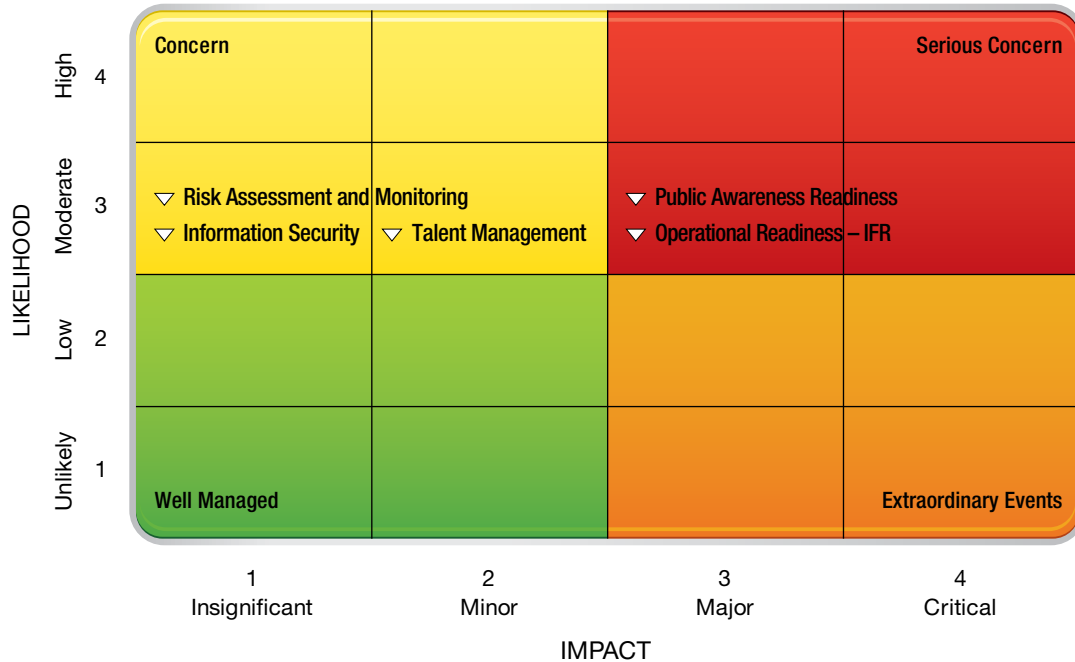
In spite of this challenging global environment, the domestic economy remained resilient, driven mainly by stronger expansion in domestic demand. Robust growth was seen in both private and public sector spending, particularly on capital investment, amidst weaker net exports. Amongst the Asian countries, Malaysia is one of the least vulnerable, given domestic demand support from investment under the Economic Transformation Programme and fiscal spending. The trend of domestic demand sustaining economic growth is expected to continue.

Member Institutions' Environment

Underpinned by strong capitalisation of financial institutions and orderly financial market conditions, domestic financial stability remained sound. Financial markets continued to demonstrate strong capacity to withstand potential external shocks and volatility arising from the escalation of sovereign risk in the Euro area. 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 has successfully completed another full cycle of the ERM risk assessment activities in 2012. The cluster risks of the Corporation for 2012 are graphically shown in the following Risk Profile:



Trend: △ Increasing ▼ Decreasing ○ Stable

The risk description as well as key risk action plans and initiatives proposed to address the said cluster risks of the Corporation are as follows:

Public Awareness: The Corporation continues to face challenges in increasing public awareness and understanding on DIS, TIPS and PIDM, which is an ongoing process that requires a long-term approach, building on past years’ initiatives and refining strategies and plans based on research findings. The Corporation will continue to focus efforts on the implementation of the Integrated Communications Plan which includes initiatives such as advertising, training for MIs, briefings for various stakeholders, our financial education programme besides exploring opportunities to engage with the public via social media.

Operational Readiness – Intervention and Failure Resolution (IFR): Operational readiness is surrounded by the key question of “Are we ready for the intervention and failure resolution of troubled MIs?”. In this regard, the Corporation will continue with the development of the operationalising framework for DIS as well as the policies, procedures and infrastructure for TIPS over the next few years. In addition, various training sessions and simulations on IFR will be carried out to test the readiness of the Corporation.

Talent Management: The unique business model of the Corporation requires its employees to possess specialised knowledge not only on DIS but also on TIPS. The key action plans proposed to mitigate the risk are to continue with

the Employee Referral Programme as well as to undertake targeted recruitment to search for the right candidate. Management will also carry out on-the-job training for new hires and to provide training to improve leadership and managerial skills for existing employees.

Risk Assessment and Monitoring: The Corporation will complete the comprehensive Risk Assessment and Monitoring Methodology and Framework, as well as the Insurance Risk Assessment System for TIPS which are targeted to be developed over a multi-year period. In addition, the Corporation will implement the Differential Levy System (DLS) framework for conventional insurer members and continuously carry out DLS communication sessions with insurer members. In relation to the DLS for takaful operators, the Corporation will develop an interim framework.

Information Security: Access to sensitive information is restricted to the Corporation’s authorised personnel. In this regard, the Corporation will continue to conduct regular training on the Information Classification Policy, Code of Business Conduct and Ethics, Conflict of Interest Code, and enforce the annual asset and liabilities declarations by the employees. In addition, the Corporation will continually maintain the channel for reporting of wrongdoings and communicate the consequences of breaches and the disciplinary actions.

The key risk action plans and initiatives that have been developed to address the significant risks are incorporated 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 economic environment and our financial system remain stable.
- 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 always be at an advanced stage of operational readiness, which will require the development of necessary tools, infrastructure and employee capabilities to support IFR activities.

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:
Following the implementation of the Target Fund framework, the premium rates will gradually increase by 0.01%, for each of the years from 2013 to 2015, for the best rated category under the Differential Premium Systems (DPS). The rates for the other three categories under the DPS will have consequential changes, adopting the current "double-up" approach.

The time projected to reach the set Target Fund levels is between 10 - 12 years.
 - Insurer members:
Premium revenues will be based on the risk profiles of insurer members under the proposed rates in the DLS.
- 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.
- The interest rates remain stable and the investment will be based on our Investment Policy where the objective is to achieve capital preservation and liquidity.

Learning and Growth

- We will continue to retain and enhance existing talents as critical talent relevant to PIDM's mandate 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. The Corporation's strategic direction was identified as follows to guide its activities over the planning period:

- sustain PIDM's capacity and capability by focusing on enhancing employee competencies and developing necessary infrastructure;
- strengthen the operational readiness in relation to Intervention and Failure Resolution; and
- enhance the level of public awareness and education of financial consumers in PIDM's protection systems.

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

Sustain PIDM's capacity and capability by focusing on enhancing employee competencies and developing the necessary infrastructure

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 overall Human Capital Strategy will be to recruit, develop and engage outstanding employees.

PIDM's unique business model means that recruitment of employees with the relevant DIS and TIPS knowledge is a challenge, as such expertise is not readily available in the job market. Accordingly, the Corporation must utilise various recruitment strategies to attract and hire talents from related financial industries including the usage of the Competency Framework for the purpose of recruitment and selection to ensure the right skills and behaviour fit. With the new employees recruited, the Corporation provides effective orientation and integrates the new hires into the

existing corporate culture via the enhanced on-boarding process to help facilitate the assimilation of these new hires and improve employee engagement and retention.

Learning and development remains a key factor for the Corporation's success. The Corporation will continue to invest in providing opportunities for employees to develop themselves professionally both for current roles, as well as to support succession planning and prepare for future additional responsibilities as the national resolution authority. The growing workforce has placed increased demands on leadership and supervisory roles; the Corporation will continue to deliver leadership and supervisor development programmes and tools to equip the supervisors with necessary leadership skills and behaviour to lead the Corporation, to coach and guide the employees.

PIDM is committed to providing a corporate culture which promotes employee engagement and drives performance. A number of initiatives support the achievement of an optimal workplace culture that is welcoming, engaging and inclusive. The employee engagement survey, which is conducted biennially, helps the Corporation to gauge overall satisfaction and allow PIDM to build on strengths and identify areas for improvement. The Total Performance Management process aligns individual goals with corporate objectives and allows PIDM to effectively manage and reward employee performance. An annual review of the compensation and benefits package ensures that remuneration is fair, equitable and competitive with the market to allow us to recruit and retain outstanding employees.

Strengthen the operational readiness in relation to Intervention and Failure Resolution

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 IFR capacity. Improving PIDM'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: PIDM's ongoing risk assessment and monitoring activities of its MIs are critical to its mandate. The Corporation continuously monitors the economic and financial environment, the risk profile and financial performance of individual MIs and of MIs as a whole, and discusses related risks with BNM and the Board of Directors.

In that regard, the key focus of the Insurance, Risk Assessment and Monitoring Division is to continue to enhance the risk assessment infrastructure and capabilities. With regard to TIPS, having established the risk assessment framework in 2012, the main effort going forward is to focus on the development of the necessary system and infrastructure to support the risk assessment and monitoring of insurer members. As for DIS, efforts will be channelled to enhance the capabilities and efficiency of the existing risk assessment system in line with the enhancement made at the data source at BNM's Integrated Statistical System.

On the insurance and premium administration, the focus for the next three years will be the implementation of the DLS framework and guidelines for conventional insurer members as well as the external auditor validation programme. Another main undertaking is the development of an interim DLS framework for takaful operators. The Corporation will also commence the development of the Target Fund framework for insurer members, similar to the one implemented for member banks. This is in line with best practices and will, moving forward, assist us tremendously in the levy setting policy.

Malaysia, through the Corporation, is recognised as a leader in the development and implementation of a comprehensive deposit insurance system which includes Islamic deposit insurance. As such, the Corporation will continue to focus its efforts in 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 and promptly in the affairs of a troubled MI. To achieve this, the Corporation has undertaken and continues to undertake initiatives to ensure readiness to fulfil our mandate when called upon. The Corporation's journey towards operational readiness is described in two broad phases, namely, readiness to execute the IFR mandate leveraging on expertise of service providers and guided by the set of policies and procedures; and readiness to execute the IFR mandate by leading and managing service providers more effectively with our detailed policies and procedures as well as extensive IFR infrastructure.

By 2013, the Corporation aims to complete the development of the fundamental building blocks for the IFR capability and capacity in which we would be able to undertake a due diligence with the assistance of service providers; perform a least cost assessment based on an agreed framework using a rudimentary spreadsheet model; execute going concern resolution options with the assistance of service providers; and execute a liquidation and payout using cheques and / or bank transfers based on deposit data provided by MIs.

As we progress to the next phase, we aim to execute the IFR mandate in a more effective and efficient manner, where the Corporation will have better analytical tools and infrastructure to support data capture, analysis, decision making and the implementation of an effective IFR. In turn, this will allow the Corporation to provide better leadership in the conduct of key IFR activities such as managing the due diligence process, effect a more comprehensive least cost assessment, more effective management of service providers and executing payout in a seamless manner with minimum disruption to depositors and policy owners.

Additionally, arising from the 2008 global financial crisis, the Financial Stability Board released the "Key Attributes for Effective Resolution Regimes for Financial Institutions" in early November 2011. This sets out the core elements necessary for an effective resolution regime. This standard will help to address the "too-big-to-fail" problem by

facilitating the resolution of systemically important financial institutions in an orderly manner while maintaining continuity to their vital economic functions. One of the attributes requires putting in place a recovery and resolution plan for each complex financial institution. The plan, which needs to be kept current, should also consider the potential impact of cross-border contagion in a crisis scenario, if any.

Following this, the Basel Committee on Banking Supervision issued the assessment methodology and additional loss absorbency requirement for global and domestic systemically important banks in November 2011 and October 2012 respectively. The Corporation will work in collaboration with BNM to develop the framework and road map towards having in place well-defined recovery and resolution plans for both domestic and regional systemically important financial institutions.

As a critical component of readiness, the Corporation will continue to accord priority in the development and enhancement of employees' capability and competencies in relation to IFR readiness through continuous training and simulation sessions.

Improving Infrastructure and Operations: As our overall approach is for continuous improvement, the Information Technology Strategic Plan (ITSP) sets out the direction and objectives of technology utilisation and management within the Corporation with a view to achieve operational efficiency. The plan, which supports the mandate, vision, mission and corporate objectives of the Corporation, also articulates priorities for implementing and delivering Information and Communications Technology (ICT) systems, facilities and services to support the Corporation's business needs and requirements as well as to add long-term value to the Corporation.

In a continuously evolving technology environment, it is essential that the IT infrastructure continue to be current and in line with industry best practices. To support the Corporation's operational readiness, communication and document accessibility facilities are vital in creating an integrated and secured information collaboration platform.

PIDM's business continuity management programme will focus on ensuring the continuity of the Corporation's critical business functions in the event of a disaster or pandemic with the ability to continue operations from a disaster recovery site. Annual tests will be performed to ensure that the business continuity management plan remains current and relevant.

Having established the interim Disaster Recovery Site (DRS), our key initiative for the planning period will be to develop the permanent DRS which will be used as a disaster recovery centre and an off-site storage facility.

Enhance the level of public awareness and education of financial consumers

Public awareness and understanding 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. We will continue to implement the Integrated Communications Plan (ICP)

2012 - 2016, whereby the plan shows continuity to the already established PIDM communications foundations that promote awareness, appreciation and engagement of PIDM, DIS and TIPS. The ICP is driven by three strategic thrusts underpinning its communications strategy and initiatives:

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

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

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

The Corporation will review, enhance and refine the integrated communications strategies and tactics annually based on the year-end nationwide consumer awareness survey results. The Corporation will continue to disseminate information in a direct, clear and simple manner as well as to strengthen its brand presence, awareness and understanding of DIS and TIPS through various segmented and targeted communications approaches and effective tools. As the national financial consumer protection authority, the Corporation also continues 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 also continue to engage and collaborate with key stakeholders via various activities which include briefings, training sessions, seminars and interactive education programmes.

Corporate Scorecard 2013 - 2015

The corporate initiatives that we will undertake over the planning period 2013 - 2015 and the respective targets, which include both financial and non-financial measures, 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 which sets out the estimated resources required to support our plans and initiatives is included in pages 29 to 30 of this Corporate Plan.

Corporate Scorecard 2013 - 2015

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
			2013	2014	2015
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)	50% 40% 25%	55% 45% 30%	60% 50% 35%
		2. Successful completion of key initiative(s): a. Review and implement Integrated Communications Plan b. Education programme	Complete Implement and review	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. International fora	Active participation	Active participation	Active participation
		5. The Financial Institutions Directors' Education (FIDE) Programme and the Alumni (FIDE FORUM)	Active participation	Active participation	Active participation
Governance and Internal Processes	C Well-governed and well-managed organisation	6. Board assessment on: a. Best practices of governance adopted and maintained b. Significant policies and practices complied with and kept current and relevant 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 and Reports b. Review MDIC Act 2011 and recommend amendments, where necessary	Review and enhance Complete	Review and enhance -	Review and enhance -
	D Robust risk assessment, monitoring, intervention and resolution capabilities	8. Successful completion of key initiative(s): a. Review and enhance Total Insured Deposits (TID) and Differential Premium Systems (DPS)-related regulations for DIS b. Differential Levy System (DLS) framework for TIPS: i. DLS framework for conventional ii. DLS framework for Takaful (Interim) c. Review and enhance TIPS-related regulations d. Risk Assessment and Monitoring Methodology and Framework: i. Enhance Risk Assessment System for DIS ii. Develop Risk Assessment System for TIPS e. Early Warning System (EWS) i. DIS ii. TIPS f. Intervention and Failure Resolution Framework including policies, processes and procedures: i. Operationalisation of IFR policies and procedures for member banks ii. Amend IFR policies and procedures to include consideration for insurer members	Develop and consult Implement Research and develop Review and enhance Develop and implement Develop Develop and validate Research Develop Develop	Implement Review Develop and implement Review and enhance Review and enhance Develop and implement Implement Develop Complete Complete	Review Review Review Review and enhance Review and enhance Review and enhance Review Develop and validate Review Review

Corporate Scorecard 2013 - 2015

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
			2013	2014	2015
D	Robust risk assessment, monitoring, intervention and resolution capabilities	g. Evaluation Model and System - DIS and TIPS	Develop	Complete	Review
		h. Recovery and resolution framework for complex financial institutions	Develop	-	-
		i. Policies and regulations:			
		i. TIPS Information Regulations	Develop and consult	Implement	Monitor
		ii. Terms and Conditions of Membership Regulations - DIS and TIPS	Implement	-	-
j. Simulation on Intervention and Failure Resolutions	Complete	Complete	Complete		
k. Develop the remaining audit programme to ensure integrity of Payout Data, Systems and Processes for member banks	Complete	Review and enhance	-		
l. Claims management infrastructure, policies and procedures for insurer members:					
i. Phase 1a: Product Registry System	Implement	Monitor	Monitor		
ii. Phase 1b: Claims Management System	Develop	Complete	Implement		
iii. Phase 1c: Policy Holders Support Management System	Develop	Complete	Implement		
iv. Phase 2: Payment Management System	Develop	Complete	Implement		
m. Member institutions' compliance programme with MDIC Act	Review and enhance	-	-		
E	Sound business and financial practices	9. Reporting through:			
		a. Annual Report	Complete	Complete	Complete
		b. Corporate Plan	Complete	Complete	Complete
		10. Actual vs. approved budgets	±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. Target Fund for TIPS	Research and develop	Implement	Review and enhance		
b. Develop and implement the following strategic plans:					
i. Annual Information Technology Strategic Plan	Complete	Complete	Complete		
ii. Annual Business Continuity Management Plan	Complete	Complete	Complete		
c. Disaster Recovery Site and infrastructure	Construct	Construct	Complete		
d. Corporate Information Management	Implement	Review and enhance	Full compliance		
F	Competent and knowledgeable workforce	14. Continuous learning and development programmes	Complete	Complete	Complete
		15. Successful completion of key initiative:			
		a. Knowledge Management Policies and Practices	Implement	Review and enhance	Implement
G	Conducive corporate environment	16. Employee Engagement Index (survey conducted once every two years to gauge level of employee satisfaction)	75%	-	75%
		17. Successful completion of key initiative:			
a. Employee-related programmes	Implement	Implement	Implement		

Financial Plan 2013

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

A. Operating Budget

	2013 Budget		2012 Forecast*		2012 Budget	
Revenues	RM'000	(%)	RM'000	(%)	RM'000	(%)
Premiums	227,300	80	214,262	81	199,300	80
Investments	56,000	20	48,987	19	49,400	20
Total Revenues	283,300	100	263,249	100	248,700	100
Operating Expenditures	RM'000	(%)	RM'000	(%)	RM'000	(%)
Salaries and Benefits	51,900	51	39,150	50	48,000	50
General and Administration	38,100	38	28,890	37	37,000	39
Communications	11,000	11	9,760	13	10,000	11
Total Operating Expenditures	101,000	100	77,800	100	95,000	100
Net Surplus	182,300		185,449		153,700	

B. Capital Budget

	2013 Budget		2012 Forecast*		2012 Budget	
Capital Expenditures	RM'000	(%)	RM'000	(%)	RM'000	(%)
Land and Building	16,000	54	6,250	54	7,000	32
Furniture, Fittings and Office Refurbishment	600	2	450	4	550	2
Computer Systems and Office Equipment	13,000	44	4,820	42	14,650	66
Total Capital Expenditures	29,600	100	11,520	100	22,200	100

*2012 Forecast = Actual (Jan - Nov 2012) + Forecast (Dec 2012)

C. Commentary on Operating and Capital Budget

Revenues

- The premiums budgeted for the deposit insurance system for 2013 is RM172.2 million, based on the DPS rate structure. This is primarily due to the revision in premium rates under the DPS as well as moderate growth in the Total Insured Deposits.
- We have also budgeted premiums of RM55.1 million from our insurer members under the TIPS. This budgeted premiums is RM32.7 million or 37.2% lower than the 2012 actual premiums received, primarily due to the implementation of DLS for General and Life Insurance business segments. The premiums calculation for the General Takaful and Family Solidarity Takaful will continue to be based on a flat rate applied on Total Protected Policies (TPP) as follows:
 - General Takaful – 0.25% of the net premium income
 - Family Solidarity Takaful – 0.06% of the actuarial valuation liabilities
- Investment income is budgeted based on average yield of 3% return on investment.

Operating Expenditures

- Salaries and benefits costs include the annual compensation costs for 157 employees planned for 2013 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 the DIS and the 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 mainly due to increase in expenditures relating to IT systems application licensing and maintenance. We have also planned for the required resources to support all our identified key initiatives for 2013, in particular, continuing to build the capacity and capabilities in carrying out intervention and failure resolution activities for TIPS.
- For 2013, 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, media engagements as well as education programmes in schools and tertiary education institutions.

Capital Expenditures

- Our capital expenditures have been planned to support our key initiatives as well as operational effectiveness through infrastructure enhancements.
- A key initiative for PIDM over the next three years is the development of PIDM's DRS to ensure operational readiness. For 2013, we have planned for the construction costs of the building premises and essential infrastructure of the DRS which is expected to complete by the end of 2015.
- We will also be focusing our resources towards building key IT systems to continue to enhance our operational effectiveness as well as our readiness. Among others, we will be building key IT systems to support the operations of TIPS including a Premium Reimbursement and Claims Management System as well as enhancing our risk assessment system for both DIS and TIPS.

D. Pro Forma Statement of Financial Position

	2013 Budget Total	2012 Forecast* Total	2012 Budget Total
	RM'000	RM'000	RM'000
ASSETS			
Cash and cash equivalents	2,785	4,485	3,473
Investments	1,820,226	1,662,226	1,595,110
Other assets	17,343	11,343	13,110
Property and equipment	47,108	26,108	52,685
TOTAL ASSETS	1,887,462	1,704,162	1,664,378
LIABILITIES			
Payables	10,000	9,000	8,512
TOTAL LIABILITIES	10,000	9,000	8,512
FUNDS AND RESERVES			
DEPOSIT INSURANCE FUNDS			
Beginning balance	618,361	518,507	518,880
Surplus for the year	116,929	99,854	92,244
	735,290	618,361	611,124
TAKAFUL AND INSURANCE BENEFITS PROTECTION FUNDS			
Beginning balance	1,076,801	991,206	983,286
Surplus for the year	65,371	85,595	61,456
	1,142,172	1,076,801	1,044,742
TOTAL PROTECTION FUNDS	1,877,462	1,695,162	1,655,866
TOTAL LIABILITIES AND PROTECTION FUNDS	1,887,462	1,704,162	1,664,378

*2012 Forecast = Actual (Jan - Nov 2012) + Forecast (Dec 2012)

E. Pro Forma Statement of Cash Flows

	2013 Budget	2012 Forecast*	2012 Budget
	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium receipts from member institutions	227,300	214,262	199,300
Receipts of investment income	56,000	48,987	49,400
Payments in the course of operations to suppliers and employees	(90,000)	(65,000)	(90,000)
Net cash flows from operating activities	193,300	198,249	158,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities	1,600,000	1,407,525	700,000
Purchase of investment securities	(1,780,000)	(1,650,262)	(850,000)
Purchase of property and equipment	(15,000)	(2,500)	(10,000)
Net cash flows used in investing activities	(195,000)	(245,237)	(160,000)
Net decrease in cash and cash equivalents	(1,700)	(46,988)	(1,300)
Cash and cash equivalents at the beginning of the year	4,485	51,473	4,773
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	2,785	4,485	3,473

*2012 Forecast = Actual (Jan - Nov 2012) + Forecast (Dec 2012)

Conclusion



Conclusion

Corporate Plan Derailment

We are committed and dedicated towards achieving our planned initiatives as set out in this Plan with the support of our competent and knowledgeable workforce as well as having in place sound processes and infrastructure. Other factors that also play a role in helping us achieve our goals as we continue to build our operational capacity and capability to fulfil our mandate include sound governance, leadership and planning, ongoing training and development, strong relationships with international deposit insurers and insurance guarantee schemes as well as key stakeholders.

However, should there be an event of intervention in a troubled member institution (MI) 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 available 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.

Future Mandate Enhancement

Future initiatives, which have not been planned for or budgeted for the planning period, would also include developing a framework to address the recommendations made in the Financial Sector Blueprint 2011 - 2020, released by BNM in June 2012, themed "Strengthening Our Future". The Blueprint identified the Corporation as the "resolution authority for dealing in an orderly manner with large, non-viable financial institutions in Malaysia that can affect financial stability". Such financial institutions may also include non-MIs. This will be supported by appropriate accountability and financial arrangements to ensure the effective coordination between the bank and PIDM as well as with other relevant authorities within and outside Malaysia.

Summary

The Corporation is mandated to administer the financial consumer protection systems with the overarching aim of promoting public confidence and contributing to the stability of the financial system. In that regard, the Corporation has embarked on and completed numerous initiatives which have strengthened its foundation and operational capacity towards advancing its mandate and to be recognised as a leader in integrated financial consumer protection.

In striving to achieve the strategies and the challenging targets set in this Plan, the Corporation will focus its efforts and resources on strengthening the state of operational readiness to fulfil its mandate effectively and efficiently. This includes enhancing the employees' competencies, policies and processes, systems and infrastructure as well as intensifying its public awareness and education initiatives to increase the level of awareness about PIDM, DIS and TIPS. The Corporation will also continue to subscribe to relevant best practices in all areas.

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 against the loss of part or all of their deposits as well as a takaful and insurance benefits protection 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.

Our Mandate

PIDM's mandate is set out in the MDIC Act 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 domestic and 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 31 December 2012, PIDM's member institutions are as follows:

Commercial Banks (27)

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 Corporate 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.

*denotes this bank provides Islamic banking services

Islamic Banks (16)

1. Affin Islamic Bank Berhad
2. Alliance Islamic Bank Berhad
3. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
4. AmIslamic 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 (34)

1. ACE Jerneh 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 Sampo 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. Kurnia Insurance (Malaysia) Berhad
17. Lonpac Insurance Berhad
18. Manulife Insurance Berhad
19. MCIS Zurich Insurance Berhad
20. MSIG Insurance (Malaysia) Bhd.
21. Multi-Purpose Insurans Berhad
22. Overseas Assurance Corporation (Malaysia) Berhad
23. Pacific & Orient Insurance Co. Berhad
24. Progressive Insurance Berhad
25. Prudential Assurance Malaysia Berhad
26. QBE Insurance (Malaysia) Berhad
27. RHB Insurance Berhad
28. The Pacific Insurance Berhad
29. Tokio Marine Insurans (Malaysia) Berhad
30. Tokio Marine Life Insurance Malaysia Bhd.
31. Tune Insurance Berhad (formerly known as Oriental Capital Assurance Berhad)
32. Uni.Asia General Insurance Berhad
33. Uni.Asia Life Assurance Berhad
34. Zurich Insurance Malaysia (formerly known as Malaysian Assurance Alliance Berhad)

Takaful Operators (12)

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

Our Board of Directors

PIDM is currently governed by a nine-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, 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**
Board Member



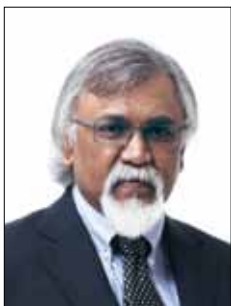
**Dato' Sri Dr. Mohd Irwan
Serigar bin Abdullah**
Board Member



**Datuk Dr. Rahamat Bivi
binti Yusoff**
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



**Encik Mohamad Abdul
Halim bin Ahmad**
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



Chua Ee Leen
General Manager,
Strategic Planning



Lee Yee Ming
General Manager,
Policy and International



Lim Kong Kuan
General Manager,
Intervention and Failure Resolution



Margaret Fong Gook Pheng
General Manager,
Human Capital



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



Rozita Ahmad
General Manager,
Communications and Public Affairs

Contact Us

For more information about PIDM

- 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,
50470 Kuala Lumpur.

Telephone: 603-2173 7436

Fax: 603-2173 7527 / 2260 7432