



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

annual report **2014**



Ask courageous questions. Do not be satisfied with superficial answers. Be open to wonder and at the same time subject all claims to knowledge, without exception, to critical scrutiny. In fulfilling our mandate, Perbadanan Insurans Deposit Malaysia (PIDM) strives for continuous improvement. We constantly ask ourselves – are we looking at the right information? Are we asking the right questions? Where else is there room for improvement? Only then can we judge our progress, in the words of Carl Sagan “... by the courage of our questions and the depth of our answers, our willingness to embrace what is true rather than what feels good.”



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 Annual Report. This paper is certified by the Forest Stewardship Council (FSC), a worldwide body that supports the highest standards for forest management.





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

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

TABLE OF CONTENTS

SECTION 1: INTRODUCTION

5	Corporate Profile
6	The Year at a Glance
8	A Commitment to Excellence
9	Five-Year Highlights of Our Accomplishments
10	Financial Summary: Five-Year Performance
11	Going Forward
12	Message from the Chairman
15	Board of Directors: Members and Profiles
20	Message from the Chief Executive Officer
23	Organisation Chart
24	Executive Management Committee: Members and Profiles
32	Other Management Committees

SECTION 2: CORPORATE GOVERNANCE

35	Statement on Governance
53	Statement on Risk Management and Internal Control

SECTION 3: MANAGEMENT'S DISCUSSION AND ANALYSIS

65	Our Operating Environment
65	Review of 2014 Operations and Achievements
81	Financial Overview
103	Summary of Our Corporate Plan 2015 - 2017

SECTION 4: FINANCIAL STATEMENTS

107	Directors' Report
111	Statement by Directors
112	Statutory Declaration
113	Auditor General's Certification
114	Statement of Financial Position
115	Statement of Profit or Loss and Other Comprehensive Income
116	Statement of Changes in Funds and Reserves
118	Statement of Cash Flows
119	Notes to the Financial Statements

SECTION 5: OVERVIEW OF MEMBERSHIP

177	Overview of Membership
-----	------------------------

SECTION 6: ARTICLE

183	The Differential Premium Systems – An Evolution to a Matrix Approach
-----	--

SECTION 7: COMMUNICATIONS INITIATIVES AND CORPORATE SOCIAL RESPONSIBILITY

189	Communications Initiatives
194	Corporate Social Responsibility

SECTION 8: CALENDAR OF EVENTS

197	Calendar of Events
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APPENDIX

207	Charter of Governance Committee
210	Charter of Remuneration Committee
212	Charter of Audit Committee
217	Charter of Succession Planning Committee
220	Corporate Scorecard 2015 - 2017
222	List of Member Institutions
223	Glossary of Terms
226	Contact Details



SECTION ONE

INTRODUCTION

Corporate Profile	5	
The Year at a Glance	6	
A Commitment to Excellence	8	
Five-Year Highlights of Our Accomplishments	9	
Financial Summary: Five-Year Performance	10	
Going Forward	11	
Message from the Chairman, Tan Sri Datuk Dr. Abdul Samad Haji Alias	12	
		15
		Board of Directors: Members and Profiles
		20
		Message from the Chief Executive Officer, Jean Pierre Sabourin
		23
		Organisation Chart
		24
		Executive Management Committee: Members and Profiles
		32
		Other Management Committees

CORPORATE PROFILE



PERBADANAN INSURANS DEPOSIT MALAYSIA (PIDM) IS A STATUTORY BODY ESTABLISHED IN 2005 UNDER THE MALAYSIA DEPOSIT INSURANCE CORPORATION ACT (PIDM ACT) 2011 TO PROTECT CERTAIN FINANCIAL CONSUMERS. PIDM REPORTS TO PARLIAMENT THROUGH THE MINISTER OF FINANCE AND IS GOVERNED BY A NINE-MEMBER BOARD OF DIRECTORS. THE CORPORATION IS ALSO KNOWN INTERNATIONALLY AS THE MALAYSIA DEPOSIT INSURANCE CORPORATION (MDIC).

As an integral part of the national financial safety net system, PIDM administers the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS). PIDM insures depositors and protects takaful certificate and insurance policy owners in the event of a member institution failure up to the limits as set out in the PIDM Act. The Corporation is also mandated to provide incentives for sound risk management in the financial system, as well as to promote and contribute to the stability of the financial system.

PIDM's member institutions comprise:

- commercial banks (including locally incorporated subsidiaries of foreign banks operating in Malaysia) licensed under the Financial Services Act 2013;
- Islamic banks licensed under the Islamic Financial Services Act 2013;
- insurance companies (including locally incorporated subsidiaries of foreign insurance companies operating in Malaysia) 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 2014, PIDM's membership comprises 43 member banks (27 commercial banks and 16 Islamic banks) and 43 insurer members (32 insurance companies and 11 takaful operators).

PIDM's operations are funded by annual premiums and levies collected from member institutions. The Corporation administers six separate and distinct Funds:

1. Islamic Deposit Insurance Fund;
2. Conventional Deposit Insurance Fund;
3. Family Solidarity Takaful Protection Fund;
4. Life Insurance Protection Fund;
5. General Takaful Protection Fund; and
6. General Insurance Protection Fund.

The Islamic Protection Funds are administered in accordance with Shariah principles.

FINANCIAL SYSTEM STABILITY

In carrying out its mandate, PIDM works closely with Bank Negara Malaysia (BNM), the primary regulator and supervisor. The relationship is detailed in the PIDM Act and the Strategic Alliance Agreement between the parties, and enables timely exchange of information on member institutions as well as collaboration in risk assessment and monitoring, and intervention and failure resolution activities.

PIDM complements the existing regulatory and supervisory framework by providing incentives for member institutions to implement sound risk management practices. The Corporation is the resolution authority in Malaysia for member banks and insurer members and has at its disposal a range of legislative powers to intervene early in distressed member institutions to mitigate the possibility of a member institution failure. If necessary, once a member institution is deemed to be no longer viable by BNM, the Corporation can assume control over the institution or take such intervention action to resolve the member institution in a manner that minimises costs to the financial system.

Timely and clear communications to ensure public confidence in DIS and TIPS are key to PIDM's efforts in promoting and contributing to the stability of the financial system. As such, the Corporation carries out a multi-year public awareness programme as well as education initiatives through various channels to enhance the level of awareness and understanding about the benefits, coverage and limitations of PIDM's financial consumer protection systems.

THE YEAR AT A GLANCE

PIDM has successfully achieved the strategies and met the key performance targets as set out in our Corporate Plan 2014 - 2016 within the approved financial plan. The Corporation's foundations and operational capacity has been further strengthened to become more efficient and effective in administering the financial consumer protection systems.

For 2014, the Corporation's key efforts in line with its strategic direction were focused on initiatives to:

- strengthen operational effectiveness and readiness;
- increase and sustain employee competencies and talent management;
- enhance relationships with key stakeholders; and
- improve the level of public awareness and education of financial consumers.



The Year at a Glance

HIGHLIGHTS OF PIDM'S ACCOMPLISHMENTS IN 2014



STAKEHOLDERS

- Continued with the implementation of the Integrated Communications Plan (ICP) initiatives, including advertising through various channels and educated PIDM's stakeholders through briefings, training sessions, road shows, exhibitions and the Corporate Outreach programme.
- Executed a collaborative agreement with Money Compass to enhance awareness among the Chinese community.
- Collaborated with the Malaysian Insurance Institute and member institutions for the Train-the-Trainer accreditation programme.
- The education programme has successfully reached out to all national secondary schools in Malaysia, i.e. a total of 2,239 schools. The Corporation has been recognised as a "Partner in Co-curriculum" by the Ministry of Education, a testimony to the success of the education programme.
- Executed an enhanced Memorandum of Understanding with the Indonesia Deposit Insurance Corporation and the Deposit Protection Agency, Thailand to promote cooperation and collaboration.
- Hosted the Asia-Pacific Regional Committee (APRC) Technical Seminar on "Navigating Too Big to Fail: Strengthening Cross-border Cooperation and Implementing Effective Recovery and Resolution Plans". We also organised and hosted study visits and workshops to share and exchange knowledge on DIS and TIPS-related matters.
- Continued to maintain good relationships with BNM, other deposit insurers and safety nets around the world through participation in the International Association of Deposit Insurers (IADI) and in the International Forum of Insurance Guarantee Schemes (IFIGS).



GOVERNANCE AND INTERNAL PROCESSES

- Forwarded the proposed legislative amendments to the PIDM Act 2011 to the Attorney General Chambers.
- Held five Board education sessions as part of the Board of Directors' continuous training and education.
- Continued to demonstrate commitment towards our Corporate Social Responsibility (CSR) programme.
- Continued to support the Financial Institutions Directors' Education (FIDE) Programme and its alumni, FIDE FORUM.
- Implemented the Rating Prediction Model of the Early Warning System for member banks.
- Issued the Guidelines on Total Insured Deposits (TID) and Premiums, Guidelines on Validation Programme: Differential Premium Systems (DPS) and TID, as well as Guidelines on the DPS.
- Conducted a walkthrough of the payout process and system in the event of an intervention and failure resolution (IFR).
- Issued the Guidelines on Assessment of Compliance by Deposit-Taking Members with the PIDM Act and Subsidiary Legislation, and the Guidelines for Insurer Members on Submission of Product Information.
- Conducted a call-tree test on a "surprise basis", which serves as a back-up to the automated emergency notification system, and which forms part of our Business Continuity Plan (BCP).
- Revised PIDM's Authority Matrix, which summarises the Board-approved delegated authorities to Management for the day-to-day administration of the Corporation's business and affairs.
- Implemented the Corporate Information Security Framework, which establishes the information security controls requirements, measures and practices for the Corporation.



LEARNING AND GROWTH

- Implemented the 360-degree assessment for Senior Management as part of leadership development.
- Initiated a job rotation exercise for selected divisions and a career profiling inventory exercise for Senior Management as part of career management planning.
- Conducted a training session on insurance companies' resolution for employees.
- Continued to reinforce our corporate values and enhance employee engagement through activities such as safety and health-related training, refresher briefing on the Conflict of Interest Code and the Code of Business Conduct and Ethics as well as employee activities.



EXTERNAL RECOGNITION

- Received the "Certificate of Merit" Award, the highest award presented in the non-listed category for PIDM's 2013 Annual Report, at the National Annual Corporate Report Awards (NACRA).

A COMMITMENT TO EXCELLENCE



2014

- National Annual Corporate Report Awards (NACRA) 2014 Certificate of Merit Award

2013

- NACRA 2013 Best Annual Report of Non-Listed Organisations
- Promotion Marketing Awards of Asia (PMAA) Dragons of Asia (Best Brand-Building Campaign) – Order of Merit 2013

2012

- NACRA 2012 Best Annual Report of Non-Listed Organisations
- PMAA Dragons of Asia (Best Brand-Building Campaign) – Bronze Dragon 2012

2011

- NACRA 2011 Best Annual Report of Non-Listed Organisations
- International Association of Deposit Insurers (IADI) Deposit Insurance Organisation of the Year 2011
- Institute of Internal Auditors Malaysia (IIAM) Quality Assurance Review Certification 2011

2010

- NACRA 2010 Best Annual Report of Non-Listed Organisations

2009

- NACRA 2009 Best Annual Report of Non-Listed Organisations

2008

- NACRA 2008 Certificate of Merit Award
- National Audit Department (NAD) Financial Management Excellence Award in the Federal Statutory Category

2007

- NACRA 2007 Certificate of Merit Award

FIVE-YEAR HIGHLIGHTS OF OUR ACCOMPLISHMENTS

2010

STAKEHOLDERS

- Officially launched the education programme, PIDM Project MoneySmart.
- Implemented the multi-year Scholarship Programme.
- Participated in the Tripartite Meeting between PIDM, Deposit Protection Agency (DPA), Thailand and Indonesia Deposit Insurance Corporation (IDIC).
- Developed the Provision of Information on Deposit Insurance Regulations 2011.

GOVERNANCE

- Conducted two Board education sessions.
- Implemented Board succession plan and recommended the appointments of two new Directors to the Board.
- Developed and implemented three Enterprise Risk Management (ERM) Board Risk Policies, namely, Insurance Powers Risk Policy, Market Risk Policy and Liquidity Risk Policy.
- Conducted the first Risk Management and Internal Control Survey and Compliance Test.
- Supported the FIDE Programme and the establishment of FIDE FORUM, a company limited by guarantee for the FIDE Alumni.

INTERNAL PROCESSES

- Developed the enhanced Differential Premium Systems (DPS) framework and regulations.
- Developed Phase 1 of the Early Warning System.
- Continued the development of detailed IFR policies, processes and procedures.
- Conducted the first simulation exercise on IFR.
- Implemented the Corporate Enterprise Portal.
- Conducted a desktop exercise to test the BCP.

LEARNING AND GROWTH

- Conducted two Corporate-wide employees training sessions on IFR Framework, Contingency Plan and two resolution options.
- Organised the first off-site teambuilding session for employees.
- Relocated our office to Quill 7, Kuala Lumpur Sentral.

OTHER ACHIEVEMENTS

- Developed and implemented the transition package to exit the Government Deposit Guarantee.
- Recommended a new Act and developed requisite regulations to replace the PIDM Act 2005.
- Undertook the development and implementation of TIPS.

EXTERNAL RECOGNITION

- Recipient of the NACRA 2010 for “Best Annual Report of Non-Listed Organisations” Award for our 2009 Annual Report.

2011

STAKEHOLDERS

- Implemented the enhanced education programme, which included TIPS-related information.
- Implemented the Provision of Information on Deposit Insurance Regulations 2011.
- Executed a Memorandum of Understanding (MOU) with the Central Deposit Insurance Corporation, Taiwan.
- Hosted the international seminar on auditing the risk assessment function.

GOVERNANCE

- Conducted four Board education sessions.
- Completed the remaining ERM Board Risk Policies on Reputation Risk, Assessment and Monitoring Risk, Strategic and Governance Risk, Operational Risk and IFR Risk.

INTERNAL PROCESSES

- Issued guidelines to insurer members and enhanced guidelines applicable to member banks.
- Developed the comprehensive Risk Assessment Methodology and Framework as well as the Supervisor Validation for the Returns on Calculation of Premiums for TIPS.
- Conducted two mini simulations and a two-and-a-half-day simulation exercise.
- Completed the integration between the Payout System modules, and the development of the audit programme for Deposit Liability Information Management System.
- Developed the Authority Matrix.
- Completed the development of the interim Disaster Recovery Site (DRS) and tested the BCP.

LEARNING AND GROWTH

- Conducted training sessions on IFR for all employees.
- Developed the Knowledge Management framework in support of continuous knowledge sharing among the employees.
- Conducted the Employee Voice Survey and achieved a 90% Employee Engagement Index.

EXTERNAL RECOGNITION

- Recipient of the “2011 Deposit Insurance Organisation of the Year” Award, presented by the IADI.
- Recipient of the NACRA 2011 for “Best Annual Report of Non-Listed Organisations” Award for our 2010 Annual Report.
- Recipient of the Quality Assurance Review certification by the Institute of Internal Auditors Malaysia.

2012

STAKEHOLDERS

- Implemented the first year of the ICP 2012 - 2016.
- Conducted the first separate dialogue session for insurer members, in conjunction with the 2011 Annual Report launch.
- Implemented the enhanced education programme, with new components.

GOVERNANCE

- Conducted eight Board education sessions.
- Issued the Note on Takaful Benefits Protection System for takaful operators.

INTERNAL PROCESSES

- Developed the Differential Levy System (DLS) framework and regulations for conventional insurer members.
- Implemented the Supervisor Validation framework on Returns on Calculation of Premiums for TIPS.
- Implemented the MDIC (Return or Interest on an Index-linked Deposit held by a Deposit Taking Member) Rules 2012.
- Incorporated five subsidiaries, namely, four bridge institutions and one asset management company, for the purpose of IFR.
- Conducted the first simulation exercise on failure of an insurance company.
- Completed the trial run on the validation of Standard File Format for member banks.
- Completed the research on claims management system and infrastructure.
- Triggered the business continuity and mobilised resources to the interim DRS following the earthquake in Aceh.

LEARNING AND GROWTH

- Completed the competency mapping exercise for employee development purposes.
- Following the Employee Voice Survey 2011, briefings were conducted to communicate the results, to identify and address gaps.
- Conducted training sessions for selected employees on failure of an insurance company.
- Developed the Knowledge Management policy and practices.

EXTERNAL RECOGNITION

- Recipient of the NACRA 2012 for “Best Annual Report of Non-Listed Organisations” Award for our 2011 Annual Report.
- Recipient of the PMAA Bronze award for the “Best Brand-Building Campaign Award” under the Malaysian Chapter.
- Under the joint International Monetary Fund and World Bank’s Financial Sector Assessment Programme, PIDM was found to be a strong institution and its deposit insurance framework broadly conforms to the “Core Principles for Effective Deposit Insurance Systems”.

2013

STAKEHOLDERS

- Continued to implement the enhanced education programme, with additional new components.
- Hosted the international seminar on Payout and Claims Settlement Strategy, System, Processes and Controls.
- Hosted the Open House for the African Region and study visits for delegates from IDIC.
- Executed MOUs with the Philippine Deposit Insurance Corporation and the Korea Deposit Insurance Corporation.
- Executed a collaborative agreement with the Federation of Chinese Associations Malaysia (or *Hua Zong*) and collaborated with the Federation of Malaysian Consumers Associations (FOMCA) to reach out to the community.

GOVERNANCE

- Conducted four Board education sessions.
- Established a Board Committee for CEO succession planning.

INTERNAL PROCESSES

- Developed the Takaful and Insurance Risk Assessment Framework (TIRAF) for takaful operators.
- Issued the Guidelines on the DLS for conventional insurer members and the Guidelines on Validation Programme: DLS and Premiums Calculation.
- Issued the Guidelines on Deposit Information Systems and Submission (DISS) as well as the Guidelines on Validation Programme for DISS.
- Conducted a simulation exercise on failure of an insurer member.
- Conducted a simulation exercise to test the BCP and Disaster Recovery Plan (DRP) at the interim DRS, with a focus on most time-critical functions, i.e. call centre, reception and communication to relevant stakeholders.

LEARNING AND GROWTH

- Organised leadership training programmes for employees with a supervisory role.
- Conducted training sessions for selected employees on insurance-related topics.
- Achieved Employee Engagement Index of 90% and Sustainable Engagement Index of 94%.

EXTERNAL RECOGNITION

- Recipient of the NACRA 2013 for “Best Annual Report of Non-Listed Organisations” Award for our 2012 Annual Report.
- Recipient of the PMAA Order of Merit for the “Best Brand-Building Campaign Award” under the Malaysian Chapter.

2014

STAKEHOLDERS

- Executed a collaborative agreement with Money Compass to enhance awareness among the Chinese community.
- Collaborated with the Malaysian Insurance Institute and member institutions for the Train-the-Trainer accreditation programme.
- The Education Programme has reached out to all national secondary schools in Malaysia, and the Corporation has received recognition as a “Partner in Co-curriculum” by the Ministry of Education.
- Executed an enhanced MOU with IDIC and the DPA, Thailand.
- Hosted the APRC Technical Seminar on “Navigating Too Big To Fail: Strengthening Cross-border Cooperation and Implementing Effective Recovery and Resolution Plans”.

GOVERNANCE

- Conducted five Board education sessions.
- Continued to support the FIDE Programme and its Alumni, FIDE FORUM.
- Forwarded the proposed legislative amendments to PIDM Act to the Attorney General Chambers.

INTERNAL PROCESSES

- Implemented the Rating Prediction Model of the Early Warning System for member banks.
- Issued the Guidelines on TID and Premiums, Guidelines on Validation Programme: DPS and TID as well as Guidelines on the DPS.
- Conducted a walkthrough of the payout process and system in the event of an IFR.
- Issued the Guidelines on Assessment of Compliance by Deposit-Taking Members with the PIDM Act and Subsidiary Legislation, and the Guidelines for Insurer Members on Submission of Product Information.
- Revised the Authority Matrix.
- Conducted a call-tree test on a “surprise basis” to activate the BCP.
- Implemented the Corporate Information Security Framework.

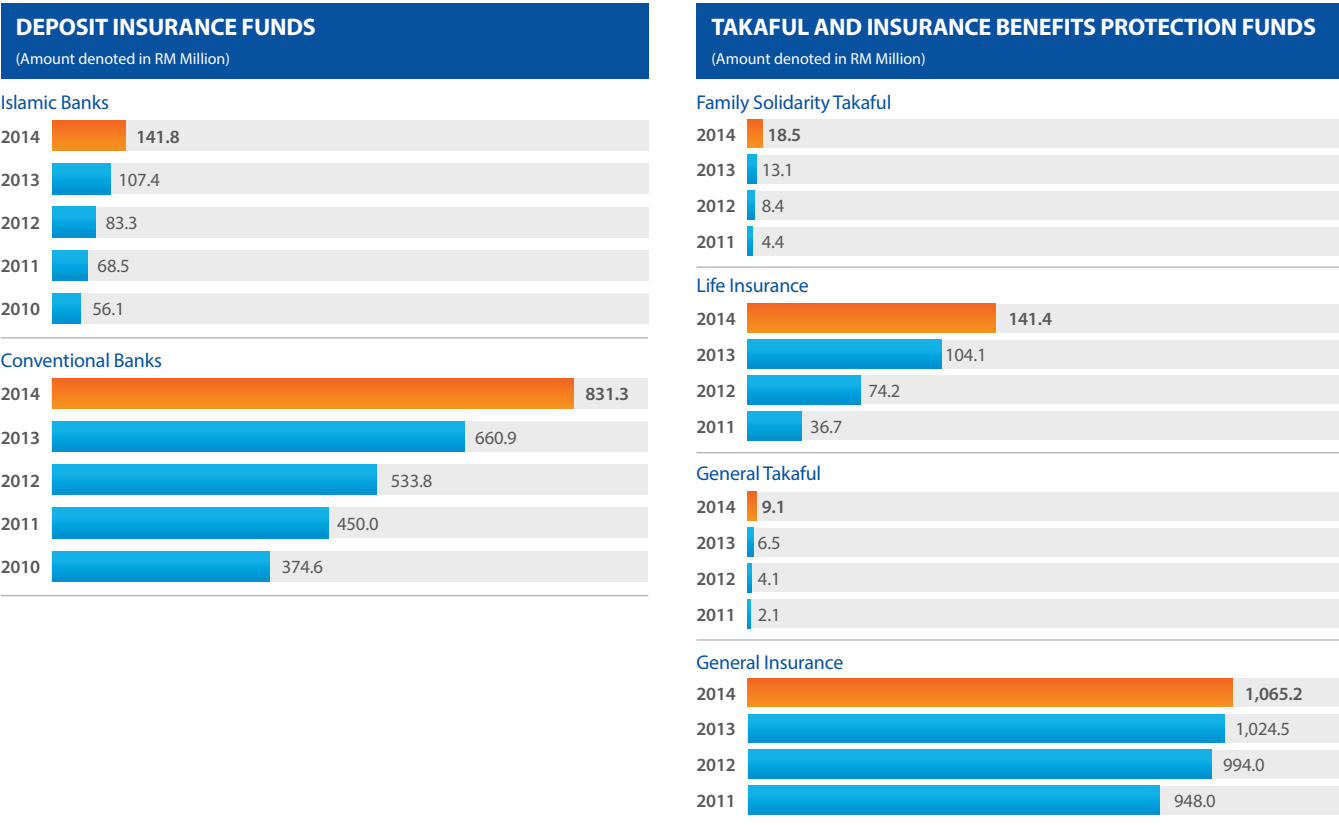
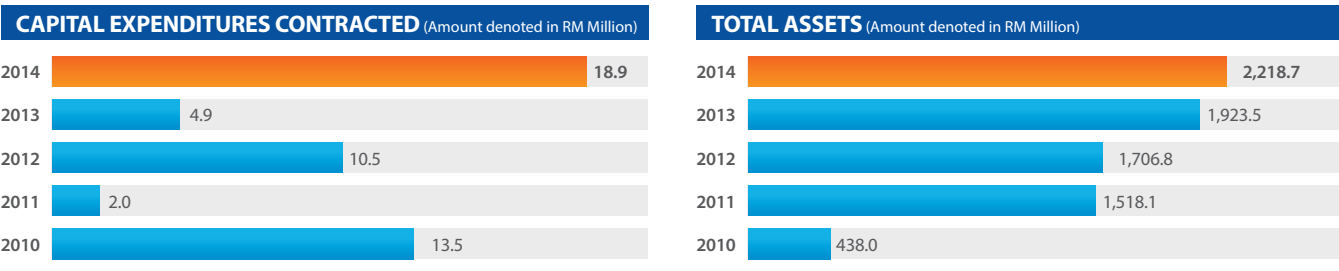
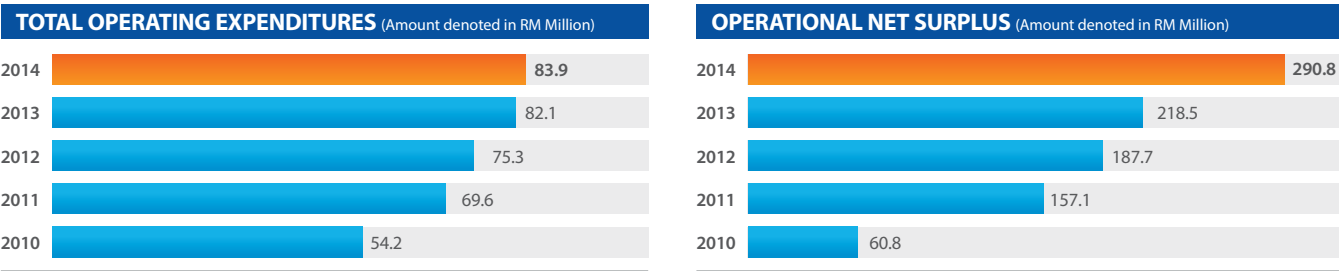
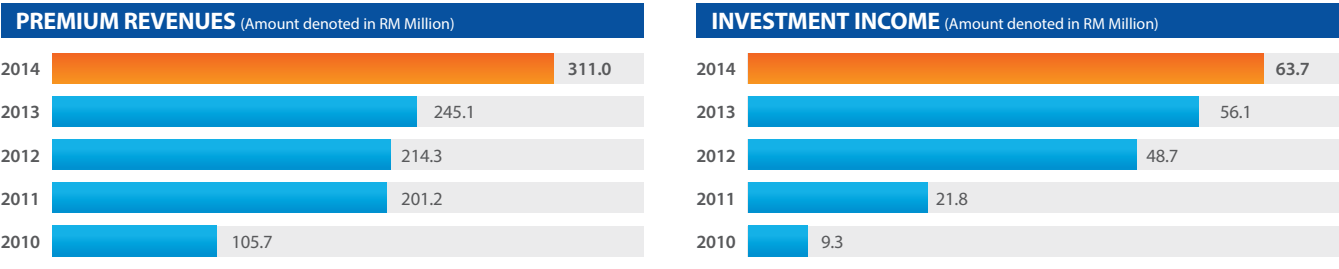
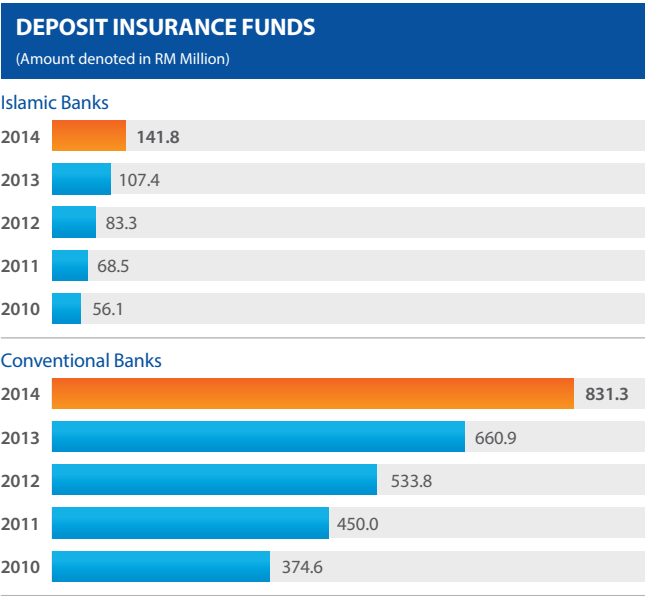
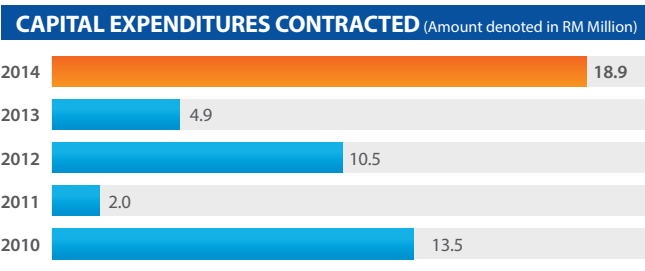
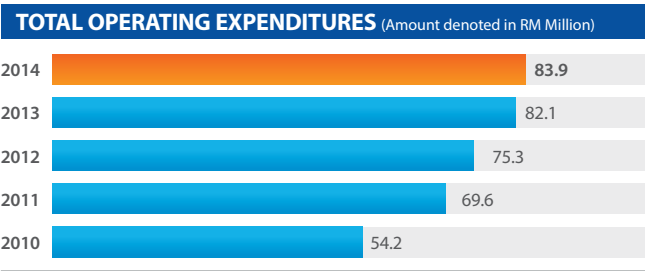
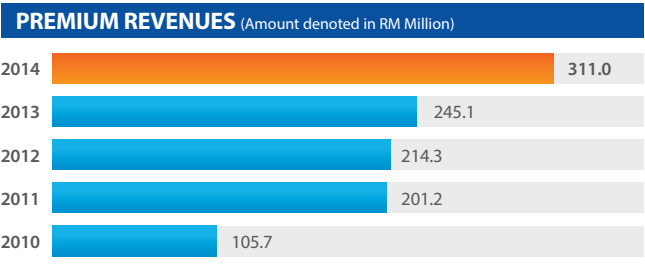
LEARNING AND GROWTH

- Implemented the 360-degree assessment for Senior Management as part of leadership development.
- Initiated a job rotation exercise for selected divisions and a career profiling inventory exercise for Senior Management as part of career management planning.
- Conducted a training session on insurance companies’ resolution for employees.

EXTERNAL RECOGNITION

- Recipient of the NACRA “Certificate of Merit” Award, the highest award presented in the non-listed category for our 2013 Annual Report.

FINANCIAL SUMMARY: FIVE-YEAR PERFORMANCE



	2014	2013	2012	2011	2010
	RM Million				
SELECTED ITEMS FROM THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER					
Premium Revenues	311.0	245.1	214.3	201.2	105.7
Deposit Insurance Funds	239.7	180.3	126.5	120.5	105.7
Takaful and Insurance Benefits Protection Funds	71.3	64.8	87.8	80.7	-
Investment Income	63.7	56.1	48.7	21.8	9.3
Deposit Insurance Funds	26.2	20.5	16.5	12.9	9.3
Takaful and Insurance Benefits Protection Funds	37.5	35.6	32.2	8.9	-
Realised (losses) / gains from divestment of investment securities	-	(0.6)	-	3.7	-
Deposit Insurance Funds	-	-	-	-	-
Takaful and Insurance Benefits Protection Funds	-	(0.6)	-	3.7	-
Total Revenues	374.7	300.6	263.0	226.7	115.0
Total Operating Expenditures	83.9	82.1	75.3	69.6	54.2
Operational Net Surplus	290.8	218.5	187.7	157.1	60.8
Moneys and investments received from Insurance Guarantee Scheme Funds	-	-	-	922.4	-
Net Surplus for the Year	290.8	218.5	187.7	1,079.5	60.8
Net gains / (losses) on available-for-sale investments	-	0.2	0.4	(0.6)	-
Total Comprehensive Income for the Year	290.8	218.7	188.1	1,078.9	60.8
SELECTED ITEMS FROM THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER					
Total Assets	2,218.7	1,923.5	1,706.8	1,518.1	438.0
Total Liabilities	11.4	7.0	9.0	8.4	7.3
Funds and Reserves	2,207.3	1,916.5	1,697.8	1,509.7	430.7
Deposit Insurance Funds	973.1	768.3	617.1	518.5	430.7
Islamic Deposit Insurance Fund	141.8	107.4	83.3	68.5	56.1
Conventional Deposit Insurance Fund	831.3	660.9	533.8	450.0	374.6
Takaful and Insurance Benefits Protection Funds	1,234.2	1,148.2	1,080.7	991.2	-
Family Solidarity Takaful Protection Fund	18.5	13.1	8.4	4.4	-
Life Insurance Protection Fund	141.4	104.1	74.2	36.7	-
General Takaful Protection Fund	9.1	6.5	4.1	2.1	-
General Insurance Protection Fund	1,065.2	1,024.5	994.0	948.0	-
Total Liabilities, Funds and Reserves	2,218.7	1,923.5	1,706.8	1,518.1	438.0

GOING FORWARD



2015 marks a significant milestone in the history of the Corporation as we will celebrate 10 years of achievements and success. Over the years, the Corporation has made significant progress in establishing and complying with a strong governance framework, sound internal control system as well as effective management practices and processes. Moving forward, PIDM will focus on long-term sustainability and will continue to undertake initiatives to strengthen its state of operational readiness and effectiveness in all areas. Among our priorities include developing a dynamic learning organisation and talent management; strengthening our relationship with key stakeholders; and increasing the level of public awareness and education of financial consumers.

PIDM's Corporate Plan 2015 - 2017 sets out the strategic direction, focus and priorities that drive the activities of the Corporation for the planning period. This three-year rolling plan is updated annually and includes the initiatives and respective performance targets to ensure the fulfilment of PIDM's mandate. The Corporate Plan also sets out the estimated resources required in carrying out its activities in its financial plan and projections.

A copy of our Corporate Plan is disseminated to our key stakeholders each year and we report our performance against it in our Annual Report. Our Corporate Plan is available in four languages through our website at www.pidm.gov.my.

MESSAGE FROM THE CHAIRMAN

TAN SRI DATUK DR. ABDUL SAMAD HAJI ALIAS



As I began writing this message, I reflected on a question I have sometimes been asked at courses in Kuala Lumpur that engage in foreign corporate governance case studies. Why, I am asked, should we bother with case studies on failures in other jurisdictions? After all, our financial services industry is stable. Our institutions are well-capitalised; if foreign-owned, separately capitalised; credit creation is in check; regulations are up-to-date; our banking businesses are traditional; and our directors have significant liability for failures of financial institutions. Indeed supervision and regulation over banks and insurance companies has done much for the industry and its stability.

Granted there cannot be a “one-size fits all” approach to problems, as our jurisdictions and industries are at different stages of development. We have different histories; different experiences; different levels of sophistication.

At the same time we all know the financial services industry is not, and cannot remain, a stagnant business. Regulation, consumer demands, global and competitive pressures,

technology and innovation will likely drive change in business models and bring about different risks. We also know that finance is a derivative of the real sector, and the state of the real sector matters. Neither can risks – in an increasingly complex, interconnected environment – ever be underestimated.

So, the answer to the question – why should we study about corporate governance and financial institution failures beyond our shores – is this. We are looking for sufficient insights to know when red lights are blinking. We are looking to understand complexities, which is the new norm in today’s global world. If there are problems, we might do well to have studied and have an idea about what we should do about it. The learning lies in going through the thought-processes and in developing approaches to problems, so we should not lose sight of the woods for the trees.

The same edict applies to us at PIDM, as a financial consumer protection regulator. There are many learnings we can take away from the several crises that we have observed. Our processes and planning should include asking ourselves these

Message from the Chairman

questions: What can we learn from these failures and crises? Are these learnings relevant to our own environment? What then, should we watch for? What are our risks? With these insights, we can then prioritise our work to achieve our objectives in an effective way.

2014

In 2014, three key themes underpinned our work, as we anticipated our transition into PIDM's 10th year in operation.

- (a) Governance, internal and external
- (b) Fulfilling our mandate
- (c) Sustainability

These are, in a sense, related to our past, present and future, as we continue work to maintain our sound foundations, keep our mandate current and relevant, and also consider our direction and plans for the future.

GOVERNANCE

Since our establishment in 2005, we have always placed great emphasis on good corporate governance and management. A major reason for having good governance in a financial regulator is, at the core, sound risk management. Having good governance prepares us to weather the storms, achieve stakeholder acceptance and sets the course for accomplishing our strategic plans.

In 2013, as we reported, external governance advisors rated our Board effectiveness as "Strong". This notwithstanding, in 2014 our Board studied the advisor's report, to consider ways to sustain our performance into the future. We then developed action plans, which we implemented. In particular, in 2014, the Board, with the support of the Succession Planning Committee, continued working on plans for a smooth Chief Executive Officer (CEO) succession transition.

I am pleased to note that the terms of three existing Board Members have been renewed, providing continuity on our Board. Mr. Alex Foong Soo Hah, Encik Mohamad Abdul Halim Ahmad and YBhg. Datuk Seri Dr. Rahamat Bivi Yusoff were each appointed for another term.

As for corporate governance within the industry, I must record my satisfaction with developments in this area. To date, 621 of our directors in financial institutions have completed the Financial Institutions Directors' Education (FIDE) programme (jointly initiated by Bank Negara Malaysia and ourselves). I am also encouraged to hear in 2014 about the formation of the Financial Services Professional Board to raise the standards within the industry.

I would also mention FIDE FORUM, the alumni network of directors of financial institutions, of which I am Chair and to which PIDM's CEO, Mr. JP Sabourin, is a valued advisor. Aside from excellent conferences, in 2014 FIDE FORUM also commenced some groundbreaking work that will have a long-term impact. With the invaluable support of its patron, the Governor of Bank Negara Malaysia (BNM), YBhg. Tan Sri Dato' Sri Dr. Zeti Akthar Aziz, and BNM representatives, FIDE FORUM

has embarked on a directors' register project that will ensure a long-term talent pipeline for boards of financial institutions in Malaysia, and will also release the directors' remuneration report in 2015.

All these are promising signs for raising corporate governance standards and professionalism within the financial industry.

FULFILLING OUR MANDATE

Our mandate has several key elements. We are to:

- administer the deposit insurance system and the takaful and insurance benefits protection system;
- protect depositors and policy and takaful certificate owners against member institution failures;
- provide incentives for sound risk management; and
- promote financial stability.

Our key initiatives in 2014 towards achieving our mandate included the following:

- (a) development of the Differential Levy System framework for takaful operators;
- (b) development of the Target Fund framework for the General Insurance Protection Fund;
- (c) state of readiness of the Corporation for an intervention and failure resolution;
- (d) public awareness; and
- (e) implementation of the CEO succession planning.

I will not delve into the details of these initiatives, as these are found in the Annual Report. Suffice to say we continued to administer the protection systems focusing on our priorities, with an eye at all times on risks, and that the Board is satisfied with our progress.

I will however, note our international involvement in 2014 and reiterate its importance. These involvements help us to learn, build relationships and regularly review what is happening around us and consider if we might be missing the big picture. Thus, I am pleased to report that our Head of the Policy and International Division, Ms. Lee Yee Ming, has once again been re-elected to the International Association of Deposit Insurers (IADI)'s Executive Council for a three-year term.

SUSTAINABILITY

I now turn to the future and our strategic planning for the long-term sustainability of the Corporation, and I will touch on financial regulation in this context.

As mentioned earlier, succession planning was a significant initiative for 2014, and will remain on the agenda of the Board on an ongoing basis. In 2014, based on the Corporation's long-term strategy and vision, the Board considered the process for developing a CEO profile, a succession timetable and plans to deal with unexpected succession risks. Management – as you will see from the CEO's message and this report – proposed a restructure of the Corporation and commenced noteworthy initiatives to develop potential successors to move into leadership positions, as well as to address talent retention for the long term.

Message from the Chairman

As PIDM matures and moves into the next decade of operations, I would also take the opportunity to contemplate its role as a financial regulator and to take an objective view of what it must do going forward.

Policymakers around the world are today confounded by the difficulties of reinstating financial stability and long-term economic recovery. We are thus keenly aware that financial regulation has become increasingly complex. Some challenges include the following:

- (a) Even as new rules are imposed on financial institutions, financial innovation evades or overcomes them.
- (b) Risks – particularly during a crisis – do not come just from within a country. Cross-border risks can flow to institutions in their home jurisdictions. Cross-border businesses and capital flows also obscure the risks within today's complex financial systems.
- (c) Risk monitoring for regulators is no longer simple. With growing interconnectedness, risk management often involves the need for information not only at the level of an institution, but at a sectoral level, national and regional, or even global level. This calls for the need for regulators to be in the position to work with other regulators and governments in order to achieve common goals.

Finally, despite all the attempts, the prognosis that there can be failsafe measures against financial crises anytime soon is, by and large, still gloomy. Michael Cohrs in a speech that he gave in 2012 concluded as follows:

"... Virtually every type of financial institution has been the cause of a crisis at some point in history – country banks back in 1825, universal banks in 1931, small banks in the 1970s, savings and loan companies in the 1980s, international banks in the 1980s and 1990s ... , and even a hedge fund in 1997. Pretty much all types of financial institutions got involved in the problems of 2007/2008. The roll call included insurance companies ... alongside investment banks as well as some more traditional commercial and mortgage banks. I find it hard to see a common thread (other than high leverage ratios) amongst the types of institutions that struggled or the mistakes that they made. It is not clear that the reforms we are putting into place today would have, or could have, averted all the problems faced in these crises. Therefore, experience tells me its origins are unlikely to be in an institution and from a product that is obvious to us now."¹

Many commentators still agree. To address these realities, and to play its part in maintaining financial stability, we need policymakers to focus on addressing the right issues. Policymakers and regulators must work together to advance financial systems to a sustainable stage of development. However, until new thinking and new frameworks are established to help us better understand today's financial systems, we must also be prepared at all times to deal with risks of the unknown

and be able to respond to multidimensional challenges.

PIDM's mandate includes contributing to the stability of the financial system. As a financial regulator, we need sound policy thinkers, people of integrity, decision-makers and people who can prioritise, work together and execute, especially under pressure. A key strategic objective for PIDM going forward is to build on this collective culture. We strive to ensure that we incentivise, motivate and develop our people to work collaboratively, to think strategically, so that we may perform our mandate effectively. We must, over the long term, be able to see the whole picture and be flexible enough to navigate the continually changing conditions.

CONCLUSION

PIDM is now into its 10th year in operation. We will continue to build on the strong foundation of best governance and management practices and continue our work on ensuring its long-term sustainability and operational effectiveness. We will fulfil our mandate as best as we can. We will work on developing and supporting our dedicated team, on whom the future sustainability of PIDM depends.

In closing, I would express my gratitude to all of our Board Members for their wise counsel and commitment. I would also, as always, sincerely thank our CEO, Mr. JP Sabourin for his leadership, passion and energy.

As for our fellow regulators, strategic partners and stakeholders, I thank you for your support and many contributions towards our common goal. We hope to continue our engagement with you so that we can solve the issues that may challenge our financial system together. We recognise, to quote a systems thinker, that:

"... people have been trained to solve problems by breaking a complex system, such as an organization, into discrete parts and working to make each part perform as well as possible. However, the success of each piece does not add up to the success of the whole. In fact, sometimes changing one part to make it better actually makes the whole system function less effectively."

Your input is invaluable and I very much look forward to our continuing collaboration in the future to ensure the stability of the financial system.



TAN SRI DATUK DR. ABDUL SAMAD HAJI ALIAS

¹ Michael Cohrs, <http://www.bankofengland.co.uk/publications/Documents/speeches/2012/speech620.pdf>; To see more, "Investment Banker Hired to Spot Future Crises", The Daily Telegraph, February 18, 2011 <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8331213/Investment-banker-hired-to-spot-future-crises.html>

² Richard Daft, The Leadership Experience (2008)

BOARD OF DIRECTORS: MEMBERS AND PROFILES



TAN SRI DATUK DR. ABDUL SAMAD HAJI ALIAS

Chairman

Tan Sri Datuk Dr. Abdul Samad Haji Alias was appointed as the Chairman of PIDM on 15 August 2011 and his current term of appointment continues until 14 August 2017.

A Fellow of the Institute of Chartered Accountants in Australia, Tan Sri Datuk Dr. Abdul Samad has had extensive experience in auditing and accounting. He is also a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. In 2006, Tan Sri Datuk Dr. Abdul Samad received global recognition through the Association of Chartered Certified Accountants' Award for Achievement in Asia.



TAN SRI DATO' SRI DR. ZETI AKHTAR AZIZ

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz is the Governor of Bank Negara Malaysia since May 2000 and is one of the two ex officio members of the Board.

At the Central Bank, Dr. Zeti had a key role in successfully managing the repair and resolution of the financial system during the Asian Financial Crisis and the consequent strong recovery of the Malaysian economy. She also had an important role in the formulation and implementation of two consecutive 10-year plans for the development of the financial system which has resulted in wide-ranging financial reforms, and the successful enactment of 10 new major legislations for the financial sector.

In the Asian region, Dr. Zeti is actively involved in strengthening regional cooperation and financial integration. She chaired the Executives' Meeting of East Asia Pacific Central Banks Taskforce on "Regional Cooperation among Central Banks in Asia" that prepared the report for future Central Bank financial cooperation in the region. She is a founding member of the Bank for International Settlements (BIS) Asian Consultative Council and the first co-chair of the Financial Stability Board (FSB) Regional Consultative Group for Asia. Dr. Zeti also participates extensively in international forums. She was a member of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System in 2009, a high level task force established to examine reforms in the global financial system. Currently, Dr. Zeti is the chair of BIS Central Bank Governance Group, which she has been a member since 2001.

Dr. Zeti has also had extensive involvement in the global development of Islamic Finance. This included being a part of the group of Governors that established the Islamic Financial Services Board (IFSB) and International Islamic Liquidity Management (IILM). She headed a task force that prepared a report on "Islamic Finance: Global Financial Stability" which identified the building blocks which would further strengthen the institutional arrangements in the Islamic financial system. In Malaysia, the recent decade saw the transformation of the Islamic financial system including its expansion and internationalisation. Dr. Zeti also had a significant role in the development of talent in the Islamic financial services industry.

Dr. Zeti received her Bachelor of Economics from the University of Malaya and her PhD in Economics from the University of Pennsylvania, USA.

Board of Directors: Members and Profiles



TAN SRI DR. MOHD IRWAN SERIGAR ABDULLAH

Tan Sri Dr. Mohd Irwan Serigar Abdullah was appointed the Secretary General of Treasury, Ministry of Finance (MOF), since 24 August 2012 and holds an ex officio position on the Board of PIDM.

Tan Sri Dr. Irwan began his career in the public sector at the Economic Planning Unit (EPU) of the Prime Minister's Department in 1984. During his tenure at EPU he served in various capacities in the areas of urban development, energy and privatisation.

He joined the MOF in October 2003 where he held various positions including in the Economic Division, and later as Section Head, Deputy Secretary and Secretary of the Economic Analysis and International Division (Macro Economy). He then served at the MOF as Deputy Secretary General (Policy) from December 2010 to August 2012, before his appointment as the Secretary General of Treasury.

Tan Sri Dr. Irwan also serves as a Board Member of notable organisations including Malaysian Airline System Berhad (MAS), Petroliaam Nasional Berhad (PETRONAS), MASS Rapid Transit Corporation Sdn. Bhd. (MRT Corp), Regional Corridor Development Authority (RECODA), Bank Negara Malaysia (BNM), Razak School of Government (RSOG) and Lembaga Tabung Haji (TH). He is also the Chairman of Retirement Fund Incorporated, Inland Revenue Board of Malaysia and Cyberview Sdn. Bhd.

He holds a PhD in Economics from the International Islamic University Malaysia and a Masters of Science in Energy Management and Policy from the University of Pennsylvania, USA. He also received his Bachelor of Arts (Honours) degree in Demography from the University of Malaya.



DATUK SERI DR. RAHAMAT BIVI YUSOFF

Datuk Seri Dr. Rahamat Bivi Yusoff was appointed as a Board Member on 1 January 2012 for a three-year term. Her term of appointment has been extended for another two years until 2 January 2017.

Datuk Seri Dr. Rahamat has been in the Malaysian Civil Service for over 30 years, starting out as Assistant Secretary (Tax Division) in the Ministry of Finance (MOF), and later served in various positions including Director for Budget at MOF, Deputy Director of Macro Economy Section at the Economic Planning Unit (EPU), Project Officer at Institut Tadbiran Awam Negara (INTAN) and Director at the Energy Commission. Before assuming her current post as the Director General of the EPU, she was the Deputy Secretary General of Treasury, MOF in charge of the System and Control Division.

Datuk Seri Dr. Rahamat is also a Member of the Board of Directors in other agencies such as Malaysia-Thailand Joint Authority (MTJA), Federal Land Development Authority (FELDA) and MASS Rapid Transit Corporation Sdn. Bhd. (MRT Corp). She is also a council member of Iskandar Regional Development Authority (IRDA), Sabah Economic Development and Investment Authority (SEDIA), Regional Corridor Development Authority (RECODA) and East Coast Economic Region Development Council (ECERDC).

Datuk Seri Dr. Rahamat holds a Bachelor of Social Sciences (Economics) (Honours) degree from Universiti Sains Malaysia and a Masters degree in Economics from the Western Michigan University, USA. She has also been conferred a PhD from the Australian National University.

Board of Directors: Members and Profiles

**DATO' HALIPAH ESA**

Dato' Halipah Esa was appointed as a Board Member on 14 August 2010 for a three-year term. Her term of appointment has been extended for another three years until 15 August 2016.

Dato' Halipah began her service in the public sector at the Economic Planning Unit (EPU) of the Prime Minister's Department in 1973. During her tenure at EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, education, housing, telecommunications, urban services, macro economy, international economy, environment and regional development. She held various senior positions at EPU and retired as the Director General in 2006. She had also served in the Ministry of Finance (MOF) as Deputy Secretary General (Policy).

She currently serves on the Boards of MISC Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn. Bhd., Malaysia Marine and Heavy Engineering Holdings Berhad, NCB Holdings Berhad, S P Setia Berhad, Cagamas Berhad and the Securities Industry Dispute Resolution Center. She was previously Chairman of Pengurusan Aset Air Berhad and has also served on the Boards of Petroliaam Nasional Berhad (PETRONAS), Employees Provident Fund, Inland Revenue Board of Malaysia, Federal Land Development Authority (FELDA) and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme in advising the Royal Kingdom of Saudi Arabia on economic planning, and has also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Dato' Halipah received her Bachelor of Arts (Honours) degree in Economics and a Master of Economics from the University of Malaya. She also holds a Certificate in Economic Management from the IMF Institute, Washington and the Kiel Institute for the World Economy, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

**MR. GEORGE ANTHONY DAVID DASS**

Mr. George Anthony David Dass was appointed as a Board Member on 3 February 2009 and his term of appointment has been extended twice until 2 February 2017.

Mr. Dass was a partner at the legal firm, Shahrizat Rashid & Lee (formerly Rashid & Lee), for over 25 years. He has extensive expertise in conveyancing, banking, construction, joint ventures, privatisation, contracts and corporate law. He has served as a director of several public listed companies and was a Main Board Director of Costain PLC, one of the oldest construction companies in the United Kingdom, between 1997 and 2000. Currently, he continues to do some consultancy work for a law firm after stepping down from active practice in December 2004.

Mr. Dass was called to the Bar in Malaysia in 1971 and started his legal career in the law firm of Ng Ek Teong & Partners. In 1975, he joined the Institut Teknologi MARA (now known as Universiti Teknologi MARA or UiTM) as a lecturer in law. In June 1977, he went to London to pursue a Masters in Law and returned to legal practice in 1979.

He holds a law degree from the University of Singapore and a Masters in Law (LLM) from Kings College, University of London and is a Past President of the Rotary Club of Damansara.

Board of Directors: Members and Profiles



MR. LIM TIAN HUAT

Mr. Lim Tian Huat was appointed as a Board Member on 14 August 2010 for a three-year term. His term of appointment has been extended for another three years until 15 August 2016.

Mr. Lim is the Managing Partner of Rodgers Reidy & Co., Chartered Accountants and is a licensed auditor and liquidator. He was previously a partner of Ernst & Young from 2002 to 2009, and prior to that, partner of Arthur Andersen & Co. from 1990 to 2002.

He has served as Commissioner to the United Nations Compensation Commission and as member of the Corporate Law Reform Committee (CLRC) under the purview of the Companies Commission of Malaysia. He co-authored a book entitled "The Law and Practice of Corporate Receivership in Malaysia and Singapore".

He is a Director of UEM Sunrise Berhad, Malaysia Building Society Berhad and PLUS Malaysia Berhad. He is also a Director of Bank of Yingkou, China.

Mr. Lim is the founding President of the Insolvency Practitioners Association of Malaysia (IPAM). He is a member of the Malaysian Institute of Accountants, member of the Malaysian Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. He holds a BA Economics (Honours) degree.



MR. ALEX FOONG SOO HAH

Mr. Alex Foong Soo Hah was appointed as a Board Member on 15 August 2011 for a three-year term. His term of appointment has been extended for another three years until 14 August 2017.

Mr. Foong sits on the Boards of Bank Simpanan Nasional, the Malaysian Insurance Institute, Quill Capita Management Sdn Bhd and Nirvana Asia Ltd. He has extensive experience in the insurance industry, having served as the Chief Executive Officer of a leading insurance company from 1996 to 2009, and another public listed insurance company prior to that. He has also served as president of both the Life Insurance Association Malaysia and the Actuarial Society of Malaysia.

He holds a Master of Actuarial Science degree from Northeastern University, Boston, and a Bachelor of Science (Hons) in Mathematics from University of Malaya. He is a Fellow of Society of Actuaries, USA and a Registered Financial Planner with the Malaysian Financial Planning Council.

Board of Directors: Members and Profiles



ENCIK MOHAMAD ABDUL HALIM AHMAD

Encik Mohamad Abdul Halim Ahmad was appointed as a Board Member on 1 January 2012 for a three-year term. His term of appointment has been extended for another three years until 2 January 2018.

Encik Mohamad Abdul Halim was the Group Chief Executive of the Peremba Group of Companies until his retirement on 31 January 2014. In 1988, he served as General Manager of Finance and Finance Director of Landmarks Berhad, which is involved in a wide range of activities including hotel business, property investment and development, healthcare services and infrastructure works. From 1996 to 2005, he was the Managing Director of Landmarks Berhad. From 1994 to 2008, he sat on various boards including Rashid Hussain Berhad, Saujana Consolidated Berhad, Shangri-La Hotels (Malaysia) Berhad, Landmarks Berhad and TDM Bhd.

Encik Mohamad Abdul Halim is a member of the Malaysian Institute of Accountants. He qualified as a Chartered Accountant (ACA) in 1985 and is an Associate Member of the Institute of Chartered Accountants of England and Wales. Encik Mohamad Abdul Halim holds a Bachelor of Science (Honours – First Class) degree in Civil Engineering from Imperial College, University of London.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

JEAN PIERRE SABOURIN



2014. A challenging year, a year widely described as one of multiple crises. The world watched perturbed as we witnessed a series of events that call for no reiteration here. In the financial world, writers and economists compare the environment prevailing in 2014 with history to portend our possible future.

Even as we read these predictions, we might do well to also remember the observations of Daniel Kahnemann, the Nobel prize winner for behavioural economics. As he explains, the human understanding of the world oftentimes fails to take into account complexity, and generally does not account for the role of chance – falsely assuming that a future event will mirror a past event.

This is not to say that we should bury our heads in the sand like the proverbial ostrich. At PIDM we know that we must at all times take a macro perspective, seek to understand the complexity of risks, and learn from experiences of history. But,

importantly – we also accept that we must always be ready for the rare events that we can never know to expect.

To us, our core responsibility remains always the same. We assess and monitor risks and control what we can, so that we can mitigate chances of failure. At the same time we must be ready at all times for any eventuality; we must work to mitigate risks where we can; and we must continue to work towards awareness and education among financial consumers. We must be always prepared. This is in line with our mandate to protect financial consumers, and to promote public confidence with the view to promoting stability of our financial system.

PIDM'S 2014 IN REFLECTION

We made good progress in 2014. We completed our key initiatives and achieved our key performance targets for the year. Some highlights include the following.

Message from the Chief Executive Officer

Operational readiness and effectiveness is an area that is critical to the achievement of PIDM's mandate and objectives. This year we have made significant progress in enhancing and reviewing our systems for risk assessment and monitoring of our member institutions. We implemented the Rating Prediction Model of the Early Warning System for member banks, and we continued our work to enhance our Risk Assessment System in relation to insurer members.

We also worked on enhancing our Differential Premium Systems for member banks so that we better reflect the risks of the institutions in our assessments of premiums; and we continued the development of a Differential Levy System for the insurance industry, this time in relation to the takaful industry.

We have also issued several guidelines that aim to ensure that the member institutions are able to furnish accurate and reliable information in a consistent manner. This ultimately ensures that PIDM will be able to make prompt reimbursements to depositors of member institutions and maintain stability, should the need ever arise. Work has also commenced towards information gathering and building systems that will ensure effective reimbursements can be made to policy owners and takaful beneficiaries, in relation to insurer members.

Stakeholder management. Our mandate includes contributing to the stability of, and confidence in, the Malaysian financial system. As such, we continued to work on public confidence, awareness and education. In 2014, we implemented initiatives to educate and raise the level of understanding about PIDM, the Deposit Insurance System and the Takaful and Insurance Benefits Protection System, particularly about their limits, coverage and insured products.

Our nationwide consumer survey results show that there was a rising level of confidence among the public that their deposits are protected, with a dip however in the numbers showing awareness and understanding about the specifics of PIDM and our systems. We have studied the results of the survey in detail to enhance our communications strategies. In particular, in addition to continued public confidence, we will also need to work on our efforts to educate financial consumers so as to set expectations in relation to our protection systems.

Succession management and nurturing talent were key initiatives to cement our human capital foundations for the future. In the years immediately following the establishment of the respective protection systems, we naturally focused on talent acquisition and retention. As the Corporation transitions into a more mature phase, it became clear that talent development and succession planning must be prioritised.

In 2014, in anticipation of our transition into a new decade in operation, we undertook a re-thinking of our work environment, from the perspective of strategy, organisation and operations.

In terms of succession planning, we identified successors for critical leadership positions. In June 2014, we restructured the organisation to ensure that, in time, we will have individuals ready to support a seamless transition in all critical positions. 360-degree assessments were also carried out to identify development needs of our Senior Management in line with our values and culture.

We also observed that, too often, talent development is limited to succession planning for critical positions only. Our belief, however, is that talent development must be focused – not only for our immediate leadership needs – but on the organisation as a whole.

For successful long-term planning and for retention purposes, we believe that we must identify successors based on employees' abilities, aspirations, as well as engagement with the Corporation. Accordingly, in 2014 we embarked on a career management exercise that is to help employees identify their career aspirations and support their personal development. The aim of this exercise is not only to identify leadership successors but also to better determine the most effective organisation structures that will enable our people to grow and be engaged. Following the completion of this exercise in early 2015, we will provide more opportunities for learning experiences and streamline operational structures with a view to keeping employees engaged, retain them, and to bring out their best so that they will continue to contribute effectively to the organisation.

GOING FORWARD

Our strategic direction and key initiatives are outlined in our Corporate Plan 2015 - 2017. This has been widely circulated among affected stakeholders and readily available on our website at www.pidm.gov.my, so I will not discuss them here.

What I would highlight is one of the new elements of our strategic direction, which speaks of working together and in an interconnected manner. More simply put, we plan to establish a work environment that will provide opportunities for our people to "learn how to learn" effectively, in particular through collaboration and sharing of information. The objective of this is to accelerate their development, allow for collective contributions, and achieve greater performance for the organisation as a whole.

Message from the Chief Executive Officer

A continually changing environment that comes with unknowns calls for an organisation that is flexible and responsive. From our perspective, it is by working together to share information and make decisions that we will be able to nurture success well into the Corporation's future. In the apt words of Peter Senge, from whom the concept of the "learning organisation" originates:

"...(B)uilding enterprises capable of continually adapting to changing realities clearly demands new ways of thinking and operating. So do the sustainability challenges, ..."

CONCLUSION

In closing, I sincerely thank Bank Negara Malaysia, the Treasury, the Attorney General's Chambers, and our partners in financial education, which have collaborated with us on our efforts to fulfil our mandate. I very much look forward to the continued support of our Board of Directors, strategic partners, member institutions and our fellow safety net players as we strive to serve the public and the community in which we operate.

I do not forget to thank our employees for their continued commitment and dedication to the Corporation and for their willingness and eagerness to grow as a learning organisation. I am confident that our investments in our people is the right strategy and by doing so, we will be able to continue to serve the public and our other stakeholders and deliver value well into the future.

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'S' intertwined, with a horizontal line extending to the right.

JEAN PIERRE SABOURIN

ORGANISATION CHART



EXECUTIVE MANAGEMENT COMMITTEE: MEMBERS AND PROFILES

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 (Board). The Chief Executive Officer (CEO) is an ex officio member of the EMC. 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. 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

Jean Pierre Sabourin is the CEO of PIDM and has held this position since PIDM was established in 2005. Over his 38-year career in the field of deposit insurance both in Malaysia and Canada, Mr. Sabourin has gained unparalleled expertise and experience in all aspects of deposit insurance. His expertise has been widely sought by many jurisdictions around the world planning to establish or improve their deposit insurance systems.

He is also a much sought-after speaker in the areas of governance in government enterprises, intervention and failure resolutions, leadership as well as sound governance and management for effective deposit insurance systems.

Mr. Sabourin's many accomplishments include chairing the International Study and Working Groups of the Financial Stability Forum (FSF), now the Financial Stability Board (FSB), on the establishment of Effective Deposit Insurance System beginning in 1999 and ending 2001. Mr. Sabourin also led the first-ever Asia Pacific Economic Cooperation (APEC) Policy Dialogue on Deposit Insurance which made recommendations to APEC Ministers

on enhancing deposit insurance systems. In May 2002, he led the development and establishment of the International Association of Deposit Insurers (IADI) and was elected as the first Chair of the IADI Executive Council and President, a post he held until 2007. The work carried out for the FSF and the research and guidance completed by IADI under his leadership led to the development of the Core Principles for Effective Deposit Insurance Systems, jointly adopted by IADI and the Basel Committee on Banking Supervision in 2009 and subsequently endorsed by the FSB.

Mr. Sabourin began his career at the Canada Deposit Insurance Corporation (CDIC) in 1976 and moved progressively to more senior positions until his appointment by the Government of Canada as the President and CEO of CDIC in 1990, a position he held for 15 years until his retirement in April 2005. Under his leadership, CDIC developed into a best practice deposit insurer while successfully resolving over 40 financial institution failures. In 2006, CDIC was recognised by the members of IADI and received the IADI Deposit Insurance Organisation of the Year Award for its achievements and contributions to the

development of effective deposit insurance systems.

In August 2005, Mr. Sabourin was sought out by the Malaysian Government to establish PIDM and was appointed its first-ever CEO, a position he continues to hold. PIDM has over the years developed into a well-governed and well-managed financial consumer protection and resolution authority for member banks, insurance companies and takaful operators.

In 2011, PIDM received the IADI Deposit Insurance Organisation of the Year Award for its contributions towards strengthening and advancing effective deposit insurance systems and for helping IADI achieve its objectives. Also in 2011, PIDM's legislative mandate was expanded to protect policy owners and takaful certificate owners of insurance companies and takaful operators respectively. PIDM currently administers six separate and distinct compensation funds (conventional and Islamic deposit insurance funds, life and general insurance protection funds and family solidarity and general takaful protection funds).

Under his leadership, PIDM has been recognised for its transparency and accountability to key stakeholders through its public disclosure of the Corporate Plan and its performance against it. PIDM's Annual Reports (2008 - 2012) has been the recipient of the National Annual Corporate Report Awards (NACRA) for non-listed organisations, five years in a row, for the quality of disclosure and standards of corporate governance.

Mr. Sabourin is a member of the Board of The ICLIF Leadership and Governance Centre in Kuala Lumpur and a member of Bank Negara Malaysia's Financial Stability Executive Committee. He holds a Master of Business Administration from the University of Toronto, Canada.

Executive Management Committee: Members and Profiles

**LIM YAM POH³***Executive General Manager and General Counsel*

Lim Yam Poh was appointed to her current role in June 2014 and has oversight over the Legal Division, Communications and Public Affairs Division, Policy and International Division and Human Capital Division. These divisions provide legal services to the Corporation; develop and execute communications programmes as well as public affairs and publishing activities; address policies that concern the mandate and operations of PIDM, and position the Corporation at the international level to achieve its mission and vision; and develop human capital strategies and plans respectively. She joined the Corporation in 2006 as the General Counsel and Corporate Secretary.

Yam Poh has had both private sector and public sector experience in law and policy-making. She spent over seven years in legal practice in Kuala Lumpur. Between 1997 and 2000, she worked at the Malaysian Securities Commission following which she worked at the Hong Kong Securities and Futures Commission in the Market Supervision as well as Corporate Finance Divisions till 2005. She holds a Bachelor of Laws degree from the University of Birmingham, England and has been called to the Bar of England and Wales and in Malaysia.

**RAFIZ AZUAN ABDULLAH³***Executive General Manager*

Rafiz Azuan Abdullah was appointed to his current role in June 2014 and has oversight over the Insurance, Risk Assessment and Monitoring Division, Intervention and Failure Resolution Division, Finance and Administration Division and Strategic Planning Division. He joined PIDM in January 2007 and spearheaded the completion of the Risk Assessment System for PIDM. In 2011, with the expanded mandate of PIDM to also include Takaful and Insurance Benefits Protection System, Rafiz led the establishment of the risk assessment and the Differential Levy System framework for insurer members. At the international front, Rafiz was appointed Chairman of the Islamic Deposit Insurance Group, one of the groups within the Research and Guidance Committee of the International Association of Deposit Insurers (IADI) in 2013.

Prior to PIDM, Rafiz was attached for more than 10 years with Rating Agency Malaysia, where he specialised in ratings of financial institutions, real estate and construction companies. In 1999, Rafiz was also seconded to the Corporate Debt Restructuring Committee at Bank Negara Malaysia to assist with the restructuring of distressed companies as a result of the economic recession. He graduated from Lancaster University, UK in 1995 majoring in Accounting and Finance. He then pursued a professional accounting qualification (Association of Chartered Certified Accountants - ACCA) at Emile Woolf College in London and completed the required papers in one sitting in September 1996.

³ Corporate officers appointed by the Board of Directors

Executive Management Committee: Members and Profiles



NOORIDA BAHARUDDIN³

Chief Financial Officer and General Manager, Finance and Administration

Noorida Baharuddin was appointed the Chief Financial Officer (CFO) in June 2014 and is responsible for the management and control of the accounting and treasury functions as well as functions related to information technology, office administration and operational business policies, processes and controls. Prior to this appointment, she has served the Corporation as the Chief Internal Auditor for eight years.

She brings with her years of experience in external and internal auditing, risk management and policy development. These experiences were gained through her career with PriceWaterhouse, Malaysian Airline System Berhad (MAS), two regulatory bodies – Securities Commission and Labuan Financial Services Authority, as well as an attachment with the Islamic Financial Services Board.

On the international front, Noorida has contributed to the establishment of the international informal networking group for chief internal auditors and audit representatives of deposit insurance organisations world-wide, having organised four international seminars and was also a regular speaker at these seminars.

Noorida holds a Bachelor of Business degree in accounting from the University of Tasmania, Australia and a Bachelor of Law degree from Universiti Teknologi Mara (UiTM), Malaysia. She is a Certified Practising Accountant (Australia) and a Chartered Member of the Institute of Internal Auditors Malaysia. She holds a Certification in Risk Management Assurance from the Institute of Internal Auditors and is also a Certified Financial Planner with the Financial Planning Association of Malaysia.



AFFEIZ ABDUL RAZAK³

Chief Risk Officer and General Manager, Enterprise Risk Management

Affeiz Abdul Razak was appointed the Chief Risk Officer (CRO) in June 2014. He is responsible for the implementation of PIDM's Enterprise Risk Management (ERM) framework and Business Continuity Management (BCM) framework and assists the Board, Audit Committee and Management to ensure that PIDM's significant risks are continuously identified, assessed, managed, monitored and reported on accordingly.

He has vast experience in providing assurance services to both private and public-listed companies in Malaysia and in countries such as Hong Kong, China and the United States, focusing on ERM, internal audit, grant audit, due diligence and corporate governance. Prior to PIDM, he was the General Manager, Internal Audit of Kumpulan Perangsang Selangor Berhad and the Head of Internal Audit of Malaysian Technology Development Corporation. He has also worked at IBM and KPMG in the Risk Advisory & Internal Audit Services Practice.

Affeiz is actively involved in the Governance, Risk and Compliance as well as the BCM fraternity where he is a regular speaker at seminars and conferences locally and abroad. He was elected and served as a member of the Board of Governors of the Institute of Internal Auditors Malaysia from 2010 to 2013, and as the Honorary Secretary in 2010 and 2011. In addition, he is a member of the Executive Committee of the Malaysian Association of Risk and Insurance Management since 2013.

He holds a Bachelor's Degree in Business Administration majoring in finance and is a Certified Financial Services Auditor (CFSA) (USA), Certified Business Continuity Institute (CBCI) (UK) professional, Chartered Member of the Institute of Internal Auditors Malaysia, Member of the Business Continuity Institute (UK) and Associate Member of the Association of Certified Fraud Examiners (USA). He is also accredited by The Institute of Internal Auditors Inc. USA to perform Internal Quality Assessment or Validation for Internal Audit Functions.

³ Corporate officers appointed by the Board of Directors

Executive Management Committee: Members and Profiles

**WAN AHMAD IKRAM WAN AHMAD LOTFI³***Chief Internal Auditor and General Manager, Audit and Consulting Services*

Wan Ahmad Ikram Wan Ahmad Lotfi was appointed the Chief Internal Auditor (CIA) in June 2014 and heads the Audit and Consulting Services Division. His main responsibilities include providing independent and objective assurance and consulting services which are designed to improve the effectiveness and efficiency of PIDM's operations, reliability and integrity of financial reporting, as well as ensure compliance with applicable laws and regulations. He is also responsible for reviewing, maintaining and reporting of PIDM's internal control framework. Prior to this appointment, he was the Chief Financial Officer (CFO) since January 2006. Ikram started his career with Telekom Malaysia Berhad before pursuing his professional accounting career with KPMG in Melbourne, Australia. Upon his return to Malaysia, he joined Tahan Insurance Malaysia Berhad as the CIA and was later appointed as its CFO in March 2004 before joining PIDM in 2006.

He has gained extensive experience throughout his career in various roles within several organisations in the areas of external and internal auditing, risk management, office operations and administration, accounting and finance operations, treasury and fund management, corporate planning, corporate finance, corporate restructuring, business process management and compliance as well as information technology.

Ikram holds a Bachelor of Commerce degree from the University of Melbourne, Australia. He is also a Fellow of the Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants.

**LIM LEE NA³***Corporate Secretary*

Lim Lee Na was appointed the Corporate Secretary in June 2014. She provides secretariat services to the Board and the Board Committees. She also supports the Board in the development and maintenance of best practices in governance by providing research and advice. Lee Na joined PIDM in 2007 as a Senior Legal Advisor and has led the development of the Product Registry System to automate the process of reviewing and rating the insurability status of deposit products offered by banks as well as PIDM's programme for monitoring compliance by member banks with PIDM's regulations.

She has over 20 years of combined experience mainly in the banking industry and legal practice, having worked with Sumitomo Mitsui Banking Corporation Malaysia Berhad, OCBC Bank (Malaysia) Berhad, Southern Bank Berhad, Malaysia Airports Holdings Berhad and Messrs Jeff Leong Poon & Wong. She has also been a legal editor with Reed Elsevier. Lee Na holds a Bachelor of Commerce degree in accounting and a Bachelor of Laws degree from the Australian National University. She was called to the Malaysian Bar in 1991.

³ Corporate officers appointed by the Board of Directors

Executive Management Committee: Members and Profiles



CHUA EE LEEN

General Manager, Strategic Planning

Chua Ee Leen was appointed the General Manager, Strategic Planning Division in 2012. Prior to that, she headed the division as a Senior Manager. She is responsible for the implementation of PIDM's strategic planning process and assists the Board and Management in setting the strategic direction as well as the development of strategic and financial plans, taking into account the opportunities and risks facing the Corporation. She is also responsible for monitoring and reporting performance against the approved plan, including financial performance against budgets. She is involved in facilitating risk management matters at the operational level across PIDM and heads the committee that recommends, provides oversight and monitors the development and implementation of Information Technology strategies, plans and budgets.

Ee Leen was previously in the Enterprise Risk Management (ERM) Division of PIDM and was assisting the Chief Risk Officer in the implementation of PIDM's ERM framework.

Prior to joining PIDM in 2007, she has seven-and-a-half years of experience in auditing, risk management, as well as the development of policies and procedures through her career at the Ernst & Young Kuala Lumpur office, including a one-year secondment to a global group of energy and petrochemical companies. Her auditing experience includes external and internal auditing, Sarbanes-Oxley independent compliance review as well as certification-related review. She holds a Bachelor of Commerce degree in accounting and finance from Curtin University of Technology, Perth, Western Australia. She is a Certified Practising Accountant (Australia) and a member of the Malaysian Institute of Accountants.



LEE YEE MING

General Manager, Policy and International

Lee Yee Ming was appointed the General Manager, Policy and International Division in 2011. She is responsible for PIDM's key policy areas and international relations. Her main responsibilities are to proactively assess, develop and propose policies that concern the mandate and operations of PIDM which help advance the views and interests of PIDM as well as leads the positioning of PIDM internationally in its mission and vision.

In October 2014, Yee Ming was re-elected to the Executive Council (EXCO) of the International Association of Deposit Insurers (IADI) for a three-year term. The roles of the IADI EXCO include recommending the process for developing and establishing the guidance to enhance the effectiveness of deposit insurance systems, and developing policies for the provision of advice on deposit insurance issues. She is also the Chair of the IADI's Data and Survey Committee and a member of the Executive Committee of the International Forum of Insurance Guarantee Schemes (IFIGS). The key responsibility of the FIGS Executive Committee is to direct the activities of FIGS in achieving its objectives for cooperation, participation and sharing of information among members for the implementation of an effective insurance guarantee scheme.

Prior to her current position, she was the Chief Risk Officer of PIDM, heading the Enterprise Risk Management (ERM) Division and was responsible for the implementation of PIDM's ERM framework on an organisation-wide basis and assists the Board in ensuring that PIDM's significant risks are continuously identified, assessed, managed, monitored and reported on.

She has over 10 years of consulting and banking experience in ERM, Basel II, corporate governance and internal audit. She began her career in the United States with a financial institution in Illinois and subsequently joined Ernst & Young in the Kuala Lumpur, Malaysia and Taipei, Taiwan offices. With regard to ERM, she has advised organisations in Malaysia and internationally on the implementation of their respective ERM frameworks. She has also assisted banks in Taiwan as the overall project manager in their Basel II system implementation and Basel II-related implementation projects. She holds an honours degree in business administration (summa cum laude) and a Master of Business Administration degree in finance from Western Michigan University, USA. She is also a Certified Internal Auditor.

Executive Management Committee: Members and Profiles

**LIM KONG KUAN***General Manager, Intervention and Failure Resolution*

Lim Kong Kuan was appointed the General Manager, Intervention and Failure Resolution (IFR) Division in 2010. His responsibilities include building the infrastructure for conducting timely and effective IFR activities of PIDM. He was instrumental in leading the development of the Corporation's IFR framework and a full suite of policies and procedures on the various IFR options as well as the Corporation's integrated Payout System. He has also represented the Corporation to speak on IFR-related subjects at various events, both locally and internationally. He is currently leading the Corporation's initiatives on developing a comprehensive recovery and resolution planning framework for Malaysia. He was previously the Deputy General Manager, Insurance, Risk Assessment and Monitoring Division.

Prior to PIDM, he served for 11 years at Bank Negara Malaysia (BNM) from 1995, including as a manager in the Prudential Policy Division, Bank Regulation Department. His experience in BNM included developing and reviewing prudential policies on capital adequacy requirements and banking risk management, particularly market risk and Basel II-related regulations.

He was a BNM scholar and obtained a Bachelor of Economics degree (Accounting major) at the University of Sydney, Australia. He was also awarded an additional scholarship from BNM to complete his Masters of Science in Mathematical Trading and Finance from City University Business School, City University London, in 2001 where he graduated with distinction.

**LIM TAI CHING***General Manager, Legal*

Lim Tai Ching was appointed the General Manager, Legal Division in January 2015. Her responsibilities include the provision of a range of legal services, including the maintenance and development of relevant legislation to ensure that they remain relevant and continue to be effective to enable PIDM to effectively and efficiently fulfil its mandate, and ensuring compliance with all applicable statutory requirements. She also chairs the Corporate Social Responsibility Committee, a position held since 2011, leading initiatives which are focused on community development as well as environmental conservation and sustainability for the Corporation.

Tai Ching joined PIDM as a Legal Advisor in 2010. She commenced her legal career at Messrs Shook Lin & Bok. After leaving legal practice, she joined the United Nations High Commissioner for Refugees, supporting its operations in the Malaysia and Cambodia offices.

Tai Ching holds a Bachelor of Laws degree from the University of London, a Certificate in Legal Practice and a Master of Laws in International Legal Studies from Kyushu University. She was called to the Malaysian Bar in 2002.

Executive Management Committee: Members and Profiles



MARGARET FONG GOOK PHENG

General Manager, Human Capital

Margaret Fong was appointed the General Manager, Human Capital Division in November 2012. Her responsibilities include the development of human capital strategies and plans to maximise both organisational and individual effectiveness and the provision of the full range of human capital policies, programmes and services to ensure that PIDM can continuously attract, select, develop and retain the highest calibre workforce to fulfil its mandate.

Margaret has more than 20 years of experience in various human capital positions in the food, motor, chemical and insurance industries. In addition, she has seven years of experience in operations encompassing underwriting, customer service, claims and branch operations in a leading insurance company.

Margaret has a degree in business administration from Ottawa University, USA, Diploma from the Life Office Management Association, USA, Diploma from the Institute of Administrative Management, UK and a Masters in Human Resource Management from Canberra University, Australia.



MOHD IZAZEE ISMAIL

General Manager, Insurance, Risk Assessment and Monitoring

Mohd Izazee Ismail was appointed the General Manager, Insurance, Risk Assessment and Monitoring Division in June 2014. He is responsible for the analysis and monitoring of member institutions risk levels as well as the premium and levy collection function of PIDM. He was previously the Deputy General Manager, Insurance, Risk Assessment and Monitoring Division.

Prior to joining PIDM in 2007, Izazee has had 12 years of banking and rating experience. He began his career in 1995 with RHB Sakura Merchant Bankers Berhad (now known as RHB Investment Bank Berhad) where he acquired extensive experience in corporate banking, origination and advisory work in the Malaysian Ringgit debt market in both the conventional and Islamic securities instruments. He then joined Rating Agency Malaysia in 2001 as the Islamic finance specialist. He was also involved in credit ratings of financial institutions, structured finance as well as other industry sectors.

Izazee holds a Bachelor of Science degree in economics from the London School of Economics and Political Science, UK as well as a Postgraduate Diploma in Islamic Banking and Finance from the International Islamic University Malaysia.

Executive Management Committee: Members and Profiles

**HASINA MOHAMED***Acting General Manager, Communications and Public Affairs*

Hasina Mohamed was appointed the Acting General Manager, Communications and Public Affairs Division in May 2014. She is responsible for the full range of communications initiatives for the Corporation's public awareness programmes, stakeholders' engagement programmes as well as public relations, advertising and promotions programmes.

She has more than 20 years of experience in strategic marketing and branding, marketing communications, marketing research, retail audit, product management, project management, events management, media management, client servicing as well as advertising and promotions. Prior to PIDM, she was an Accounts Director with Pakarmedia Sdn. Bhd., under the Carat Group of Media Specialists.

Hasina obtained a Professional Postgraduate qualification in Marketing and an Advanced Diploma in Marketing (Chartered Marketer, Chartered Institute of Marketing, UK). She also holds a Bachelor of Economics degree from Flinders University, Australia.

OTHER MANAGEMENT COMMITTEES

SENIOR MANAGEMENT COMMITTEE

PIDM's Senior Management Committee (SMC) is chaired by the Executive General Manager and General Counsel. The SMC is a forum for information exchange and to highlight key issues affecting the respective divisions or functions. Its meetings are held after each Board of Directors meeting to inform of the Board's major deliberations and decisions. Its members comprise the General Managers, the Deputy General Managers and the Senior Managers who directly support the Heads of Division. The SMC is intended to facilitate effective communications, teamwork and collaboration throughout all areas of PIDM, as well as to serve as a conduit for information to all employees.

ENTERPRISE RISK MANAGEMENT COMMITTEE

The Enterprise Risk Management (ERM) Committee is a management committee established to provide assurance that risks are appropriately identified and managed, as well as to advise and provide the Audit Committee and the Board an understanding of the significant risks affecting PIDM. The ERM Committee also provides oversight on business continuity management related matters of PIDM.

The ERM Committee comprises the following members:

- Executive General Manager (Chair)
- Chief Executive Officer (CEO) (ex officio)
- Executive General Manager and General Counsel
- Chief Financial Officer (CFO)
- Chief Risk Officer (CRO)
- Corporate Secretary
- General Manager, Human Capital Division
- General Manager, Insurance, Risk Assessment and Monitoring Division
- General Manager, Intervention and Failure Resolution Division
- General Manager, Legal Division
- General Manager, Policy and International Division
- General Manager, Strategic Planning Division
- Acting General Manager, Communications and Public Affairs Division
- Deputy General Manager, Economics and Research, Policy and International Division
- Manager, Enterprise Risk Management Division (Secretary)
- Chief Internal Auditor (CIA) (Observer)
- Any other officer or employee of PIDM as required from time to time, to be determined by the Chair

STRATEGIC PLANNING AND ERM WORKING COMMITTEE

The Strategic Planning and ERM (PERM) Working Committee is a management committee established to identify, assess, monitor, update, advise and support the ERM Committee in facilitating and coordinating ERM and related strategic planning activities across PIDM.

The PERM Working Committee comprises the following members:

- General Manager, Strategic Planning Division (Chair)
- CRO
- Representatives of the following divisions in PIDM:
 - CEO's Office
 - Communications and Public Affairs Division
 - Corporate Secretariat Division
 - Finance and Administration Division
 - Human Capital Division
 - Insurance, Risk Assessment and Monitoring Division
 - Intervention and Failure Resolution Division
 - Legal Division
 - Policy and International Division
 - Strategic Planning Division
- Manager, Enterprise Risk Management Division (Secretary)
- Representatives from the Audit and Consulting Services Division (Observer)
- Any other officer or employee of PIDM as required, to be determined by the Chair

ASSET AND LIABILITY MANAGEMENT COMMITTEE

The Asset and Liability Management Committee (ALCO) is an advisory committee that reviews matters relating to funding, liquidity, investment and financial risk management of PIDM. It also acts as a forum to discuss investment and financial risk management practices that may influence investment and funding strategies as well as the implications of decisions with respect to PIDM's asset and liability management.

The ALCO members are:

- CFO (Chair)
- Executive General Manager
- Executive General Manager and General Counsel
- General Manager, Insurance, Risk Assessment and Monitoring Division
- General Manager, Intervention and Failure Resolution Division
- General Manager, Policy and International Division
- Deputy General Manager, Economics and Research, Policy and International Division
- Deputy General Manager, Finance Department
- Senior Manager, Finance Department (Secretary)
- CIA (Observer)
- CRO (Observer)

INFORMATION TECHNOLOGY STEERING COMMITTEE

The primary function of the Information Technology Steering Committee (ITSC) is to provide oversight, as well as manage and implement Information Technology (IT) strategies, plans and budgets. The ITSC provides guidance to ensure that the implementation of IT strategies is consistent with PIDM's goals. The Committee reviews the status of the IT Strategic Plan, overall

Other Management Committees

progress of IT projects, major procurements, budget utilisation, and deliberates on Corporate IT and information policies on a quarterly basis. The ITSC also allows Management to monitor, manage and address IT-related risks and opportunities.

The ITSC members are:

- General Manager, Strategic Planning Division (Chair)
- Executive General Manager (ex officio)
- CFO
- General Manager, Human Capital Division
- General Manager, Insurance, Risk Assessment and Monitoring Division
- General Manager, Intervention and Failure Resolution Division
- General Manager, Legal Division
- General Manager, Policy and International Division
- Acting General Manager, Communications and Public Affairs Division
- Deputy General Manager, Information Technology Department
- Project Administrator, Information Technology Department (Secretary)
- CIA (Observer)
- CRO (Observer)

CORPORATE COMPLIANCE COMMITTEE

The Corporate Compliance Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to PIDM's compliance with laws, codes, policies and procedures, contractual obligations and organisational standards that are applicable to PIDM by virtue of its business activities and functions.

The Corporate Compliance Committee ensures that compliance is integrated into the various divisions and allows identification of areas for improvement to ensure compliance on Corporate-wide basis. The work of the Committee includes increasing awareness and understanding of key policies and procedures and, where relevant, the implementation of practices to ensure compliance with applicable laws.

The Committee members are:

- Corporate Secretary (Chair)
- CFO
- CIA
- CRO
- General Manager, Insurance, Risk Assessment and Monitoring Division
- General Manager, Legal Division
- General Manager, Strategic Planning Division
- Deputy General Manager, Human Capital Division
- Senior Manager, Communications and Public Affairs Division
- Senior Manager, Intervention and Failure Resolution Division
- Senior Manager, Organisation and Methods Department
- Legal Counsel (Secretary)

SAFETY AND HEALTH COMMITTEE

The Safety and Health Committee, established in accordance with the Occupational Safety and Health Act 1994 and the Occupational Safety and Health (Safety and Health Committee) Regulations 1996, assists Management to promote and maintain a safe, healthy and conducive working environment for all its employees, contractors, consultants, visitors and any others who have dealings with PIDM. The main function of the Committee is to ensure the maintenance of safe and healthy conditions in the workplace as well as the provision of adequate facilities for the welfare of employees. The Committee is also responsible to review the measures taken to ensure safety and health at the workplace, conduct investigation on any matters related to safety and health, and to resolve those matters.

The Committee members are:

- General Manager, Human Capital Division (Chair)
- CRO
- Deputy General Manager, Insurance, Risk Assessment and Monitoring Division
- Deputy General Manager, Intervention and Failure Resolution Division
- Deputy General Manager, Policy and International Division
- Senior Manager, Facilities and Materials Management Department
- Representatives of the following divisions in PIDM:
 - Human Capital Division
 - Insurance, Risk Assessment and Monitoring Division
 - Legal Division
- Manager, Human Capital Division (Secretary)
- Representative from the Audit and Consulting Services Division (Observer)
- Any other officer or employee of PIDM as required, to be determined by the Chair

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility (CSR) Committee helps to carry out PIDM's commitment to carry on its business and affairs in a socially responsible, sustainable and meaningful way through community involvement and environmental protection.

The CSR Committee comprises representatives from the following divisions:

- CEO's Office
- Communications and Public Affairs Division
- Finance and Administration Division
- Human Capital Division
- Insurance, Risk Assessment and Monitoring Division
- Intervention and Failure Resolution Division
- Legal Division
- Policy and International Division
- Strategic Planning Division



SECTION TWO

CORPORATE

GOVERNANCE

35

Statement on Governance

53

Statement on Risk Management
and Internal Control

STATEMENT ON GOVERNANCE

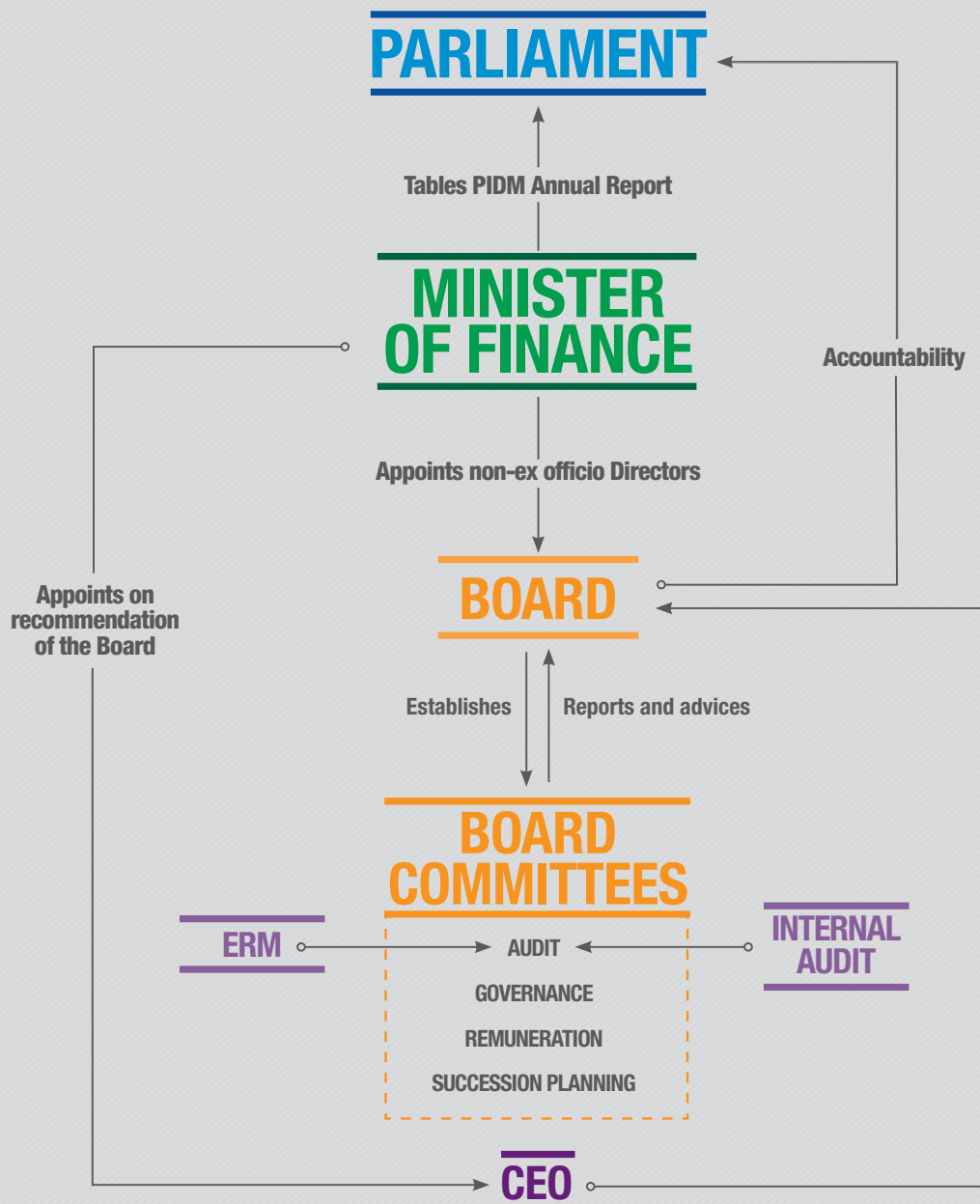
INTRODUCTION

The Board approved the Board Governance Policy in 2006. It sets out 15 standards that are expected of a board of a statutory body and is used as a guide to the Board's responsibilities.

The Board Governance Policy is reviewed against recognised best practices and corporate governance principles, and amended, where appropriate. The Policy is available on our website at www.pidm.gov.my.

OUR GOVERNANCE FRAMEWORK

DIAGRAM 1: OUR GOVERNANCE FRAMEWORK



Statement on Governance

The Corporation subscribes to the principles of “Openness (Transparency), Integrity (including Objectivity) and Accountability”.¹ The Board’s accountability is to meet its mandate and report on the Corporation’s activities, as illustrated in Diagram 1.

The Board continually benchmarks its governance policies and procedures against international and local best practices to ensure that its approach to governance remains current and relevant. Where applicable, the Board will adopt leading practices on governance.

The following documents are key components of the Corporation’s governance framework. These documents can be found on the Corporation’s website, www.pidm.gov.my, under “How PIDM is Governed”.

- (a) Board Governance Policy;
- (b) Board Committee Charters;
- (c) Position descriptions of the Chairperson, Chief Executive Officer (CEO) and Members of the Board of Directors;
- (d) Code of Business Conduct and Ethics for Directors and the Code of Business Conduct and Ethics for Employees;
- (e) Conflict of Interest Code for Directors and the Conflict of Interest Code for Employees;
- (f) Policy for Disclosure of Information Concerning Improper Conduct;
- (g) Policy and Procedures on Public Disclosure of Information;
- (h) Policy on Workplace Harassment; and
- (i) Compliance Programme.

The Board has approved an Authority Matrix that sets out matters that are reserved for the Board’s decisions and the specific authorities delegated to Management.

STATEMENT ON GOVERNANCE

The Board is pleased to report full compliance with the Board Governance Policy in 2014. A detailed description is found on pages 39 - 46.

Shariah Governance

In addition, PIDM ensures compliance with Shariah requirements in relation to the Islamic Deposit Insurance System (DIS) and the Takaful Benefits Protection System (TBPS).

The Corporation seeks advice and endorsements from the Shariah Advisory Council of Bank Negara Malaysia (BNM) on Shariah issues relating to the operations of the two protection systems.

BOARD OF DIRECTORS

Composition, Appointment and Remuneration

PIDM’s Board comprises nine Directors, with diverse skills, expertise and experience, both from the private and public sectors. Two Directors are ex officio Members of the Board, namely, the Governor of BNM and the Secretary General of Treasury, Ministry of Finance.

All Directors are non-executive, so that Board independence is maintained and its role is focused on oversight. The CEO is not a Member of the Board, and he is responsible under the Malaysia Deposit Insurance Corporation Act (PIDM Act) 2011 for the day-to-day administration of the business and affairs of the Corporation. Thus, there is clear separation between the Board’s and Management’s responsibilities, which is supported by documentation.

The seven non-ex officio Directors are appointed by the Minister of Finance on the recommendation of the Board. Two of the non-ex officio Directors are from the public sector or have public sector experience and the remaining five non-ex officio Directors are from the private sector. Under the PIDM Act, the Chairman must have relevant private sector experience.

In 2014, the Minister of Finance, on the recommendation of the Board, approved the reappointment of three non-ex officio Directors, namely Datuk Seri Dr. Rahamat Bivi Yusoff, Mr. Alex Foong Soo Hah and Encik Mohamad Abdul Halim Ahmad.

In 2014, the Directors collectively received a total of RM680,000 as remuneration for Board and Board Committees’ work.

¹ Core principles recommended by the Cadbury Committee in the Cadbury Report (1992) as adapted for the public sector, “Governance in Public Sector: A Governing Body’s Perspective” by the International Federation of Accountants (August 2001)

Statement on Governance

Board Responsibilities

The PIDM Act sets out the Corporation's mandate, and the Board's overall responsibility for the conduct of the Corporation's business and affairs. It also sets out the Directors' duties to, at all times, act honestly and in the best interests of the Corporation, and to use reasonable diligence in the discharge of their duties.

The roles and responsibilities of the Board are also set out in the Board Governance Policy and in their position descriptions. The position description for the CEO is also in place.

Attendance at Board and Board Committee Meetings

There were four regular Board meetings in 2014, in line with the schedule set at the beginning of the year. In addition, a Special Board meeting was arranged during the year to report on the results of the Board's and Board Committees' performance in 2014 and Management support in terms of providing information to the Board.

There were six Audit Committee (AC) meetings, four² Remuneration Committee (RC) meetings, two Governance Committee (GC) meetings and five Succession Planning Committee (SPC) meetings in 2014.

The attendances of the Members at Board and Board Committee meetings during their terms are as follows:

TABLE 1: ATTENDANCE AT BOARD MEETINGS

Directors	Regular Board Meeting	Special Board Meeting
Tan Sri Datuk Dr. Abdul Samad Haji Alias (<i>Chairman</i>)	3/4	1/1
Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz (ex officio)	2/4	1/1
Tan Sri Dr. Mohd Irwan Serigar Abdullah (ex officio)	4/4	1/1
Datuk Seri Dr. Rahamat Bivi Yusoff	4/4	0/1
Dato' Halipah Esa	4/4	1/1
Mr. George Anthony David Dass	4/4	1/1
Mr. Lim Tian Huat	4/4	1/1
Mr. Alex Foong Soo Hah	4/4	1/1
Encik Mohamad Abdul Halim Ahmad	4/4	1/1

TABLE 2: ATTENDANCE AT BOARD COMMITTEE MEETINGS

Directors	Audit Committee Meeting	Remuneration Committee Meeting	Governance Committee Meeting	Succession Planning Committee Meeting
Tan Sri Datuk Dr. Abdul Samad Haji Alias (<i>Chairman of GC and SPC</i>)			2/2	5/5
Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz (ex officio)				
Tan Sri Dr. Mohd Irwan Serigar Abdullah (ex officio)				
Datuk Seri Dr. Rahamat Bivi Yusoff			2/2	
Dato' Halipah Esa		4/4		
Mr. George Anthony David Dass	6/6		2/2	
Mr. Lim Tian Huat (<i>Chairman of AC</i>)	5/6			4/5
Mr. Alex Foong Soo Hah (<i>Chairman of RC</i>)	6/6	4/4		5/5
Encik Mohamad Abdul Halim Ahmad (<i>Vice-Chairman of AC</i>)	6/6	4/4		

² One of the meetings was a continuation meeting

Statement on Governance

KEY HIGHLIGHTS OF THE WORK OF THE BOARD

The following are key highlights of the Board's work in 2014:

Standard 2: Board effectiveness and governance responsibilities

Board evaluation: In line with best practices, the Board conducts an annual evaluation of its effectiveness as well as that of its Board Committees. The Board also evaluates Management's support to the Board in providing information. The Board views the evaluation as important to strengthen its oversight role. Relevant action plans were implemented arising from the 2013 external Board evaluation. Action plans included ensuring Board papers are more focused, the distribution and use of Board papers in electronic format for greater efficiency and regular post-meeting review by the Board to systematically capture opportunities for improvement in the Board's effectiveness, for example, to assess whether the information provided by Management at the meeting was useful in the consideration of issues, and whether discussions focused on the right matters.

Led by the Chairman, the Board completed the 2014 internal Board evaluation. The overall effectiveness of the Board and its governance practices as well as Management's support to the Board are rated "Highly Satisfactory".

Composition of the Board Committees: Since the rotation of the Board Committee Members in 2013, there has been no change to the composition of the Board Committees in 2014.

Board education: The Board Members continued to participate in education sessions that were related to new developments affecting the Corporation's business and affairs as well as other areas of interest to the Board. Several Board education sessions were held in 2014 and its details are found on page 40.

Standard 4: Board composition and succession

There were no new appointments to the Board in 2014. The terms of three existing Board Members have been renewed by the Minister of Finance on the recommendation of the Board. Mr. Alex Foong Soo Hah and Encik Mohamad Abdul Halim Ahmad were reappointed for another three years from 15 August 2014 until 14 August 2017 and 3 January 2015 to 2 January 2018 respectively. Datuk Seri Dr. Rahamat Bivi Yusoff was reappointed for another two years from 3 January 2015 until 2 January 2017.

DETAILS OF THE WORK OF THE BOARD

The following sections describe the manner in which the Board has complied with the standards set out in the Board Governance Policy in detail. It also sets out the detailed progress report of the Board against each of the standards.

2006 – 2013

The Board established its corporate governance arrangements in 2006. Since then, it has worked to achieve and maintain full compliance with the Board Governance Policy. Since 2008 and every year thereafter, the Board has been able to report full compliance with this Policy.

Board Objectives in 2014

Since 2009, the Board has adopted the practice of setting annual objectives at the beginning of each year. It also considers the action plans to support the achievement of these objectives.

The Board objectives set in 2014 were to focus on strategic planning, CEO succession planning and implementing the action plans based on the recommendations from the 2013 external Board evaluation.

The Board has achieved the objectives set for itself in 2014. The following paragraphs provide the key highlights of the Board's work to achieve these objectives.

Strategic Items for 2014

The Board focused on the strategic items identified as follows:

- (a) development of the Differential Levy System framework for takaful operators;
- (b) development of the Target Fund framework for the General Insurance Protection Fund;
- (c) risk assessment and monitoring of member institutions, in particular, insurer members;
- (d) state of readiness of the Corporation for an intervention and failure resolution (IFR); and
- (e) implementation of the CEO succession planning.

Statement on Governance

Board Effectiveness

During 2014, the Board undertook an internal review of its effectiveness and that of its Board Committees. The results of the evaluation will be presented to the Board in 2015.

BOARD GOVERNANCE POLICY

The details of the progress of the Board in regard to each of the standards in the Board Governance Policy are set out below.

Standard 1: Independence of the Board

Board Members will exercise independent judgement.

The PIDM Act separates the roles of the Chairman and the CEO, so as to ensure independence, and the CEO is not a Member of the Board.

All Directors are non-executive and must use their independent judgement to act in the best interests of the Corporation, as required under the PIDM Act.

Standard 2: Board effectiveness and governance responsibilities

The Board will obtain and maintain an understanding of the Corporation's objects and powers, as well as of its governance responsibilities.

To achieve this, the Board will:

- (i) develop and maintain approaches to fulfilling those responsibilities and will evaluate objectively, on a regular basis, its effectiveness in doing so; and
- (ii) ensure that the Corporation has arrangements for the orientation of new directors and ongoing training appropriate to the Board's governance responsibilities and needs.

The Board (through the GC) ensures that its governance arrangements and approach are up to date and relevant.

Process for evaluating its effectiveness

The Board reviews the Board Governance Policy and governance approach regularly to ensure their relevance.

Annually, the Board evaluates its effectiveness as well as that of the Board Committees and Management's support to the Board in terms of providing information. In line with best practices, for 2014, the Board conducted the evaluation internally and the results will be presented to the Board at the first Board meeting of 2015.

Orientation

There is a Board-approved orientation programme for new Board Members. The Board-approved orientation programme is to bring new Directors quickly up to speed so that they are able to contribute to the work of the Board.

In 2014, there were no new Directors appointed to the Board.

Ongoing training**DIAGRAM 2: HOW THE BOARD IS TRAINED AND DEVELOPED**

**FIDE
Programme and
FIDE FORUM
Events**

**Briefings on the
Corporation's
Work and
Environment**

Orientation

**Developments
in Other
Jurisdictions**

Written Updates

Statement on Governance

At the beginning of each year, the Board will approve the Board Education Programme for the year. The Board Education Programme for 2014, that was successfully carried out included the following topics:

- (a) Recovery and Resolution Planning and Bail-in;
- (b) Board Strategic Leadership in Managing Cybersecurity Risk in Financial Institutions;
- (c) Intervention and Failure Resolution Readiness;
- (d) Malaysian Economic Conditions; and
- (e) Insurance Companies Failure.

In addition to the above, the Directors also attended training programmes pertaining to human capital management in the Boardroom and C-Suite.

From time to time, Management also sends the Board written updates on developments relevant to the Corporation. The Board is also kept apprised of changes or anticipated changes in legislation impacting the Corporation.

Directors also attend the Financial Institutions Directors' Education (FIDE) Programme as well as FIDE FORUM events. These programmes focus on governance responsibilities of directors in financial institutions.

The tripartite meeting is an annual meeting between PIDM, the Indonesia Deposit Insurance Corporation (IDIC) and the Deposit Protection Agency (DPA), Thailand for the purposes of exchanging information, knowledge and experiences in deposit insurance as well as to build relationships. In 2014, the tripartite meeting was held in Bali, Indonesia and hosted by IDIC.

Standard 3: Roles and responsibilities of Committees

Where the Board appoints a committee, it will establish the responsibilities and authority of Board Committees, as well as accountability requirements for them.

The responsibilities, authority and accountability requirements of the Board Committees are detailed in their respective charters, and reports on their work are made to the Board at each meeting.

All the Board Committees' charters were reviewed in 2014 and no significant changes were made as the charters remained current and relevant.

Each Committee regularly assesses whether it has fulfilled its key responsibilities. Annually, the Committees will report on their activities for that year against the responsibilities set out in their respective charters.

Standard 4: Board composition and succession

The Board constitution should maintain independence, and there should be an appropriate mix of skills and capabilities, given the objectives and strategic direction of the Corporation.

To achieve this, the Board will, in consultation with the CEO:

- (i) develop a profile of desirable skills and capabilities that would best enable the Board to fulfil its responsibilities and advise the Minister of Finance of the desired mix that should be sought in filling upcoming non-ex officio Board vacancies; and
- (ii) have a Board succession plan to recommend to the Minister of Finance the orderly turnover of directors.

Background

The process for developing Board profiles (collective and individual) was established in 2006. In 2007, the Board established a Board succession plan, which comprises a Policy on Tenure, Retirement and Succession for Non-Ex Officio Directors. This is to enable the Board to assess whether the appropriate mix of skills and expertise is available on the Board to meet the current and future needs of the Corporation. This plan was communicated to and noted by the Minister of Finance as part of the process for the appointment of Directors.

Statement on Governance

Board profiles

The profiles are developed and reviewed regularly, taking into consideration the current needs, the stage of development and aspirations of the Corporation. These profiles form the basis for determining the skills and experience required when fulfilling upcoming Board vacancies. Any gaps identified on the current Board would also be considered in developing the list of suitable candidates.

Skills gap analysis

The Board regularly carries out skills gap analysis, comparing the skills, knowledge and experience that are available on the Board against the desired profiles. This is to ascertain if there are any skills, knowledge and experience needed on the Board that are not currently available. Currently, the collective skills, expertise and experience on the Board are adequate for the purpose of the Corporation.

Implementation of Board succession plan

As part of its Board succession plan, the Board will maintain and add to a list of candidates that can fit the required profile for Board membership. The list is updated from time to time, for the purposes of recommending the appointment of Directors as the need arises.

Standard 5: Roles and responsibilities of the Chief Executive Officer

The responsibilities and accountability of the Chairman and the CEO should be clearly distinguished and documented.

In this connection, the Board will:

- (i) develop a position description for the CEO;
- (ii) develop a set of corporate objectives at least annually for which the CEO is responsible for achieving, and evaluate the performance of the CEO against those objectives; and
- (iii) establish an accountability relationship for the CEO to the Board.

The responsibilities and accountability of the Chairman and the CEO have been clearly distinguished and documented in the position descriptions for both roles. The Board is responsible for recommending the appointment of the CEO to the Minister of Finance.

Position description for the CEO

The position description for the CEO has been developed since the establishment of PIDM and is reviewed periodically to keep it current and relevant.

Corporate objectives

The Key Performance Indicators (KPIs) for the CEO are determined annually based on the approved corporate objectives. The CEO's performance against those KPIs was tracked and assessed by the Board in 2014.

Accountability relationship for the CEO to the Board

Under the PIDM Act, the CEO is accountable to the Board for the exercise of his powers and the performance of his duties. The CEO's position description also describes that accountability relationship.

There is also an Authority Matrix that clearly sets out the levels of approvals and the delegation of authorities.

Standard 6: Appointment of senior corporate officers

The Board will appoint the senior corporate officers of the Corporation (other than the CEO) and determine their terms of office and compensation.

Senior corporate officers are appointed by the Board and their terms of service and compensation are determined by the Board.

Statement on Governance

Pursuant to the Corporate By-Law, the holders of the following offices must be appointed by the Board:

- (a) the Executive General Manager and General Counsel;
- (b) the Executive General Manager;
- (c) the Chief Financial Officer (CFO);
- (d) the Chief Risk Officer (CRO);
- (e) the Chief Internal Auditor (CIA); and
- (f) the Corporate Secretary.

Standard 7: Compensation of officers

The Board will satisfy itself, on a regular basis, that the compensation of PIDM's officers and employees is consistent with the sustainable achievement of the Corporation's objects, the prudent management of its affairs and the risks to which it is exposed and adherence to its policies and procedures.

The Board will review the compensation programme for all Directors, and make recommendations to the Minister of Finance in that regard.

The RC reviews and makes recommendations to the Board on matters pertaining to employee compensation. The employee compensation and benefits policy, and the performance management policy have been approved by the Board. The policies are in line with PIDM's business model, which requires a specialised team of people with the ability to achieve PIDM's mandate, assisted by key strategic partners and suppliers when needed.

The Board benchmarks the compensation of PIDM's officers and employees against the general market compensation levels to ensure PIDM remains competitive. This is to ensure retention of key skills and experience.

As stated in the PIDM Act, the Minister of Finance determines the Board's remuneration, on recommendation of the Board. Each Board Member is paid an annual fee, and allowances are also paid for attendances of meetings and work of the Corporation. The Minister of Finance had approved the Board Members' current remuneration in 2011. No review of the Board's remuneration was conducted in 2014.

Standard 8: Succession planning

The Board will plan for the succession of the CEO and review succession plans for key senior management.

The Board, with the support of the SPC, has approved the CEO succession plan. The Board has, amongst others, approved the draft CEO's profile, evaluation criteria and succession planning model. An executive search firm has also been appointed in 2014 to provide advisory and consulting services to the SPC and the Board in relation to CEO succession planning.

The GC continues to assist the Board with the oversight of succession plans for key senior management.

Standard 9: Standards of behaviour and ethics

The Board will ensure that Management develops adequate policies, strategies, processes and controls within the Corporation to maintain an organisational climate that fosters ethical behaviour, employee commitment to the operations of the Corporation and a high degree of employee satisfaction.

The Board has established standards of behaviour and ethics expected of Directors and employees through the Code of Business Conduct and Ethics, and the Conflict of Interest Code.

The Directors report on compliance with these Codes annually. All employees undergo training on the Codes and must declare compliance annually. Under the Policy for Disclosure of Information Concerning Improper Conduct, there is a mechanism to allow employees and other stakeholders to make reports of any improper conduct to the authorised officer.

Statement on Governance

There is also a Board-approved formal compliance programme, which can be found on PIDM's website at www.pidm.gov.my in the section under "How PIDM is Governed". The compliance programme includes the establishment of a Corporate Compliance Committee in 2009, with the objective of ensuring the fulfilment of oversight responsibilities in relation to PIDM's compliance with laws, regulations, industry codes, policies and procedures, as well as contractual obligations and organisational standards that are applicable to the Corporation. The Corporate Secretary has reported on compliance with applicable laws and standards to the Board (through the RC and the AC). The Corporate Secretary also provides an assurance on compliance through a formal letter of representation each year.

Annual mandatory compliance tests have been implemented for employees, which focus on conduct and behaviour, risk management matters and the handling of information of the Corporation.

There is a Board-approved Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors, which allows the Board and Board Committees to appoint independent advisors to assist them to fulfil their responsibilities.

The Board has a high degree of assurance that a compliance system is in place and that the Corporation is in compliance with laws and key policies.

Standard 10: Significant risks to the Corporation

The Board will:

- (i) obtain an understanding of the principal risks of the Corporation's business;
- (ii) ensure that appropriate and prudent risk management systems to manage these risks have been implemented and are reviewed regularly;
- (iii) obtain reasonable assurance, on a regular basis, that systems are being adhered to and the risks affecting the Corporation continue to be effectively managed; and
- (iv) ensure that the CRO (or in his absence, the Deputy General Manager from the Enterprise Risk Management (ERM) Division) should regularly attend all scheduled Board meetings.

Understanding of the principal risks

In 2014, the Board ensured that appropriate and prudent risk management systems to manage risks were implemented. The Board-approved ERM Policy states and affirms PIDM's commitment to sound ERM practices and enhances our ability to deliver PIDM's mandate and objectives by ensuring that any risks that may impede the achievement of our mandate and objectives are identified and dealt with.

In line with its commitment to the ERM Policy, the Board:

- (a) monitors compliance with the ERM programme to ensure consistent application of risk management practices in identifying, assessing, evaluating, monitoring and reporting risks throughout PIDM;
- (b) monitors Management's undertaking of a complete cycle of the ERM process and receives regular risk reports that identify controls and risk action plans to mitigate the risks identified;
- (c) considers and agrees to the significant risk profiles; and
- (d) receives a detailed report on its Board Risk Policies.

The CRO functionally reports to the Board through the AC, so as to ensure independence from Management.

For details, see the Statement on Risk Management and Internal Control on page 53.

Implementation and review of risk management systems

In 2014, the Board reviewed and approved the 2014 ERM Corporate-wide Board Risk Report.

Reasonable assurance that risks affecting the Corporation are effectively managed

The Board obtains an understanding of the principal risks to PIDM by receiving and reviewing regular reports on the soundness of member institutions. The Board also receives and reviews regular reports from Management and the ERM Division on risks to its business and affairs, to gain an understanding of the nature and magnitude of significant risks to PIDM.

Statement on Governance

The Board also receives regular reports from the Audit and Consulting Services (ACS) Division on compliance with internal controls and certain key areas of audit. The CIA also validates ERM reports, through audits on compliance with internal controls. This enables the Board to have reasonable assurance that risk management policies are being adhered to.

Annually, the CRO provides a formal representation letter to the AC and the Board. Accordingly, the Board has a degree of assurance that ERM systems are in place and are being adhered to.

CRO attendance at all scheduled Board meetings

The CRO attends all scheduled Board meetings.

Standard 11: Control environment and internal audit

The Board will ensure that the Corporation has a control environment that supports the prudent management of its operations and of the risks to which it is exposed (including risks to the attainment of its objects) and has effective policies and practices to assure the integrity of internal controls and management information systems.

In this connection, the Board will:

- (i) allocate resources for, and establish an internal audit group, setting out its mandate;
- (ii) approve its audit plan each year; and
- (iii) seek from the internal audit group, on a regular basis, reasonable assurance regarding the monitoring of, and compliance with internal controls, the integrity of the system, and that appropriate action is being taken to address any significant weaknesses or breakdowns identified.

The Board accepts overall responsibility for the Corporation's system of internal controls and risk management and obtains assurance from Management, the CRO and the CIA respectively. For details, see the Statement on Risk Management and Internal Control on page 53.

Allocate resources for, and establish an internal audit group

The Board has established the ACS Division, an internal audit function, approved its charter, and provided adequate resources to ensure that it can fulfil its roles and responsibilities. The audit function's charter is reviewed periodically to ensure that the mission, scope of work, accountability and responsibility, authority and standards of conduct of the audit function remain relevant.

Annual audit plan

The Board has put in place a process to approve a rolling three-year audit plan each year. In 2014, the Board approved the Audit Plan for 2015 – 2017. Performance in accordance with the audit plan is reported and reviewed on a semi-annual basis.

Monitoring of, and compliance with internal controls

The Corporation's Internal Control Framework was completed in February 2007 and is reviewed periodically.

In 2014, the Board considered the internal audit's report on its assessment of Management's compliance with internal controls based on agreed criteria. The CIA provides reasonable assurance on the compliance with internal controls and the integrity of the internal control system through the filing of a formal letter of representation to the CEO, the AC and the Board.

Standard 12: In control

The Board will obtain, on a regular basis, reasonable assurance that the Corporation is "in control".

(Note: The concept of being "in control" refers to a state where the Corporation's operations are subject to effective governance by the Board and are being managed in accordance with an ongoing strategic and risk management process in an appropriate control environment and where significant weaknesses related to those matters will be identified, addressed and brought forward to the Board's attention.)

In line with the criteria set out in the Internal Control Framework, the Board has obtained reasonable assurance that the Corporation's business and affairs are being managed effectively in accordance with the strategic and risk management processes in place within an appropriate control environment. For details, see the Statement on Risk Management and Internal Control on page 53.

Statement on Governance

Standard 13: Strategic management process

The Board is responsible for reviewing and overseeing the development of and approving a strategic plan and direction for the Corporation, taking into account the opportunities and risks facing the Corporation.

To fulfil this responsibility, the Board will:

- (i) periodically assess the Corporation's objects to ensure their continuing relevance and, if thought appropriate, propose changes for consideration by the Minister of Finance;
- (ii) adopt a strategic planning process;
- (iii) at least annually, approve operating objectives and strategies, the operating budget, capital budget, borrowing plan, corporate plan and premium rates that are appropriate and prudent in light of the Corporation's objects, current and anticipated environment, risks, resources and financial position;
- (iv) regularly evaluate the Corporation's performance in implementing its approved plans and budgets; and
- (v) obtain, on a regular basis, reasonable assurance that the Corporation has an effective strategic management process.

Assess the Corporation's objects

The Board periodically assesses the Corporation's objects to ensure its continued relevance. In 2014, the Board reviewed and approved amendments to the PIDM Act and made recommendations for amendments to the Minister of Finance. The amendments are expected to be tabled in Parliament in 2015.

Strategic planning process

A strategic planning process has been adopted by PIDM since its inception.

Approve the operating objectives and strategies

Each year, the Board meets to consider the strategic direction of the Corporation. In September 2014, Board Members met to consider and approve the strategic direction of the Corporation and its objectives, goals and key activities for the corporate planning period 2015 – 2017. The Board thereafter approved the Corporate Plan for 2015 – 2017 at its December 2014 meeting.

Regularly evaluate the Corporation's performance

Regular reports on progress against the Corporate Plan are provided to the Board. These reports are considered in detail by the AC and are circulated to all Board Members.

Reasonable assurance that the Corporation has an effective strategic management process

The strategic management process is a Board-approved process and is used annually to develop the Board-approved Corporate Plan.

Standard 14: Effective communication

The Board will ensure that the Corporation communicates effectively with the public, BNM, other statutory bodies or regulators, depositors, policy owners, member institutions and other relevant parties.

There is a Board-approved Communications Policy and the Board continues to ensure that there is engagement with various stakeholders through various means.

The Board, on the recommendation of the GC, approves the Corporation's long-term public awareness strategies and reviews the public awareness activities plan for the next fiscal year. The Board, with the support of the GC, also oversees the implementation of the Corporation's five-year Integrated Communications Plan, which is an extensive engagement plan with various stakeholders, in particular the public and member institutions.

Each year, PIDM's Corporate Plan and Annual Report are distributed to key stakeholders. Annual dialogue sessions are held with our key stakeholders in conjunction with the release of the Corporation's Annual Report. In 2014, the annual dialogue session was held on 6 May 2014.

Board Members participated in the Corporate Outreach programme and met with Government officials and other community business leaders. The Corporate Outreach is an annual event that is organised in one state outside the Federal Territory. In 2014, the Corporate Outreach was held in Kuala Terengganu from 14 to 16 June 2014.

As for regulators and other bodies, in 2014, the Corporation renewed the Tripartite Memorandum of Understanding with IDIC and DPA, Thailand.

Statement on Governance

Standard 15: Review of Board Governance Policy

The Board will annually review the Board Governance Policy to ensure that it remains responsive to the circumstances and needs of the Corporation and that it continues to reflect the legislation to which the Corporation is subject to, the Corporation's mandate, guidance on matters of governance specific to statutory bodies and recognised best practices.

The Board reviews the Board Governance Policy annually and in its review of the Board Governance Policy in September 2014, the Board approved certain amendments to better clarify the Board's responsibility in approving the CEO's KPIs and the evaluation of the CEO's performance. Other than these amendments, the Board found that the overall Policy was current and relevant to the needs and circumstances of PIDM.

Additionally, the Board, through the GC, also reviewed its governance arrangements against the corporate governance practices of other regulatory bodies and found our practices to be in line with these practices.

RELIABILITY OF INFORMATION

To ensure that the Board can rely on information provided by Management, the Board receives comprehensive representation letters from Management that address the accuracy and reliability of information provided to the Board. In addition, the Board also obtains annual validation from the CIA, as a basis for reliance.

The Board also expects Management to provide comprehensive Board reports detailing the purpose of the report and the issues to be considered, complete with quality assessment, analyses and sound recommendations.

At the end of each year, the Board evaluates the support from Management in terms of the information provided to the Board, and the Board gives Management detailed feedback and an overall rating. If needed, the Board can question Management and conduct detailed enquiries about any matter relating to the Corporation.

The CRO does not only report directly to the Board through the AC, but the Board may ask the CRO to confirm whether he has different views and opinions on significant matters brought forward to the Board, as well as question the CRO on the key risks relative to the issue and his views on the reliability of the information provided. The CRO is expected to attend all scheduled Board meetings.

In 2014, the Board was satisfied with the quality of information provided to the Board and its ability to obtain reliable information from Management in a timely manner.

BOARD COMMITTEES

The Board has established four Board Committees, namely the AC, the RC, the GC and the SPC. Their Charters are found in the Appendix of this Annual Report.

AUDIT COMMITTEE

Members and Meeting Attendances

The AC held six meetings in 2014 and there was a high level of attendance by AC Members at all meetings. One of the meetings convened was to specifically deliberate on risk-related matters.

Audit Committee Charter

The review and assessment of the adequacy of the AC Charter are carried out biennially. Any proposed amendments to the AC Charter are considered by the GC for recommendation to the Board.

A review of the AC Charter was conducted in 2014 and amendments were approved by the Board.

The AC Charter requires that meetings be held at least four times a year. The Committee must satisfy itself that the financial statements follow approved accounting principles and give a comprehensive and accurate account of PIDM's financial affairs. It must satisfy itself that the internal and external auditors have no cause for concern about any aspect of its accounts or its control and audit procedures.

Statement on Governance

The AC advises the Board on other financial reporting, accounting and internal control issues as well as financial management, and reviews and recommends the annual Corporate Plan for Board approval.

The AC also plays a significant risk oversight function and its role in this regard is well documented in the ERM Policy and the Charter of the ERM Division.

Summary of Activities of the AC in 2014

The following is a summary report of the AC's key areas of work in 2014:

- (a) **Internal audit:** In 2014, the AC considered 17 internal audit reports issued by the ACS Division. These included the annual review on PIDM's internal control compliance; the audit on PIDM's financial reporting for the year ended 31 December 2013; the audit on PIDM's business continuity and disaster recovery simulation testing exercise; the audit on the integrity of the Payout Payment Management System and the effectiveness of its operations in supporting PIDM's integrated payout system, operations and processes; the audit on the effectiveness of the review and implementation of PIDM's code of ethics; the audit on the effectiveness of the budget administration, processes and coordination; the audit on the effectiveness and readiness of the Depositor Support Management System; and the audit on the effectiveness of the implementation of the five-year Integrated Communications Plan.

In respect of audits carried out in 2014, the ACS Division was of the opinion that the internal controls embedded within all the processes audited were adequate and met the internal control objectives set for those processes. The ACS Division did not encounter or observe any significant gaps or deficiencies in the internal controls, risk management or governance practices within the processes audited. Notwithstanding this, any recommendations emanating from these audits were reported to the AC and Management's response and action plans were considered.

As part of its Audit Plan for 2014 - 2016, the ACS Division also completed the consultative review for the walkthrough of the Payout System of the DIS as well as limited reviews in the areas of stakeholder management and activities implemented in providing leadership in financial consumer protection. These will be reported to the AC in 2015.

The AC reviewed the ACS Charter, the ACS Division's Audit Plan for 2015 - 2017 and considered the budget resource needs for the Division. The AC monitored the internal audit function's performance against its audit plans. This is carried out on a semi-annual basis.

The AC also ensured the independence of the internal audit function. The AC reviewed the CIA's independent reports concerning the CIA's observations and advice in respect of the controls, systems and processes governing the development and construction of the Corporation's permanent Disaster Recovery Centre (DRC), in the course of the provision of consultancy services to Management.

- (b) **Matters of concern:** The AC has unfettered access to the external auditor and Management, as well as to external independent counsel pursuant to the Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors. In 2014, the AC held four *in camera* sessions with different members of Management, the CRO and the CIA, and with external auditors as part of good governance practices. These sessions also provided opportunities to discuss any areas of concern related to the annual audit, if any. The AC also held *in camera* sessions without Management.
- (c) **Its direct reports:** The CIA and the CRO report directly to the Board through the AC. In 2014, the AC continued to review reports on the performance of their respective functions. The AC assessed the CIA's and the CRO's performances for 2014 in consultation with the CEO.
- (d) **Financial reporting:** The AC obtained an understanding of the financial reports and monitored financial information for accuracy, reliability as well as clarity. It also considered the information provided in the Annual Report and Corporate Plan. As stated in the PIDM Act, PIDM's Annual Report (including its financial statements and the external auditors report), must be provided to the Minister of Finance, three months after year end (31 December).
- (e) **Financial reporting processes, accounting policies and internal control structure:** The AC:
- (i) reviewed and advised the Board with respect to the annual financial statements, management's discussion and analysis, the external audit report and the review of the integrity of the financial reporting process and internal control reports as well as management representations;

Statement on Governance

- (ii) obtained a written certification from the CIA addressing the Corporation's system of internal controls; and
 - (iii) recommended the adoption of the principles proposed by Management, which included making the appropriate disclosures on contingent liabilities when there is no loss event.
- (f) **Strategic and financial management oversight:** In 2014, the AC fulfilled its responsibilities with regard to financial management oversight, including management of annual budgets and investments. The AC received regular reports on progress against the Corporate Plan 2014 – 2016 and considered and recommended the Corporate Plan 2015 – 2017 that included the operating budget, financial projections and capital budget.
- (g) **Risk management:** In relation to risk management, the AC provided advice and support to the Board in respect of the matters reported against Standards 10 to 12 of the Board Governance Policy, on pages 43 - 44 of this Annual Report relating to risks and internal control.
- In carrying out its duties, the AC has unrestricted and direct access to the CRO, who regularly reports on the activities of the ERM Division and the corporate risks to the AC and the Board.
- (h) **Ethical and legal compliance:** The AC reviewed the report on compliance with the applicable laws and regulations, as well as the key codes and policies. There were no incidents of non-compliance noted. The AC also took note of the report on activities in relation to the Corporation's compliance programme in 2014.
- (i) **Review of charter:** In 2014, an amendment to the AC Charter was made, as reported on page 46 of the Annual Report.

In conclusion, the AC fully fulfilled its responsibilities against the AC Charter in 2014.

REMUNERATION COMMITTEE

Members and Meeting Attendances

The RC held four meetings in 2014. There was full attendance at the RC meetings as set out on page 37.

Remuneration Committee Charter

The review and assessment of the adequacy of the RC Charter are carried out biennially. Any proposed amendments to the RC Charter are considered by the GC for recommendation to the Board.

A review of the RC Charter was conducted in 2014 and amendments relating to the RC's principal duties and responsibilities were approved by the Board. With the amendments, the RC shall review and make recommendations to the Board on employee bonus, instead of approving employee bonus awards. In addition, the RC Charter was also amended such that the responsibilities for the review of the CEO's annual objectives and performance will be assumed wholly by the Board.

The RC Charter is set out in the Appendix on page 210.

The RC Charter requires the RC to meet at least twice a year and to review and make recommendations to the Board on a range of human resource issues, such as compensation, compliance with human resource-related legal requirements, personnel policies, training and complaints.

Summary of Activities of the RC in 2014

Some of the key matters carried out or reviewed by the RC in 2014 are outlined below.

The RC continued to monitor the implementation of the Human Capital (HC) strategy for the Corporation.

In line with Standard 9 of the Board Governance Policy, the RC supported the Board to ensure that the Corporation's strategy allows for an organisational climate that fosters ethical behaviour, employee commitment to the operations of the Corporation and a high degree of employee satisfaction.

Also, pursuant to Standard 7 of the Board Governance Policy, the RC supports the Board to ensure that the compensation of the Corporation's officers and employees is consistent with the sustainable achievement of the Corporation's objects, the prudent management of its affairs and the risks to which it is exposed.

Statement on Governance

In particular, the RC carried out the following work:

- (a) noted the report on compliance with key human resource-related policies and legal requirements;
- (b) reviewed and recommended to the Board for approval, the employees' bonus awards for 2014 and salary increments for 2015; and
- (c) reviewed reports on the activities of the HC Division.

The RC is satisfied that it has fulfilled its key responsibilities against the RC Charter in 2014. The RC will continue to ensure that the Corporation's HC strategy continues to be relevant and implemented effectively.

GOVERNANCE COMMITTEE

Members and Meeting Attendances

The GC held two regular meetings in 2014. There was full attendance at the GC meetings in 2014 as set out on page 37.

Governance Committee Charter

The review and assessment of the adequacy of the GC Charter are carried out biennially. Any proposed amendments to the GC Charter are brought to the Board for approval. A review of the GC Charter was conducted in 2014 and the amendments were approved by the Board.

The GC Charter is set out in the Appendix on page 207.

The Charter requires the GC to meet at least twice a year. The GC's principal responsibilities include ensuring that appropriate structures and processes are in place to provide effective oversight of, and direction for PIDM's activities. It also ensures compliance with governance policies and high governance standards, reviews the appropriate balance of skills, experience and knowledge of the Board and identifies skills gaps, as well as recommends future appointments for non-ex officio positions on the Board.

Summary of Activities of the GC in 2014

The GC supported the work of the Board on corporate governance, as highlighted in the report on pages 39 - 40.

The following are some of the key highlights in relation to the GC's work in 2014:

- (a) developed of the annual Board education plan for the Directors' continuing training and education about the operations of the Corporation and its governance responsibilities;
- (b) reviewed PIDM's approach to governance as well as policies, including the Board Governance Policy, the Corporate By-Law, the Charters of all the Committees, Conflict of Interest Code for Directors and Employees, and the Policy on Reimbursement of Directors' Expenses by the Corporation;
- (c) reviewed the action plans recommended by the external governance advisor following the review of the Board's effectiveness;
- (d) reviewed the Board objectives for 2015 and the proposed schedule for Board and Board Committee meetings for 2015; and
- (e) reviewed PIDM's corporate social responsibility activities for 2014.

The GC also continued to monitor developments in corporate governance and best practices in Malaysia and other jurisdictions. In summary, the GC carried out its responsibilities against its Charter.

SUCCESSION PLANNING COMMITTEE

Members and Meeting Attendances

The SPC held five meetings in 2014. Attendance at the meeting in 2014 is set out on page 37.

Succession Planning Committee Charter

The review and assessment of the adequacy of the SPC Charter are carried out biennially. Any proposed amendments to the SPC Charter are considered by the GC for recommendation to the Board.

A review of the SPC Charter was conducted in 2014 and the amendments were approved by the Board.

Statement on Governance

The Charter requires the SPC to meet at least twice a year. The SPC's principal responsibilities include reviewing the Board-approved CEO succession plan. In particular, the SPC will review the long-term plan for CEO succession and the short-term plan in case of an unplanned vacancy. The SPC Charter is set out in the Appendix on page 217.

Summary of Activities of the SPC in 2014

The following are some of the key highlights in relation to the SPC's work in 2014:

- (a) reviewed the terms of the request for proposal to invite interested bidders to tender for the CEO succession planning project;
- (b) noted the proposals submitted by the bidders and reviewed the assessments made by the evaluation committee; and
- (c) appointed the firm in respect of the CEO succession planning project.

COMMITTEES' PROGRESS

All the Committees adopt the practice of tracking their progress against their key responsibilities in their Charters regularly and consider action plans going forward.

At the end of the year, each Committee reviews their work over the entire year. In addition, Board Members who sit on a Committee are required to assess the effectiveness of the Committee. Responses are then discussed at the Board.

OTHER INFORMATION

Stakeholder Communications

The Corporation's Communications Policy sets out its objectives, which, among others, are to:

- (a) create awareness and understanding of the Corporation's mandate by disseminating accurate, timely and relevant information in response to stakeholders' and the public's needs, to assist them in making informed decisions about their savings and investments; and
- (b) promote transparency and accountability by providing information and being accessible to the public and stakeholders to gain their trust and support.

This is in line with PIDM's mandate, which includes contributing to or promoting public confidence in the stability of the financial system.

The Corporation enhanced its website in 2014 to render it more user-friendly. As a matter of transparency, we disclose and make available on our website our key policies, practices and procedures on areas such as governance, ethics and procurement. Our website is available in four main languages.

Our communications strategy also involves the dissemination of PIDM-related materials to members of the public. These include our Corporate Plans and Annual Reports in the four main languages. Our information brochures are also available in the four main languages as well as Kadazandusun and Iban. More information about our communications initiatives is found in Section 7. PIDM endeavours to be transparent and provide quality reporting in its Annual Reports. Since the 2006 Annual Report, PIDM's Annual Reports have been recognised and received the National Annual Corporate Report Awards (NACRA) for excellence in reporting. In 2014, the Corporation received the "Certificate of Merit" Award, the highest award presented in the non-listed category, for PIDM's 2013 Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

We have adopted the Malaysian Accounting Standards Board Approved Accounting Standards in Malaysia for Entities Other than Private Entities. We administer six distinct and separate Funds in total. Two of these Funds are for DIS, one for conventional banks and the other for Islamic banks. The other four Funds are for the Takaful and Insurance Benefits Protection System (TIPS), namely, the Family Solidarity Takaful Protection Fund, the Life Insurance Protection Fund, the General Takaful Protection Fund and the General Insurance Protection Fund. We account and report on these DIS and TIPS Funds separately.

The Directors' Report on the financial statements for the financial year ended 31 December 2014 and the accompanying Statement by Directors are found on page 107 onwards.

Statement on Governance

PIDM has incorporated five subsidiaries in 2012 as part of its efforts to ensure operational readiness to carry out any intervention or failure resolution activities. These companies are currently dormant. In line with section 35 of the PIDM Act, the financial results of the subsidiaries were not consolidated with the financial statements of PIDM. This was because the Corporation believes that consolidating the financial statements of PIDM together with those of its subsidiaries will not provide meaningful information and a true and fair view of the financial position and performance of PIDM, as the financial exposure and impact of any intervention or failure resolution of a member institution only affects the specific Fund(s) to which that member institution relates. Furthermore, in accordance with the requirements of the Malaysian Financial Reporting Standards 10 (MFRS 10) *Consolidated Financial Statements*, PIDM did not prepare consolidated financial statements as PIDM did not meet all the criteria required for having “control” over its subsidiaries, as defined in MFRS 10.

Risk Management and Internal Control

The Statement on Risk Management and Internal Control is found on page 53 of this Annual Report.

Audit

Pursuant to the PIDM Act, the accounts of PIDM are audited by the Auditor General in accordance with the Audit Act 1957. From an operational standpoint, we maintain a collaborative working relationship with our external auditors from the National Audit Department (NAD), whose representatives have an open invitation to attend all AC meetings. NAD representatives receive, as a matter of course, all AC reports and documentation prior to the AC meetings. They attended two of the five AC meetings held in 2014. Their annual fees can be found on page 157 of this Annual Report.

ISLAMIC DEPOSIT INSURANCE SYSTEM AND TAKAFUL BENEFITS PROTECTION SYSTEM

As mentioned earlier on page 36 of this Statement, the Corporation seeks advice and endorsements from the Shariah Advisory Council of BNM on any Shariah issues relating to the operations of the Islamic DIS and TBPS. The arrangements and salient features of the Islamic DIS and TBPS have been endorsed by the Council. Premiums and levies collected from Islamic and takaful member institutions are managed separately and invested according to Shariah principles.

The premiums or levies and income from the investments are pooled in the Islamic Deposit Insurance Fund or the Takaful Benefits Protection Funds respectively. These Funds, together with the Conventional Deposit Insurance Fund and Insurance Benefits Protection Funds, are used to finance the Corporation's activities. Only Shariah permissible expenses incurred will be charged to the Islamic Deposit Insurance Fund or the Takaful Benefits Protection Funds.

All surplus amounts are to be used to meet its obligations (if any) in respect of Islamic insured deposits or eligible takaful benefits. In the event the Corporation is required to raise funding from the Government and the market, such funding arrangement will be structured according to Shariah principles.

MANAGEMENT

The CEO is responsible for the day-to-day management of PIDM, whose authority is derived from the PIDM Act and the Board-approved position description. The organisation chart is found on page 23.

In 2014, there were six new Board-approved appointments as part of PIDM's ongoing efforts to develop talent, enhance internal capabilities, consolidate its bench strength and develop potential successors to move into key leadership positions. Encik Rafiz Azuan Abdullah and Ms. Lim Yam Poh were appointed the Executive General Manager, and the Executive General Manager and General Counsel respectively. Encik Rafiz was formerly the General Manager of Insurance, Risk Assessment and Monitoring (INRAM) Division and Ms. Lim was formerly the General Counsel and Corporate Secretary. Encik Rafiz has oversight over INRAM Division, IFR Division, Finance and Administration Division and Strategic Planning Division while Ms. Lim is responsible for Legal Division, Communications and Public Affairs Division, Policy and International Division and HC Division.

The other Board-approved appointments were in respect of Encik Affeiz Abdul Razak as the CRO, Encik Wan Ahmad Ikram Wan Ahmad Lotfi as the CIA, Puan Noorida Baharuddin as the CFO and Ms. Lim Lee Na as the Corporate Secretary.

Management provides comprehensive representation letters to the Board and the NAD as part of the year-end audit. The CEO and CFO also provide an enhanced statutory declaration on the Corporation's financial statements and quality of internal controls. The statutory declaration can be found on page 112 of this Annual Report.

Statement on Governance

Accessibility of Records and Information

Directors have access to company records and information as well as to Management. They receive regular detailed reports on the financial and operational aspects of the Corporation's business and affairs and may request further explanation of those reports at any time. They also receive regular updates on information affecting PIDM's operating environment, and on key developments in DIS and TIPS.

The following key committees assist the CEO in the management of PIDM's operations:

- (a) Executive Management Committee;
- (b) Senior Management Committee;
- (c) ERM Committee supported by the Strategic Planning and ERM (PERM) Working Committee;
- (d) Asset and Liability Management Committee;
- (e) Information Technology Steering Committee;
- (f) Safety and Health Committee;
- (g) Corporate Compliance Committee; and
- (h) Corporate Social Responsibility Committee.

These committees derive their authority from the CEO. The Board's expectations of Management are specifically set out in the Board Governance Policy.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



This Statement on Risk Management and Internal Control is intended to provide our stakeholders and readers of this Annual Report with meaningful, high-level information about the adequacy and current state of PIDM's system of risk management and internal controls.

INTRODUCTION

This Statement has been prepared in accordance with The Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (Guidelines) issued on 31 December 2012. These Guidelines provide guidance for companies complying with paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia and Principle 6 of the Malaysian Code on Corporate Governance that was issued in March 2012. As a statutory body, there is no requirement for PIDM to adhere to such guidelines. However, in line with best practices, the Corporation has chosen to comply with the same.

This Statement outlines the nature and scope of PIDM's system of risk management and internal control during the financial year under review.

GOVERNANCE, RISK MANAGEMENT AND CONTROL

The Statement on Governance on page 35 explains how the Board has complied with the 15 standards outlined in the Board Governance Policy. The Board Governance Policy incorporates recognised best practices in corporate governance.

The Statement on Governance provides information on the following:

- the governance framework under which the Board operates, and includes information about the Board and the Board Committees' structure, composition and remuneration, attendance records and the work performed;
- the Board's assessment of its compliance against the 15 standards in the Board Governance Policy;
- the Board's annual appraisal process for evaluating the effectiveness of the Board and the respective Board Committees;
- the process undertaken in determining the Board's satisfaction with Management's support in terms of the quality and timeliness of information provided to the Board, and why the Board finds it satisfactory and acceptable; and
- the Board Committees' reports, notably the summary of activities of each Committee.

Statement on Risk Management and Internal Control

PIDM recognises that effective risk management and a sound system of internal control is an integral part of good corporate governance. The Board and Management ensure that the risk management framework, through PIDM's ERM framework and practices, is embedded into the culture, processes and structures of the Corporation. We recognise that risk management is critical to the achievement of PIDM's mandate and objectives.

In addition, the management of risk is supported by a sound control environment that includes clearly defined corporate values, codes of conduct and ethics as well as comprehensive policies and procedures.

RESPONSIBILITIES FOR RISK MANAGEMENT AND INTERNAL CONTROL

PIDM benchmarks its ERM and Internal Control frameworks against best practices as follows:

- (a) PIDM's ERM framework is based on and benchmarked against the best practices of Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004); the Committee of Sponsoring Organisations of the Treadway Commission (COSO) ERM – Integrated Framework (2004); and the International Organisation for Standardisation's Risk Management – Principles and Guidelines (ISO 31000:2009). The ERM framework outlines the risk management governance and structure, processes, accountabilities as well as responsibilities throughout the Corporation. It also provides the Board and Management with a tool to anticipate and manage both existing and potential risks, taking into consideration changes in PIDM's external and internal operating environment.
- (b) PIDM's Internal Control Framework (ICF) is founded on the framework set out by the COSO Internal Control – Integrated Framework (COSO Framework). The ICF provides the Board and Management with a tool to ensure that an appropriate and sound internal control system is established and maintained. It also helps Management in performing an annual assessment of the extent to which PIDM complies with internal controls. The ICF encompasses five interrelated components, which are the control environment, risk assessment, control activities, information and communication, and a continuous monitoring process.

Board of Directors

The Board sets the overall strategic direction for PIDM. It provides an important oversight function and ensures that Management has an effective risk management system and a sound system of internal control to maintain good corporate governance within PIDM.

The Standards in the Board Governance Policy set out the roles and responsibilities of the Board for risk and internal control as follows:

- (i) The Board must ensure that sound risk management is carried out in accordance with Standard 10 on "Significant Risks". The Board will, amongst others, obtain an understanding of the significant risks inherent in PIDM's business and affairs. It also ensures that an appropriate and effective risk management process is implemented to manage these risks.
- (ii) Standard 11 on the "Control Environment and Internal Audit" states that the Board will ensure that PIDM has a control environment that supports the prudent management of its operations and of the risks to which it is exposed, and has effective policies and practices to ensure the integrity of internal controls and management of information systems. Standard 12 refers to the Board's responsibility to obtain, on a regular basis, reasonable assurance that the Corporation is "in control".
- (iii) Standard 13 deals with expectations from the Board on the "Strategic Management Process". In particular, the Board will approve the operating objectives, strategies and Corporate Plan annually, and regularly evaluate the Corporation's performance against the approved plan. The responsibilities of the Board under Standard 13 are fulfilled by taking into consideration the significant risks that could hinder the achievement of the Corporate Plan and PIDM's objectives.

The Board is ultimately responsible for the oversight of PIDM's significant risks and regards risk management as an integral part of the operations and processes of the Corporation. The Board also acknowledges that a sound system of internal control ensures that the achievement of PIDM's corporate objectives is not impaired, its business operations are effective and efficient, financial reporting is reliable, applicable laws and regulations are strictly being complied with, and its assets properly safeguarded. The Board recognises that PIDM's system of internal control as designed by Management is intended to manage and mitigate risks, rather than to eliminate entirely the risks that may impact the achievement of PIDM's statutory mandate and objectives.

The review of the effectiveness, integrity and adequacy of PIDM's system of risk management and internal control is a concerted and continuing process. This process involves the AC, Management, the ERM Division, the ACS Division and PIDM's external auditors.

Statement on Risk Management and Internal Control

Audit Committee

The principal responsibilities of the AC, including those involving risks are set out in its Charter on page 212. The Board's responsibilities in relation to risk management and internal control are supported by the ERM and ACS Divisions respectively.

The Board through the AC provides oversight of all ERM activities. The AC Charter states, amongst others, that the AC shall ensure that there are sound Board Risk Policies, and that ERM procedures and practices are implemented to manage PIDM's significant risks. The AC, on the recommendation of Management, reviews and advises the Board on PIDM's Board Risk Policies and reviews such policies regularly (at least triennially) to ensure that they remain appropriate and relevant.

The AC also advises the Board on accounting and internal control issues as well as financial reporting and management. Further details on the oversight roles of the AC over financial reporting and management are set out in the Statement on Governance on page 47.

The AC is responsible for the oversight of the work of the ERM and ACS Divisions as well as for the performance and oversight of the CRO and the CIA respectively. The AC must ensure that both Divisions have adequate and qualified resources to fulfil their roles. The CEO will carry out the annual performance evaluation of the CRO and the CIA and provide his evaluation to the AC. The AC will then make a final assessment of the CRO and the CIA's performance in consultation with the CEO. The Chair of the AC must be consulted before the appointment of the CRO or the CIA, as well as on the termination of his or her employment, and conducts the entry and exit interviews with the same. The appointments of the CRO and the CIA must also be approved by the Board.

Management

The CEO derives his authority from the PIDM Act as well as the Board-approved position description and Authority Matrix. The CEO is accountable and answerable to the Board for the performance of his responsibilities, and is not a Member of the Board.

The organisation, headed by the CEO and supported by two Executive General Managers, is divided into 11 Divisions who are responsible for the day-to-day operations of PIDM. Appropriate checks and balances have been instituted within PIDM, through the establishment of appropriate reporting relationships. Operational divisions report directly to the Executive General Managers and ultimately to the CEO, and independent divisions such as the ACS, ERM and Corporate Secretariat (COSEC) Divisions report directly to the Board via the AC.

The CEO fulfils his responsibilities by providing leadership and direction. He ensures that PIDM's organisational structure is adequately segregated by functions, and that there is proper assignment of authority and responsibilities. This enables employees at the right levels of the Corporation to make decisions and be accountable for their performance against approved KPIs. PIDM's Authority Matrix is another key control document that formally sets out the delegation of authorities. It is a comprehensive document that summarises the Management's strategic and operational delegated authorities as set out in the PIDM Act and PIDM's corporate and operational policies and procedures.

Management Committees such as the Executive Council comprising the CEO and Executive General Managers, Executive Management Committee, Senior Management Committee, Information Technology Steering Committee, Asset and Liability Management Committee, ERM Committee and Corporate Compliance Committee have been formed to provide input, insights and information on strategic and operational matters to divisions or departments responsible for specific business functions, as well as to assist Management in monitoring the development and implementation of various initiatives identified in the Corporate Plan. Refer to Section 1 for details of PIDM's organisation chart.

Enterprise Risk Management Division

The Board-approved ERM Charter details the responsibilities, authority and accountability requirements of the Board, the AC, the CRO, the ERM Committee, the PERM Working Committee and the Corporation's employees with respect to risk management. The Charter is subject to periodic review (at least triennially) to ensure it remains current and relevant. The updated ERM Charter was approved by the Board in May 2014.

The ERM oversight structure provides clear accountabilities and responsibilities for risk management culture and process. This ensures that the risk management activities remain appropriate and prudent, and that significant risks are managed and monitored continuously within PIDM's risk appetite.

Statement on Risk Management and Internal Control

The ERM Division provides independent advice, monitors and maintains the ERM framework, promotes effective management of all risk categories and fosters the establishment and maintenance of an effective risk culture throughout PIDM. The CRO, as the Head of the ERM Division, is responsible for the implementation and maintenance of the ERM framework. The ERM Division assists and provides information to the AC on all ERM activities and outcomes of the ERM process (i.e. to identify, assess, evaluate, treat, monitor and communicate the significant risks affecting PIDM).

The CRO provides regular reports to the Board via the AC on the significant risks affecting PIDM and how such risks are being managed. In order to fulfil his responsibilities effectively, the CRO requires independence. Therefore, he reports functionally to the Board through the AC and administratively to the CEO. This relationship requires that the CRO has unrestricted access to the AC and the Board.

The ERM Division also acts as secretariat for both the ERM Committee and the PERM Working Committee and the CRO is an ex officio member of both Committees. As secretariat, the ERM Division is responsible for the development, implementation and maintenance of the ERM policies and procedures for PIDM. The ERM Division assists Management by providing advice on ERM activities, provides an assessment of PIDM's ERM capabilities and appropriate recommendations for enhancements, where required.

The ERM Committee functions as a management committee and provides oversight and direction for the implementation and consistent application of the ERM Policy and ERM Procedures. The ERM Committee also champions, manages and monitors ERM activities at Corporate-wide level. At each meeting, the ERM Committee deliberates on whether there are any significant matters that require action and that should be brought to the attention of the AC and the Board. The ERM Committee is chaired by the Executive General Manager and the CEO is an ex officio member of the ERM Committee.

The PERM Working Committee, chaired by the General Manager of the Strategic Planning Division, supports the ERM Committee in facilitating and coordinating ERM and related strategic planning activities at an operational level across PIDM. This includes updating the risk assessment and status of risk action plans of the respective divisions.

Audit and Consulting Services Division

The ACS Division assists the Board to comply with Standards 11 and 12 in the Board Governance Policy by supporting the oversight role of the AC.

The CEO and Management have ultimate responsibility for the adequate design and effective operations of the internal control system. The ACS Division, on the other hand, plays a significant role in verifying and validating whether Management has met its responsibilities and if internal controls are being complied with. This is carried out by evaluating controls, risk management, business and governance processes as well as monitoring whether agreed action plans in line with recommendations for improvements in controls, risk management, business and governance processes have been implemented. The ACS Division provides status updates on the implementation of any recommended improvements to the AC twice yearly.

The ACS Division has reviewed and made enhancements to its risk-based approach to audit planning and execution to strengthen its effectiveness as an audit function. The ACS Division's audit planning process continues to integrate both the strategic planning and ERM processes. The ACS Division's audit and consulting activities for the planning period are set based on the risk profiles, priorities and timing of the development and implementation of the corporate initiatives as stated in the Corporate Plan.

The ACS Division performs an independent assessment of the effectiveness of the ERM framework, methodology, system, policies and processes pursuant to the audit frequency cycle as approved by the Board. It thus provides assurance to the AC and the Board that the Corporation has an effective ERM programme.

Throughout 2014, the ACS Division also met internal demands for consulting and advisory services. This is consistent with the Division's mandate and responsibilities. A significant proportion of its audit-person days were planned and allocated to provide consulting and advisory services to various internal working committees, task forces and individual divisions in relation to PIDM's projects or Corporate Plan initiatives.

In 2014, the AC continued to review the overall performance and operations of the ACS Division on a semi-annual basis. This is to ensure that the ACS Division continues to function effectively, and its performance is monitored and assessed against the Board-approved audit plan and consulting activities for the year.

Statement on Risk Management and Internal Control

Employees of PIDM

ERM is everyone's responsibility and each PIDM employee must support effective risk management and a sound system of internal control. Employees are to manage and report risks at the source.

Management continues to promote a risk management and internal control culture by emphasising on training and awareness of PIDM's values, application and compliance with the Code of Business Conduct and Ethics, and Conflict of Interest Code, and by requiring an annual declaration of personal assets and liabilities by all employees. Orientation programmes for new employees are carried out by the HC Division to introduce and guide new employees on PIDM's structure, work practices, culture, and policies and procedures. An annual compliance test has been implemented to ensure that all employees are aware of key policies on code of conduct and ethics, conflict of interest, Policy and Procedures on Public Disclosure of Information and Information Classification Policy.

Management reinforces corporate values through employee-related activities organised by the HC Division such as in-house training on safety and health and employee-engagement activities. The appropriate policies, procedures, controls and programmes have been implemented to ensure the welfare, safety, health and well-being of employees.

Management is also receptive to employees' suggestions on ways to enhance productivity, quality or other similar improvements. The Employee Voice Survey is undertaken every two years to gauge employees' satisfaction and engagement as well as provides employees with the opportunity to confidentially share their views on PIDM's strengths and areas for improvement.

In addition, a Corporate-wide survey is rolled out annually to all employees to gauge the effectiveness of the services that each division provides to other divisions. The 2014 survey results indicated that all divisions met the KPI of 75% satisfaction index. The results were presented to the Executive Management Committee in early 2015 for Management to address the recommendations suggested in the survey.

Management recognises that access to timely information is important for effecting sound risk management practices and controls to improve business processes and operations. In this respect, Management ensures that there are proper and adequate communication channels for all employees. A comprehensive compliance programme has been put in place to ensure that employees strictly comply with PIDM's policies and procedures relating to information flow and access to information within PIDM and to external parties.

External Auditors

The NAD serves as PIDM's external auditors, as set out in the PIDM Act. The ACS Division and the NAD coordinate their audit work to ensure efficiency and effectiveness in the audit performance and deliverables. Representatives from the NAD are invited to all AC meetings and is provided with a copy of the AC agenda and reports. The NAD also has access to all audit reports prepared by the ACS Division.

In addition to the annual financial audit, the NAD performs a management accountability audit on PIDM once every three years. The objective of the management audit is to assess and rate the effectiveness of the Corporation's governance structure and processes, financial system and management as well as the implementation of key policies and operational procedures. The latest management accountability audit on PIDM was carried out from July to September 2014, for which PIDM was rated overall as "Good".

Issues raised by the external auditor are addressed promptly by Management. The progress made by Management to address the issues are tracked and reported to the AC semi-annually.

ELEMENTS FOR SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

PIDM's ERM framework adopts a structured and integrated approach to the management of significant risks and involves the identification and assessment of risks that may affect the achievement of the Corporation's objectives, formulation of action plans, as well as monitoring and reporting of the risks on a regular basis.

The ERM Charter, ERM Policy, ERM Procedures and Board Risk Policies are updated regularly to ensure that they remain current and relevant, and are made available to all employees with the aim of providing a consistent approach to risk. Management's and employees' commitment towards the risk management process is constantly emphasised and reinforced through the ERM Committee, PERM Working Committee, risk assessment workshops and employee briefing sessions.

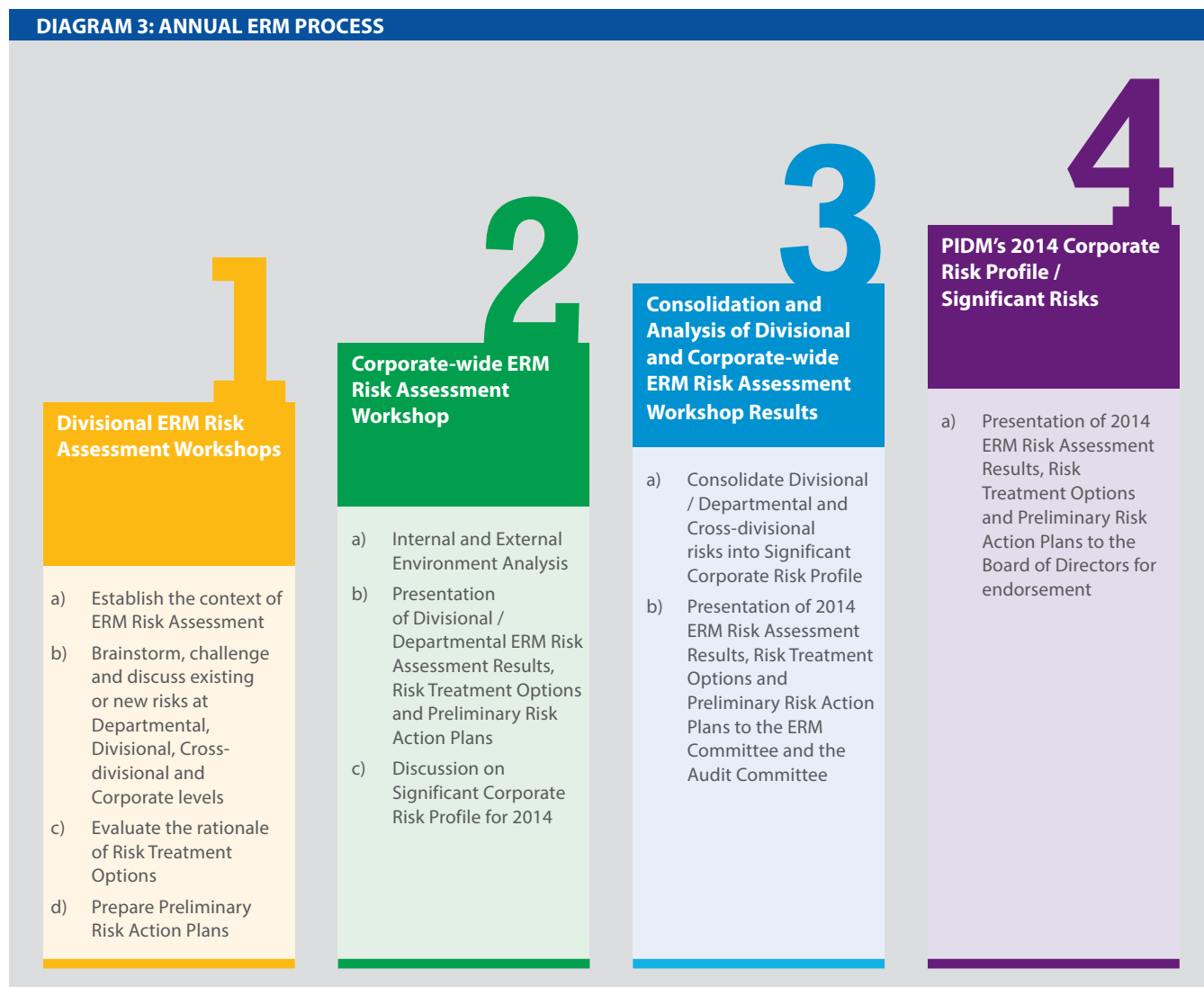
Statement on Risk Management and Internal Control

The ERM Committee and the PERM Working Committee each met four times in 2014 respectively to discuss and decide on various risk-related matters, including identification of new or emerging risks that may affect the achievement of the objectives and initiatives of the Corporation. Additionally, the CRO also regularly updates the Board through the AC and seeks their direction or approval on ERM matters throughout the year.

Annual ERM Process

In 2014, Management completed another full cycle of the ERM process, which is to identify, assess, evaluate, treat, monitor, report and communicate the risks facing PIDM. The key activities of the annual ERM process are summarised as follows:

DIAGRAM 3: ANNUAL ERM PROCESS



An ERM awareness session was carried out in February 2014 for the PERM Working Committee members to ensure a risk-aware culture and to promote understanding of the importance of risk management among the employees.

The first stage of the annual ERM process is to establish the objectives and determine PIDM's risk appetite for the purpose of risk assessment. During the "establishment of the context" stage, PIDM's objectives and risk parameters were revisited by the ERM Division to ensure that they remain current and relevant.

A significant aspect of the annual ERM process is the results of the risk assessment workshops. In 2014, the risk assessment workshops consisted of separate divisional or departmental risk assessment workshops for 14 divisions and departments from March to April 2014 and a Corporate-wide Risk Assessment Workshop in May 2014.

Subsequent to the divisional and Corporate-wide ERM risk assessment workshops, the ERM Corporate-wide Board Risk Report was developed, including the risk registers, which contained a detailed description and assessment of all PIDM's risks as well as the controls and action plans to mitigate them.

Statement on Risk Management and Internal Control

As risk assessment and evaluation is an integral part of the annual strategic planning cycle, the results of the ERM risk assessment were presented and discussed during the Strategic Planning Workshop for Senior Management in June 2014 for prioritisation of initiatives. The key action plans and initiatives that have been developed to address the significant risks are detailed out in the Corporate Plan 2015 - 2017.

Board Risk Policies and Corporate-wide Board Risk Report

The Board Risk Policies outline the oversight function of the Board in relation to specific risks and the Board's expectations of Management's roles in supporting them.

The Corporate-wide Board Risk Report outlines the current controls, processes and Management oversight in place in managing the respective risk categories. The CRO also provides an overall independent assessment and conclusion of each risk category, as described in the Board Risk Policies, in the Corporate-wide Board Risk Report.

In addition, the Corporate-wide Board Risk Report furnishes the AC and the Board with preliminary key risk action plans being taken to lower the residual risk for each of the risk category or sub-risk category.

Effectiveness of ERM Policies and Practices

The ERM Division had previously developed and implemented the ERM Effectiveness Assessment Framework to enable Management to measure the effectiveness of the ERM programme and practices. The Framework was developed to enhance PIDM's ERM capabilities, which will help identify the attributes that will make ERM practices more effective, measurable and provide PIDM with a roadmap for continuous improvement. The ERM Division continuously reviews and updates the ERM Effectiveness Assessment Framework and performs an internal assessment of the effectiveness of its ERM practices. The results of the assessment were positive and shows that the Corporation has an effective and well-developed ERM practice in place. The results were tabled to the ERM Committee and the AC in 2014 accordingly.

Business Continuity Plan

A Business Continuity Plan (BCP) Simulation Exercise is conducted annually to prepare employees for an actual disaster and to identify areas for improvement.

In 2014, the Corporation successfully carried out its BCP Simulation Exercise, focusing on the testing of its call-tree in the fourth quarter which was conducted on an unannounced or "surprise" basis. The call-tree acts as a backup to PIDM's automated emergency notification system.

PIDM's 2014 Corporate Risk Profile

Following the completion of the ERM risk assessment activities in 2014, Management has identified and managed the key risks that can prevent the Corporation from achieving its objectives. Based on the assessment of the five risk categories, Management has concluded that three risk categories are acceptable while two other risk categories are manageable.

The risk description as well as key risk action plans and initiatives proposed to address the five risk categories are as follows:

- (a) **Financial Risk is acceptable and on a stable trend.** The Corporation's investment portfolio is invested in accordance with the Corporation's Board-approved Investment Policy and is able to meet its ongoing operating cash requirements. Pursuant to the PIDM Act, the Minister of Finance may, upon request of the Corporation, lend money or provide funds to the Corporation. The Corporation will also explore other alternatives to raise funds.
- (b) **Insurance Risk is manageable and on a decreasing trend.** The Corporation continues to assess and monitor the financial conditions and risk profiles of each member institution and the industry, and does not expect to conduct any IFR action within the planning period. Nonetheless, the Corporation continues to enhance its IFR operational readiness and minimise impediments to effective resolution actions. The Corporation will jointly develop and implement effective and robust regulations on the Recovery and Resolution Plan (RRP) with BNM. The Corporation also carries out ongoing reviews to strengthen the PIDM Act and subsidiary legislation and has proposed amendments to the PIDM Act, which have been forwarded to the Attorney General Chambers.

Statement on Risk Management and Internal Control

- (c) **Operational Risk is acceptable and on a decreasing trend.** The Corporation's key focus in relation to people risk is to have the right people in the right jobs. The Corporation continually undertakes initiatives to strengthen the technical expertise of its employees by enrolling them in various training as well as simulation exercises and study visits. Succession planning is also carried out and potential successors in divisions or departments have been identified. Work-life balance is also emphasised where employees are encouraged to utilise their leave entitlement and take compulsory leave. In relation to Information Risk, the Corporation has issued an Information Classification Policy and practices for classifying information based on its sensitivity and importance.
- (d) **Reputation Risk is manageable and on a decreasing trend.** The Corporation continues to focus on improving public awareness and understanding of DIS, TIPS and the Corporation via a multi-year public awareness programme and education initiatives. With regard to stakeholder engagement, the Corporation continues to conduct briefing sessions for various stakeholders including member institutions, Government agencies, institutions of higher learning and the general public. Internationally, PIDM's active involvement in the International Association of Deposit Insurers (IADI) and the International Forum of Insurance Guarantee Schemes (IFIGS) continues to enhance its stature in the industry as a best practice financial consumer protection authority.
- (e) **Strategic and Governance Risk is acceptable and on a decreasing trend.** Long-term sustainability is the key focus for the Corporation. We continue to focus on having sound governance and effective management practices. The Corporation's Board's effectiveness was rated as "Strong" by an independent advisor that carried out the assessment in 2013. Moving forward, relationships with stakeholders will be enhanced through various measures.

Internal Control

Annual Review of PIDM's Compliance with Internal Controls

Management has carried out an annual review of PIDM's compliance with internal controls towards the end of the financial year pursuant to the requirements of PIDM's ICF, which was endorsed by the AC for implementation in January 2008.

The review was carried out using the evaluation tool that is recommended in the COSO Framework. The tool is intended to provide guidance and assistance in evaluating PIDM's internal control systems and compliance, focusing on the five components as stated in the ICF.

For the year under review, the results of the assessment of internal controls using the five components of the ICF and their corresponding sub-components confirmed that, overall, Management has ensured that there is sound internal controls established within PIDM which emphasises on the following:

- good practices in corporate governance with effective Board oversight responsibilities for Management's design, implementation and conduct of risk management and internal controls;
- effective and strong leadership with plans in place to prepare for succession and the creation of new leaders;
- a commitment to ethics and shared corporate values and culture that are defined in PIDM's policies and procedures on business conduct and ethics, and are understood at all levels of PIDM and by stakeholders, service providers and strategic partners;
- a conducive corporate environment that enforces accountability through established performance measurement which is appropriate for responsibilities at all levels, and reflects appropriate dimensions of performance and expected standards of conduct to achieve corporate goals and targets; and
- proper safeguarding of the flow of PIDM's confidential information via internal communication channels or through communications with external parties using communication methods that take into account the audience, nature of communication, timeliness, cost and legal or regulatory requirements.

Information Technology

PIDM is currently not classified as a Critical National Information Infrastructure entity and as such, the ISO/IEC³ certification is not mandatory. Notwithstanding this, the certification would provide assurance to the Corporation's stakeholders regarding the security of information received and produced by PIDM.

³ Information security standard published by the International Organization for Standardization (ISO) and by the International Electrotechnical Commission (IEC)

Statement on Risk Management and Internal Control

The Corporate Information Security Framework was approved in August 2014 and preparedness towards certification is planned in phases commencing from 2015.

PIDM continues to organise an annual information technology (IT) security awareness training for all employees to reinforce the importance of information security for critical business functions and processes.

Business Continuity and Disaster Recovery

PIDM strives to be operationally ready. In this regard, PIDM's interim Disaster Recovery Site was fully operational in September 2011. The resilience of PIDM's BCP and Disaster Recovery Plan (DRP), policies, procedures and facilities have been tested in 2011, 2012 and 2013 to prepare employees in the event of a disaster. In November 2014, a BCP Simulation Exercise focusing on testing the Corporation's "Call Tree" was carried out.

The construction of a permanent DRC for PIDM commenced in August 2014. As this project involves high investment and may potentially expose the Corporation to risks, both Management and the CIA provide an update on the progress of the project together with an independent consulting services report, to the AC at every AC meeting. Moving forward in 2015, reporting to the AC will be made on a semi-annual basis until completion of the project in 2016.

Key Systems, Policies, Practices and Processes

In 2014, the following key systems, policies, practices and processes were established as part of PIDM's system of internal control:

- PIDM's corporate and operational policies and procedures that were due for review in 2014 were updated in line with changes to the operating, business and, where applicable, legal and regulatory requirements. The Organisation and Methods Department continues to track outstanding policies and procedures and oversees the streamlining, centralisation and integration of key and operational policies and procedures. The ERM and ACS Divisions are involved in the review of policies and procedures to ensure that essential elements of and matters concerning risk management and internal controls are embedded in these policies and procedures. Key controls designed as fraud preventive measures are embedded in certain key corporate and operational policies and procedures.
- PIDM continues to enhance its core operation systems, namely the Human Resource Information System (HRIS) and the Enhanced Financial Management System (EFS). In 2014, the HRIS modules of employee payroll, benefit claims, recruitment and scholarship were integrated with that of the EFS. Other HRIS modules that were completed include manpower requisition, industrial relations, succession planning, competency and total performance management.
- PIDM's Investment Policy sets out the primary guidelines for PIDM to carry out its investment activities within parameters of the PIDM Act requirements. In line with PIDM's mandate, the primary investment objectives of the Investment Policy are preserving capital invested and maintenance of liquid assets. In May 2014, the Investment Policy was revised to expand the investment parameters to include securities of high investment grade (which are government guaranteed or with a minimum rating of AAA) issued by Government-related entities.
- The Tender Procedures were established to set out the minimum requirements for the tender process in line with the objectives set out in the Procurement, Contracting and Outsourcing Policy. In September 2014, the Tender Procedures were revised to incorporate enhancements to the governance structure as well as improved transparency within the tender process. At the same time, the Procurement, Contracting and Outsourcing Policy was also reviewed and revised to enhance the clarity of the overall procurement process.
- The selection of PIDM's accounting policies and principles is in accordance with the requirements of applicable laws and standards, and these policies and principles are consistently applied. Consultation with industry experts on the application of new accounting standards and policies continues to be carried out on an annual basis to ensure that PIDM's adoption of new accounting policies arising from new accounting standards or treatment of certain financial instruments is in line with the MFRS and Shariah principles.
- As part of PIDM's ongoing effort to be operationally ready in carrying out IFR activities of troubled member institutions, a walkthrough of the Payout System for DIS and a training session on "Insurance Companies Resolution, the Canadian Perspective" were carried out during the year.

Statement on Risk Management and Internal Control

THE BOARD'S REVIEW OF SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board reviewed the effectiveness of PIDM's systems, policies, practices and processes based on the reports from various Board Committees and Management, and its review included the following:

- As a matter of practice, the Board considered the reports of various Board Committees on a regular basis. These included the AC's report on the review of PIDM's financial statements; its compliance with laws and ethics and the effectiveness of controls embedded in systems or processes audited by the ACS Division; the report from the RC on compliance with key human capital policies and related laws; and the report from the GC on compliance with key governance policies.
- The Board considered, on a quarterly basis:
 - (i) PIDM's financial reports;
 - (ii) the utilisation of resources as compared to the approved budget;
 - (iii) the implementation of the ERM framework and the update on PIDM's risks and measures to mitigate significant risks; and
 - (iv) the update and progress of Management's overall performance against approved initiatives and targets set out in the Corporate Plan, as well as Management's assessment of internal and external factors that may impair the performance of the Corporate Plan.
- The Board Committees regularly considered their progress against the respective Board Committee Charter, and Management's proposed action plans to support the Committee to fulfil its key responsibilities. These results were reported to the Board.

THE BOARD'S STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Representations

The Board received an annual ERM Management Representation Letter from the CRO confirming that the Corporation's risks are being managed and that the Board Risk Policies and ERM process continue to be effective and relevant. In this regard, an annual ERM Management Representation Letter from each Division was provided to the CRO to confirm that each Division's risks are being managed and meet the Board's expectations with regard to the Division's responsibilities in mitigating the risks as well as to instil management accountability.

The effectiveness of PIDM's compliance with internal controls as of 31 December 2014 has been assessed by Management and validated by the ACS Division based on the criteria set out in PIDM's ICF.

In addition to this assessment and validation processes, the views of the Chairman of the Board on the current strength of the Corporation's internal control environment were obtained in January 2015 to facilitate Management in drawing a conclusion on the extent of PIDM's internal control compliance.

Based on these assessments and the effectiveness of PIDM's frameworks, systems, policies, practices and processes that have been implemented since PIDM's establishment on 1 September 2005 as well as those established during the year under review, the Board is pleased to report that a sound system of risk management and internal control within PIDM has been established and maintained. The Board continues to be committed to ensuring that:

- (a) PIDM continues with the effective implementation of a very strong "tone at the top". This tone at the top has been established since the first year of PIDM's establishment and focuses on upholding ethics and integrity starting from Board level to Management and ultimately all employees;
- (b) PIDM as an organisation, continues to successfully put in place strong corporate governance and internal control practices. Clear delineation of independence of the Board from Management which separates the roles of the Chairman of the Board from those of the CEO, enables the Board to effectively discharge its role and duties in ensuring effective governance and internal controls. Additionally, the composition of Board Members from various backgrounds and the annual evaluation of the Board Members' mix of skills, experience and capabilities further support the Board to fulfil its roles and responsibilities;
- (c) PIDM's financial reporting process is reliable and that the Corporation has effective policies and procedures for ensuring compliance with applicable laws and regulations;
- (d) PIDM's annual reporting on its performance provides clear disclosure of its activities and achievements which demonstrates that PIDM has a strong accountability regime;

Statement on Risk Management and Internal Control

- (e) PIDM undertakes routine identification and assessment of risks at all levels and on an enterprise-wide basis. Management identifies and assesses risks formally in conjunction with the annual review and update of the Corporate Plan for the next corporate planning period, reports to the Board on the management of the risk categories and sub-categories on an annual basis and performs ongoing risk identification and assessment throughout the year. The risk categorisation provides a basis for each identified risk to be segregated into any of the five risk categories to enable PIDM to focus its efforts towards the implementation of effective and adequate risk management strategies and plans to address the risks;
- (f) PIDM's strategic direction and Corporate Plan provides relevant guidance on the objectives that the Corporation needs to achieve and the specific initiatives that need to be developed and implemented to mitigate significant risks. New initiatives and activities are continuously researched and developed in anticipation of potential new events, risks or activities that may affect the achievement of the corporate objectives. The progress of the corporate initiatives and activities is being monitored against plan to ensure that they complement each other, where applicable;
- (g) Control activities and other mechanisms have been established through policies and procedures to ensure that Management's directives to manage and mitigate risks that may impair the achievement of PIDM's objectives are carried out. Control activities are performed at all levels and stages within the business and operational processes, and includes the IT environment;
- (h) Information systems designed to provide Management with timely information needed for strategic and operational decision making purposes are embedded with the necessary controls to ensure that the integrity and security of the Corporation's information is properly safeguarded. Employees are given access to appropriate communication channels within PIDM and with external parties. Internal and external communications are governed by PIDM's Information Classification Policy and the Policy and Procedures on Public Disclosure of Information which aims to control information flow and access to information within PIDM and the level of information access allowed for external parties; and
- (i) Management monitors the entire system of internal controls continuously, addresses issues on a timely basis and communicates to relevant parties responsible for corrective actions.

The Board is also pleased to report that for 2014 there were no reported incidents of weaknesses or deficiencies in the adequacy and integrity of PIDM's risk management and internal controls embedded in PIDM's systems, policies, practices and processes, and there were no financial losses incurred during the financial year under review resulting from weaknesses or deficiencies in its system of risk management and internal controls.

This Statement is made in accordance with the Board's resolution dated 3 March 2015.





SECTION THREE

MANAGEMENT'S

DISCUSSION

AND ANALYSIS

65

Our Operating Environment

65

Review of 2014 Operations
and Achievements

81

Financial Overview

103

Summary of Our Corporate Plan
2015 - 2017

OUR OPERATING ENVIRONMENT

In 2014, the Malaysian economy remained resilient, registering a growth of 6.0% (2013: 4.7%). Domestic demand continued to be the main driver of growth, supported by the continued strong expansion in private sector spending.

Although the global growth momentum was weaker than expected towards the end of 2014, overall global growth is still projected to improve in 2015, supported in part by lower oil prices. The US economy will be a key source of expansion in the global economy, underpinned by stronger consumer spending and business investments. In the euro area, more accommodative monetary conditions amid the expanded asset purchase programme to address deflation and the weakening euro will provide some support to economic activity. The Japanese economy is also expected to register modest improvements given the lower oil prices and the postponement of the second consumption tax increase from 2015 to 2017. Meanwhile, the Chinese economy will continue to moderate towards a more sustainable growth path as policymakers undertake further economic rebalancing efforts.

Nevertheless, there remain considerable downside risks that could set back improvements in the global economy. There is uncertainty over the strength of the real economy in the euro area, Japan, PR China, and vulnerabilities in the major commodity-producing emerging economies amid significant declines in commodity prices. Uncertainties over interest rate normalisation in the US could also lead to sharp and sudden financial market adjustments and significant strengthening of the US dollar. Uncertainty over the magnitude and persistence of the oil price decline could also compound financial market volatility.

Against the global economic uncertainty and volatility in the international financial markets, 2015 is expected to be a challenging year. Nevertheless, the diversified structure and the strong macroeconomic fundamentals accord the flexibility to weather these external shocks. For 2015, the Malaysian economy is projected to expand in the range of 4.5% to 5.5% with further expansion in domestic demand and exports. Although recent developments in commodity prices are expected to affect investments mainly in the oil and gas sector, overall investment spending would be driven largely by the steady inflows of new investment projects and the implementation of existing projects, particularly in the manufacturing and services sector. Meanwhile, private consumption is expected to moderate, as consumers adjust to the goods and services tax (GST) in April 2015. Nevertheless, the impact is expected to be cushioned by Government assistance to targeted households and higher disposable income from lower fuel prices. The improvement in several advanced economies and continued global demand for electrical and electronics products will provide a lift to Malaysia's manufactured exports. Similarly, the overall monetary and financing conditions for the year would continue to remain supportive of the steady growth outlook for the Malaysian economy.

Going forward, PIDM will continue to remain vigilant and monitor risks closely.

REVIEW OF 2014 OPERATIONS AND ACHIEVEMENTS

OVERVIEW

A review of PIDM's operations for 2014 and its achievements against the Corporate Plan 2014 - 2016 is provided in this section. The Plan sets out our strategic direction, focus and priorities that drive the activities over the three-year planning period, which are translated into Key Performance Indicators (KPIs) or initiatives. Our progress and performance against the set targets in the Plan are monitored via a Balanced Scorecard approach.

In 2014, we have successfully achieved the strategies and met the planned key performance targets. The completion of the initiatives has enhanced the Corporation's foundations and its efficiency and effectiveness to meet its statutory mandate.

The Corporation has continued to build on its strong foundation of best governance and management practices in providing financial consumer protection to depositors as well as insurance policy owners. We remain committed to greater transparency and accountability as described in Section 2. Among others, we were awarded the "Certificate of Merit", the highest award in the non-listed organisation category, for PIDM's 2013 Annual Report at the National Annual Corporate Report Awards (NACRA).

Review of 2014 Operations and Achievements

OUR WORK

Our strategic management framework demonstrates how we align our KPIs to our corporate objectives in achieving our vision and mission and ultimately to carry out our mandate. Our corporate objectives are based on three Balanced Scorecard perspectives as follows:



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 with all stakeholders and the general public and educate them through our comprehensive public awareness campaigns and education programmes as well as consult extensively with our key 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 partner Bank Negara Malaysia, other regulators, international deposit insurers and insurance guarantee schemes as well as key suppliers. We will also continue to maintain satisfactory relationships with our member institutions.



GOVERNANCE AND INTERNAL PROCESSES

Well-governed and well-managed organisation

We 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 frameworks. To achieve this, we are guided by leading governance and management practices as well as relevant best practices.

Robust risk assessment, monitoring, intervention and resolution capabilities

As readiness remains a key focus of the Corporation, we will continue to maintain robust risk assessment and monitoring capabilities, as well as to build capacity and capabilities to effectively manage intervention and failure resolution activities. We also provide incentives for sound risk management in the financial system through our Differential Premium Systems, Differential Levy System and related policies, regulations and guidelines.

Sound business and financial practices

To effectively administer our Deposit Insurance System and Takaful and Insurance Benefits Protection System, we continue to maintain sound policies, processes, procedures and infrastructure in order to remain current and relevant. The sound practices that govern our operations are based on relevant domestic and international best practices. We will also continue to ensure operational excellence so that we can fulfil our roles and responsibilities effectively.



LEARNING AND GROWTH

Competent and knowledgeable workforce

Our people are our most important asset. We offer competitive compensation packages and programmes to attract and retain talent with the right skills, experience and attitude. We are committed to provide employees with opportunities for continuous learning and development as well as enhance their skills and expertise, in order for them to achieve their full potential.

Conducive corporate environment

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

Our initiatives for 2014, which supports our strategic direction were directed at efforts to strengthen operational effectiveness and readiness; increase and sustain employee competencies and talent management; enhance relationships with key stakeholders; and improve the level of public awareness and education of financial consumers.

Overall, all the initiatives were completed within the approved financial plan. Other initiatives, which are ongoing developments spanning beyond one year are progressing as scheduled. We also continued with the development and enhancement of our policies and procedures as well as infrastructure in order to ensure that they remain current and relevant.

Our achievements are summarised in the 2014 Corporate Scorecard in the following pages.


Review of 2014 Operations and Achievements

SNAPSHOT OF 2014 CORPORATE SCORECARD

P	Progressing as scheduled; and / or within budget	A	Target achieved, initiative completed
N	Target not achieved, slippage – time to completion; and / or below target; and / or > ±10% (full year) budget variance	F	Not yet initiated / future date

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2014	Results Dec 2014	
STAKEHOLDERS	A	Educated and informed stakeholders	1. Public awareness index:		
			a. General awareness of PIDM	57%	N ¹
			b. General awareness of deposit insurance system (DIS)	49%	N ¹
			c. General awareness of takaful and insurance benefits protection system (TIPS)	34%	N ¹
			2. Successful completion of key initiative(s):		
			a. Integrated Communications Plan	Implement and review	A
			b. Education programme	Implement and review	A
	B	Effective partnerships	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
			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
	5. The Financial Institutions Directors' Education (FIDE) Programme and the Alumni (FIDE FORUM)	Active participation and support	A		
C	Well-governed and well-managed organisation	6. 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	
		7. Successful completion of key initiative:			
		a. Amendments to the PIDM Act	Complete	P ²	

Review of 2014 Operations and Achievements

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2014	Results Dec 2014
 GOVERNANCE AND INTERNAL PROCESSES	D	8. Successful completion of key initiative(s):		
		a. Differential Premium Systems (DPS) Guidelines for DIS	Complete	A
		b. Differential Levy System (DLS) Guidelines for TIPS	Review	A
		c. DLS framework for Takaful	Develop and consult	A
		d. Risk Assessment System:		
		i. DIS	Implement	A
		ii. TIPS	Develop	A
		e. Early Warning System (EWS):		
		i. DIS	Implement	A
		ii. TIPS	Research	A
		f. Evaluation Model and System for DIS and TIPS	Develop	P ³
		g. Intervention and resolution plans for complex financial institutions	Research	P ⁴
		h. Claims management system, policies and procedures for insurer members:		
		i. Premium Reimbursement and Claims Management System	Develop	P ⁵
		ii. Policy Holders Support Management System	-	F
		iii. Payment Management System	-	F
		i. Simulation on Intervention and Failure Resolution	Complete	P ⁶
		j. Regulations:		
		i. TIPS Information Regulations	Consult and implement	P ⁷
		ii. Terms and Conditions of Membership Regulations - DIS and TIPS	Monitor	P ⁸
		k. Member institutions' compliance programme with the PIDM Act	Implement	A
	E	9. Reporting through:		
		a. Annual Report	Complete	A
		b. Corporate Plan	Complete	A
		10. Financial performance against approved budgets	±10% variance	A ⁹
		11. Internal Control and Risk Management Compliance	Strong	A
		12. Internal Customer Satisfaction Index	75%	A

Review of 2014 Operations and Achievements

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Target 2014	Results Dec 2014
GOVERNANCE AND INTERNAL PROCESSES	E	Sound business and financial practices	13. Successful completion of key initiative(s):	
			a(i). Target Fund for TIPS:	
			i(1). General Fund	Develop P¹⁰
			i(2). Life Fund	Research A
			i(3). Takaful Funds	- F
			a(ii). Alternative funding arrangements	Research and develop P¹¹
			b. Develop and implement the following strategic plans:	
			i. Annual Information Technology Strategic Plan	Complete P¹²
			ii. Annual Business Continuity Management Plan	Complete A
			c. Disaster Recovery Centre (DRC) and infrastructure	Construct P¹³
LEARNING AND GROWTH	F	Competent and knowledgeable workforce	d. Corporate Information Management	Develop and implement P¹⁴
			14. Learning and development plan	Complete A
	G	Conducive corporate environment	15. Succession plan	Develop and monitor A
			16. Employee Engagement Index (survey conducted once every two years to gauge level of employee satisfaction)	- F
			17. Successful completion of key initiative:	
			a. Employee-related programmes	Implement A

¹ The overall awareness level of PIDM, DIS and TIPS at the end of 2014 was 47%, 38% and 30% respectively. However, a key finding for 2014 is that there is still a high level of awareness that deposits are protected in a failure of a member bank. This level had increased from 48% in 2012, to 52% in 2013, to 56% in 2014. Refer to our Communications Initiatives on page 193 for further details.

² The amendments to the PIDM Act will be tabled to the Parliament in 2015.

³ The development of the Evaluation Model will be completed in 2016.

⁴ The research and development work related to the recovery and resolution plans for complex financial institutions is progressing and will continue into 2015.

⁵ The development of the Premium Reimbursement and Claims Management System will be completed in 2016.

⁶ The workshop, focusing on liquidation of a member bank, will be conducted in 2015.

⁷ The regulations will be issued in 2015.

⁸ The revised regulations will be issued in 2015.

⁹ We achieved positive variances for both operating and capital expenditures.

¹⁰ The development of the Target Fund for General Fund will continue into 2015.

¹¹ The development of the alternative funding arrangements will continue into 2015.

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

- Implementation of Phase 2 of the Enhanced Financial Management System
- Integration of the Enhanced Financial Management System, Training and Development Module of the Human Resource Information System and Travel Requisition System.

¹³ The construction of the DRC is progressing as scheduled.

¹⁴ The policy on retention and disposal of information will be implemented in 2015 and the development of the policies and procedures for Corporate Information Security will continue into 2015.

Review of 2014 Operations and Achievements

DIVISIONAL OPERATIONS REVIEW

All of the key initiatives in 2014 were completed by the 11 divisions in PIDM. The following table provides a brief description of the respective functions of our divisions and their key activities and accomplishments in 2014, including ongoing and new initiatives.

AUDIT AND CONSULTING SERVICES DIVISION (ACS)	
ACS works in partnership with Management and provides independent and objective assurance as well as consulting services, designed to add value and improve PIDM's operations.	
Key Achievements in 2014	Going Forward
<p>Audit: Completed the 2014 audits in accordance with the Board-approved Audit Plan 2014 - 2016. These included audits on the IT User Technical Support Functions and Services; Implementation of the Code of Ethics; Budget Administration, Processes and Coordination; Communications and Public Affairs processes covering the Integrated Communications Plan (ICP) 2012 - 2016, Corporate Publications, Internal Communication Services, Procurement and Inventory Management of Distributable Items, as well as Engagement with Strategic Partners; Depositors Support Management System; Stakeholders Management and Implementation of Activities in Promoting PIDM; and Financial Reporting and Disclosures for the year ended 31 December 2014. Assessed PIDM's state of internal control of which further details can be found in the Statement on Risk Management and Internal Control on page 53 of this Annual Report. In relation to Payout, the enhancement of the audit programme for Deposit Liability Information Management System (DLIMS) has commenced.</p> <p>Effective partnerships: Continued to build relationships and establish partnerships with key stakeholders such as other deposit insurers and insurance guarantee schemes, the internal audit function of other regulators and Government agencies as well as accounting and advisory firms.</p> <p>Consulting and advisory services: Conducted a review of the Payout system walkthrough. Continued to support the relevant divisions for PIDM's key projects, including Payout, Business Continuity Management, the construction of the DRC and also the development of key IT systems.</p>	<p>Audit: Continue to implement the Board-approved Audit Plan using the risk-based auditing approach and conduct the annual review on PIDM's state of internal control. Review the audit process and procedures to enhance the effectiveness and increase value-added outcomes. In relation to Payout, continue to update and enhance the audit programme for DLIMS to ensure the integrity of the payout data, systems and processes for member banks.</p> <p>Consulting and advisory services: Continue to provide consulting and advisory services for PIDM's key projects or Corporate Plan initiatives.</p>

Review of 2014 Operations and Achievements

COMMUNICATIONS AND PUBLIC AFFAIRS DIVISION (COMMS)

The primary role of COMMS is to develop and effectively communicate messages to the public at large and the targeted market segments through ongoing public awareness and education initiatives to enhance public understanding of DIS, TIPS and the role of PIDM in contributing to the stability of the Malaysian financial system.

Key Achievements in 2014	Going Forward
<p>Advertising and public relations: Completed the planned initiatives of the ICP 2012 - 2016. In our efforts to enhance public awareness of PIDM, DIS and TIPS, we continued with the "Do You Know" campaign to the general public via print, television, radio and digital media. A video commercial "PIDM Alkisah 3 dalam 1" was produced for YouTube. In collaboration with the Malaysian Insurance Institute, we continued with the Train-the-Trainer sessions, whereby 27 employees from the member institutions were trained and certified to deliver briefings on PIDM, DIS and TIPS. We also signed a collaborative agreement with Money Compass to enhance awareness of financial consumer protection among the Chinese community.</p> <p>Education programme: Implemented the enhanced PIDM Project MoneySmart, which comprises the Online Game, School Challenge, Campus Challenge, Ambassador Programme, "Snap or Draw, Upload and Win" as well as a quiz competition. We completed our target of successfully reaching out to all 2,239 national secondary schools in Malaysia. In recognition of the Corporation's efforts, it has been certified as a "Partner in Co-curriculum" by the Ministry of Education.</p> <p>Stakeholder engagement: Conducted a total of 100 briefing sessions for various stakeholders including member institutions, Government agencies, institutions of higher learning and the general public. Held dialogue sessions with liaison officers as well as participated in exhibitions and roadshows. Successfully conducted the Corporate Outreach programme in Terengganu, which was attended by representatives from BNM and other Government agencies.</p>	<p>Advertising and public relations: Continue to implement the ICP 2012 - 2016 initiatives with the objectives of communicating the Corporation's role as an integral part of Malaysia's financial safety net; enhancing awareness of DIS and TIPS amongst the expanded target audience base via the most appropriate and cost effective communication tools and medium; and building better understanding of the insured products, features, benefits and protection limits of DIS and TIPS via various engagement, call-for-action and advocacy-based communication approaches. This is to assist the general public to make informed financial decisions. Continue with the Train-the-Trainer programme, which will be extended to more organisations. Implement the PIDM Interactive Learning Platform, an online tool for information sharing purposes for member institutions as well as the general public.</p> <p>Education programme: Continue to review and enhance the strategy, approach and content of the programme for continued implementation in secondary schools and institutions of higher learning.</p> <p>Stakeholder engagement: Continue to build and maintain relationships with various stakeholders through internal and external briefings as well as participation in exhibitions and roadshows. Continue to collaborate with various organisations to create awareness of financial consumer protection among the target audiences.</p>

Review of 2014 Operations and Achievements

CORPORATE SECRETARIAT DIVISION (COSEC)

COSEC provides secretariat services and governance advisory support to the Board and is responsible for all matters relating to the proceedings and administration of the Board and Board Committees.

Key Achievements in 2014	Going Forward
<p>Corporate governance: Continued to support the maintenance of a strong accountability and reporting regime as well as an effective working relationship with the Board. Carried out its role as corporate secretariat, in particular, ensured the timely provision of quality information to the Board and supports the Board to fulfil its oversight role.</p> <p>Supported the Board with regard to its corporate governance work through research and recommendations on best practices in corporate governance as well as the organisation of Board education programmes for the Board. For more details on the Board's work on corporate governance, please refer to the Statement on Governance on page 35.</p> <p>Board effectiveness assessment: Following the review by an independent advisor, the recommendations in relation to Board processes have been developed and implemented.</p> <p>Corporate Compliance Committee: Organised the annual compliance training on key policies and procedures as well as implemented the annual compliance test and quiz for all employees.</p> <p>Corporate Social Responsibility: Together with the Corporate Social Responsibility (CSR) Committee, led PIDM in the successful implementation and organisation of its CSR initiatives and activities.</p>	<p>Corporate governance: Continue to keep abreast with best practices in governance and ensure compliance in all areas as well as provide support to the Board.</p> <p>Board effectiveness assessment: Continue to follow through with the implementation of the action plans identified to continuously improve Board-related processes.</p>

Review of 2014 Operations and Achievements

ENTERPRISE RISK MANAGEMENT DIVISION (ERM)

ERM implements, monitors and maintains best practice ERM processes and procedures within PIDM to ensure that PIDM can manage its internal and external risk exposures effectively. ERM also supports and provides risk advisory services to all divisions and for all key projects. Another key role of the Division is Business Continuity Management.

Key Achievements in 2014	Going Forward
<p>ERM policies and practices: Completed a full cycle of the Corporation's risk assessment process. Reviewed and enhanced the ERM Procedures and the ERM Charter as well as updated the Corporate-wide Board Risk Report. Conducted knowledge sharing and awareness sessions to all employees as part of efforts to foster an ERM culture within the Corporation.</p> <p>ERM effectiveness assessment: Achieved positive results which confirms that the Corporation has an effective and well-developed ERM practice in place.</p> <p>Business Continuity Management: Updated the Business Continuity Plan (BCP) including the Risk Analysis and Business Impact Analysis. Carried out a BCP call-tree test which serves as a back-up to the automated emergency notification system in the event of a disaster.</p> <p>Risk advisory services: Continued to support the relevant divisions for PIDM's key projects including the construction of the permanent DRC.</p> <p>More details of the ERM Oversight Structure and how PIDM manages its significant risks are described in the Statement on Risk Management and Internal Control on page 53.</p>	<p>ERM process: Continue to perform ongoing identification, assessment, evaluation, monitoring, reporting and communication of the risks to PIDM. To review the ERM Board Risk Policies.</p> <p>Business Continuity Management: Continue to update, enhance and test the BCP to ensure it remains current and effective.</p> <p>Risk advisory services: Continue to provide risk advisory services to the relevant divisions for PIDM's key projects and Corporate Plan initiatives.</p>

Review of 2014 Operations and Achievements

FINANCE AND ADMINISTRATION DIVISION (FINAD)

FINAD consists of Finance, Facilities and Materials Management, IT and Organisation and Methods Departments which focus on providing effective and efficient support services in the areas of financial management, general office administration, office facilities management, IT management and operational business processes, policies and controls to ensure smooth operations of PIDM.

Key Achievements in 2014	Going Forward
<p>Funding: Completed the annual review of the Target Fund model for DIS to ensure that the Target Fund range remains current and relevant. Participated and provided input in the development of the Target Fund framework for the general insurance business. Commenced development of alternative funding arrangements.</p> <p>Disaster Recovery Centre and infrastructure: Completed the appointment of the main contractor and commenced construction of the permanent DRC. The appointed Project Management Consultant closely monitors the progress of the project and identifies issues that may potentially derail its completion and facilitates the development of action plans to address them.</p> <p>IT strategy: Completed the majority of the strategic and operational initiatives set out in PIDM's IT Strategic Plan except for two divisional initiatives, which have been deferred. Further details can be found on page 69 of this Annual Report.</p> <p>Financial management: Commenced integration between the Enhanced Financial Management System and the Human Resource Information System.</p> <p>Corporate Information Security Management: Implemented the Corporate Information Security framework for the Corporation.</p> <p>Organisation and Methods: Reviewed and enhanced the existing policies and procedures to ensure that they remain current and relevant including Tender Procedures and the Procurement, Contracting and Outsourcing Policy to enhance our governance and internal controls. Updated the Authority Matrix, which summarises the authorities for the day-to-day administration of the business and affairs of PIDM.</p>	<p>Funding: Continue to participate and support the development of the Target Fund framework for the general insurance, life insurance and takaful businesses. Continue to develop alternative funding arrangements for intervention and failure resolution purposes.</p> <p>Disaster Recovery Centre and infrastructure: Continue with the construction including the planning for interior fittings and IT infrastructure of the permanent DRC.</p> <p>IT strategy: Continue to implement the strategic and operational initiatives set out in the IT Strategic Plan to support PIDM's business needs and requirements including the enhancement of the Risk Assessment System for DIS, the development of the Takaful and Insurance Risk Assessment System, the completion of Phases 2, 3 and 4 of the Enhanced Financial Management System, the development and implementation of the claims management system and infrastructure for TIPS as well as the implementation of the information security infrastructure.</p> <p>Corporate Information Security Management: Develop the necessary policy and procedure.</p> <p>Organisation and Methods: Continue to review, update and standardise the policies and procedures, enhance the policies and procedures repository system as well as implement the Retention and Disposal Policy.</p>

Review of 2014 Operations and Achievements

HUMAN CAPITAL DIVISION (HC)

HC is responsible for the full spectrum of PIDM's human capital management.

Key Achievements in 2014	Going Forward
<p>Talent management: Continued to develop our employees' capabilities and competencies via ongoing implementation of a comprehensive competency-based Learning and Development programme. This included various types of training such as leadership, soft skills and technical skills using a blended approach of study visits, external seminars and briefings, conferences and on-the-job training. In-house training sessions were also organised for employees to address common learning and development needs. The average external and internal training days per employee in 2014 totalled 6 days.</p> <p>We continued with our succession planning efforts whereby development plans have been put in place for potential successors as well as initiation of job sharing opportunities for selected employees. In building a stronger and more capable leadership team, assessment tools such as the 360-degree assessment have been deployed to identify the specific developmental needs of Senior Management. As part of our career management strategy, we have employed the career profiling and development tool to gauge employees' career stages, interests and development plans. Our performance management process, which aligns individual goals with corporate objectives is followed through with the cascading of KPIs and corporate initiatives to all employees, with regular feedback and review sessions.</p> <p>As part of the talent retention efforts, we ensured that our compensation and benefits package remained fair, equitable and competitive and are aligned with the market by participating in the yearly market survey. In embracing inclusion and diversity, our employees are made up of diverse cultures and work philosophies. This is demonstrated by our recruitment of hearing impaired staff. As at 31 December 2014, our employee composition was 42% male and 58% female.</p> <p>Scholarship Programme: Continued to implement the multi-year undergraduate Scholarship Programme and awarded scholarships to another 10 deserving individuals. This programme, which is part of our CSR efforts, includes a mentoring and coaching programme for the scholars. Since the implementation of the programme, we have nurtured and developed 45 scholars, out of which six have graduated and are now working with established organisations. PIDM also offered up to 10 scholarships to the children of our employees.</p> <p>Employee relations: Continued to foster an optimal workplace culture via various events and engagement activities to celebrate achievements.</p> <p>The Safety and Health Committee continued to meet and identify related issues and put in place action plans for improvement, where necessary, as well as organised a briefing on dengue awareness and a training session on defensive driving.</p> <p>Human Resource Information System: Completed the development of modules for scholarship administration, manpower requisition, recruitment, industrial relation and succession planning. Implemented the performance appraisal and competency assessment module for the performance management cycle.</p>	<p>Talent management: Establish and develop the framework and supporting strategies for a learning organisation to facilitate an interconnected way of thinking and responsiveness through continuous learning, sharing, collaboration and leveraging on the knowledge and skills of all employees within the Corporation. Continue with the succession planning efforts to develop bench strength for key Management and critical positions through identification and development of potential successors as well as continue with the implementation of the career profiling inventory initiative for all employees.</p> <p>Scholarship Programme: Continue to administer the programme for another intake of 10 undergraduates.</p> <p>Employee relations: Continue to organise various activities for employee interaction and engagement to promote a conducive work environment and positive workplace culture that focuses on the general wellbeing of all employees.</p> <p>Human Resource Information System: Conduct a feasibility study on a one-stop centre for the learning and development management system.</p>

Review of 2014 Operations and Achievements

INTERVENTION AND FAILURE RESOLUTION DIVISION (IFR)

IFR is primarily responsible for intervention preparedness which involves the development of IFR-related policies and procedures including payout system and infrastructure. The Division is also responsible for managing and conducting IFR-related activities in the least costly manner to the financial system.

Key Achievements in 2014	Going Forward
<p>IFR: Developed the plans to operationalise the policies and procedures for DIS and TIPS. Conducted training sessions for selected employees with a focus on TIPS and several Board education sessions, namely Cross-Border Recovery and Resolutions, Operational Readiness for IFR and Resolution of Insurance Companies.</p> <p>Payout: In relation to TIPS, developed the Premium Reimbursement and Claims Management framework which sets out the broad framework for the Corporation to reimburse protected benefits to policy owners upon the winding-up of an insurer member together with detailed policies and procedures. For DIS, issued the enhanced Guidelines on Validation Programme: Deposit Information Systems and Submission, continued to monitor the submission of Standard File Format (SFF) of all member banks to ensure compliance with the Guidelines on Deposit Information Systems and Submission as well as conducted a walkthrough workshop on the payout process and system for the payout taskforce members. Commenced development of user requirements for the Request for Proposal (RFP) to engage a vendor to develop the Premium Reimbursement System and Claims Management System. The consultation paper on data requirements for the system has also been drafted.</p> <p>Evaluation Model and System: Continued to develop and enhance the simplified evaluation model for both DIS and TIPS using various data available. Commenced the development of user requirements for the RFP to engage a consultant to develop the Evaluation Model.</p> <p>Recovery and resolution framework: Established a joint-committee with BNM on the development of the recovery and resolution framework for complex financial institutions.</p>	<p>IFR: Continue to conduct employee training and simulation exercises to enhance PIDM's intervention readiness.</p> <p>Payout: Continue with the development of payment methods to facilitate prompt and seamless payout for DIS and to complete the development of Premium Reimbursement System and Claims Management System for TIPS. Monitor member banks' compliance to the requirements set out in the Guidelines on Deposit Information Systems and Submission.</p> <p>Evaluation Model and System: Continue with the development of the Evaluation Model which is intended to be able to conduct multiple analysis of the resolution costs of different resolution actions.</p> <p>Recovery and resolution framework: Continue to work in collaboration with BNM on the development of the recovery and resolution framework and plan for complex financial institutions.</p>

Review of 2014 Operations and Achievements

INSURANCE, RISK ASSESSMENT AND MONITORING DIVISION (INRAM)

INRAM provides independent, accurate and timely risk assessment and monitoring of member institutions to enable early detection of high risk member institutions as well as efficient premium and levy administration. The Division is also tasked to develop and promote Islamic deposit insurance.

Key Achievements in 2014	Going Forward
<p>Risk assessment and monitoring:</p> <p>Continued to enhance the Risk Assessment and Monitoring framework. Issued the Guidelines on Total Insured Deposits and Premiums; Guidelines on Validation Programme: Differential Premium Systems and Total Insured Deposits as well as the Guidelines on the Differential Premium Systems. Implemented the Rating Prediction Model of the EWS for DIS. In relation to TIPS, commenced development of the DLS framework for takaful operators and commenced research on the Rating Prediction Model of the EWS.</p> <p>Funding:</p> <p>Continued with the development of the Target Fund framework for the general insurance business and commenced research for the life insurance business.</p> <p>Islamic deposit insurance:</p> <p>Continued to chair the Islamic Deposit Insurance Group (IDIG) of the International Association of Deposit Insurers (IADI). Continued with the development of the IADI Core Principles for Effective Islamic Deposit Insurance Systems.</p> <p>Effective partnerships:</p> <p>Continued to maintain strong and collaborative relationships with key stakeholders, including BNM, member institutions as well as industry associations such as Persatuan Insurans Am Malaysia, Life Insurance Association of Malaysia and Malaysian Takaful Association. Organised a BNM-PIDM employee sports event with three Supervision Departments of BNM. Conducted knowledge-sharing sessions for delegates from other deposit insurers.</p>	<p>Risk assessment and monitoring:</p> <p>Continue to review and enhance the Risk Assessment and Monitoring framework. For DIS, to research the Failure Prediction Model of the EWS. With regard to TIPS, continue to develop and implement the Takaful and Insurance Risk Assessment System, develop and implement the DLS framework for takaful operators and develop the Rating Prediction Model of the EWS.</p> <p>Funding:</p> <p>Complete the development of the Target Fund framework for general, life and takaful businesses.</p> <p>Islamic deposit insurance:</p> <p>Continue to support IDIG, organise seminars on Islamic deposit insurance and to focus our efforts on leading the development of guidance notes, research papers and core principles in relation to Islamic deposit insurance operations.</p>

Review of 2014 Operations and Achievements

LEGAL DIVISION (LEGAL)

LEGAL provides legal advice and services to PIDM on matters related to its affairs, drafting of contracts and documentation to protect PIDM's interests as well as ensuring compliance with all applicable statutory requirements.

Key Achievements in 2014	Going Forward
<p>Legislation: Continued to engage with the necessary parties to obtain the necessary approvals for the proposed amendments to the PIDM Act. Supported the drafting of subsidiary legislation to operationalise the PIDM Act.</p> <p>Legal advisory services: Provided legal advice and reviewed, advised on and drafted contracts for PIDM as required. Continued to certify deposit products offered by member banks through our Product Registry System. Continued to provide legal support in relation to PIDM's key projects.</p> <p>Compliance programme for member institutions: Implemented the compliance programme with regard to PIDM legislation for member banks as well as issued the Guidelines on Assessment of Compliance by Deposit-Taking Members with the PIDM Act and Subsidiary Legislation.</p> <p>Legal Knowledge Management System: Completed the development of the Legal Knowledge Management System to capture all knowledge including the history, development, interpretation, issues and possible amendments to the PIDM Act.</p>	<p>Legislation: Obtain the necessary approvals for the proposed amendments to the PIDM Act and to support the drafting of subsidiary legislation needed by PIDM.</p> <p>Legal advisory services: Continue to provide support on legal matters including contracting for PIDM, certify deposit products offered by member banks and provide legal advice in relation to key projects.</p> <p>Compliance programme for member institutions: Review the outcome of adherence to the Guidelines on Assessment of Compliance by Deposit-Taking Members with the PIDM Act and Subsidiary Legislation, and develop the compliance programme for insurer members.</p>

Review of 2014 Operations and Achievements

POLICY AND INTERNATIONAL DIVISION (POLICY)

POLICY assesses and develops robust policies in relation to PIDM's mandate and operations. The Division also leads and coordinates international relations activities.

Key Achievements in 2014	Going Forward
<p>Policies and regulations: Continued to develop and review the policies and regulations including the TIPS Information Regulations and the Terms and Conditions of Membership Regulations for DIS and TIPS. Issued the Guidelines for Insurer Members on Submission of Product Information, requiring the insurer members to submit information on takaful and insurance products sold or offered by them.</p> <p>Effective partnerships: Continued to maintain good relationships with BNM and key stakeholders including other deposit insurers through active participation in IADI and the International Forum of Insurance Guarantee Schemes (IFIGS). Contributed to the IADI and IFIGS as a member of the Executive Council and Executive Committee respectively. PIDM executed an enhanced Memorandum of Understanding with the Indonesia Deposit Insurance Corporation and the Deposit Protection Agency, Thailand in a Tripartite Meeting to promote collaboration and transfer of knowledge amongst the three organisations.</p> <p>Knowledge sharing: To further enhance our technical and operational knowledge and expertise in deposit insurance, we actively participated in various knowledge-sharing sessions, organised study visits for PIDM employees and hosted study visits for other deposit insurers, insurance guarantee schemes and central banks. In learning from the technical experiences of other resolution authorities, we hosted a technical seminar on "Navigating Too Big to Fail: Strengthening Cross-border Cooperation and Implementing Effective Recovery and Resolution Plans", attended by international and local participants.</p> <p>International fora: Continued to actively contribute and participate in various IADI and IFIGS activities. Participated in 32 international fora, involving local and international participants, in various capacities including promoting knowledge sharing through meetings, attachments and training with our counterparts, as well as providing resource persons to speak at conferences at both local and international events. We are also actively involved in the research and development of guidance for deposit insurance at the IADI as well as actively promoting Islamic finance through our international involvement. Continued to support the South East Asian Central Banks (SEACEN) Research and Training Centre's programme by providing expert speakers.</p>	<p>Policies and regulations: Issue the TIPS Information Regulations; Terms and Conditions of Membership Regulations for DIS and TIPS; Provision of Information on Deposit Insurance Regulations and the Guidelines on Provision of Information on Protected Benefits.</p> <p>Effective partnerships: Continue to build PIDM's credibility, reputation and capability through the development of sound and robust policies. Continue to build strategic partnerships and maintain good relationships with both local and international key stakeholders for capacity building and knowledge sharing. To organise and host the IADI Annual General Meeting and Conference as well as the IFIGS international meeting.</p> <p>International fora: Continue to participate and contribute to IADI and IFIGS for sharing of knowledge and best practices in administering financial consumer protection systems.</p>

Review of 2014 Operations and Achievements

STRATEGIC PLANNING DIVISION (SP)

SP is responsible for the implementation of PIDM's strategic planning process, including reviewing budgets, monitoring financial performance against budgets as well as assisting the Board and Management in the setting of PIDM's strategic direction and plan.

Key Achievements in 2014	Going Forward
<p>Strategic planning: Facilitated and assisted other divisions to develop their respective divisional scorecards and aligned the initiatives to the corporate objectives, mission and vision. Conducted the annual Strategic Planning Workshop for Senior Management where SP facilitated discussions on strategic direction, key planning assumptions, corporate and divisional KPIs and initiatives including cross-functional initiatives. Conducted the annual Board Strategic Planning session and reviewed the budgets in detail, aligning them to the initiatives to be undertaken for the planning period.</p> <p>Performance management: Continued to track and monitor PIDM's performance against targets set out in the approved Corporate Plan, including financial performance against budgets, on a quarterly basis, using the Balanced Scorecard approach. The reports are tabled to the Management and Audit Committee, and circulated to the Board.</p> <p>Corporate-wide Internal Customer Satisfaction Survey: Continued to conduct the Corporate-wide survey to gauge employees level of satisfaction on the services provided by each division and identify action plans to address the gaps where required.</p> <p>Corporate publications: Developed the Corporate Plan 2015 - 2017 which highlights PIDM's strategic direction, focus and initiatives as well as the supporting financial plan for 2015 and financial projections for 2016 and 2017. In collaboration with COMMS and FINAD, coordinated and managed the development and publication of PIDM's Corporate Plan and Annual Report.</p>	<p>Strategic planning: Continue to adopt an integrated approach in the strategic planning process, taking into account the opportunities and risks that may affect PIDM, including scenario planning to ensure fulfilment of our mandate, vision and mission.</p> <p>Performance management: Enhance the performance management process by monitoring the progress of key initiatives against the targets set out in the approved Corporate Plan including the budget utilisation on a more regular frequency.</p> <p>Corporate Performance Management System: To further enhance the system for greater efficiency.</p>

FINANCIAL OVERVIEW

OPERATING RESULTS

	2014 Actual RM'000	2014 Budget RM'000	Variance Actual vs Budget RM'000 %		2013 Actual RM'000
Premium revenues	310,998	301,000	9,998	3	245,100
Investment income	63,732	61,000	2,732	4	56,142
Realised losses from divestment of investment securities	-	-	-	-	(650)
Total Revenues	374,730	362,000	12,730	4	300,592
Employee benefits	47,623	54,850	7,227	13	44,185
Public relations and advertising	10,505	12,200	1,695	14	10,406
Depreciation	7,143	8,000	857	11	7,590
Operating leases	5,268	5,550	282	5	5,535
Other expenses	13,400	20,400	7,000	34	14,341
Total Operating Expenditures	83,939	101,000	17,061	17	82,057
Net Surplus for the Year	290,791	261,000	29,791	11	218,535
Net gains on available-for-sale investments	-	-	-	-	182
Total Comprehensive Income for the Year	290,791	261,000	29,791	11	218,717

CAPITAL EXPENDITURES

	2014 Actual RM'000	2014 Budget RM'000	Variance Actual vs Budget RM'000 %		2013 Actual RM'000
Land and building	16,446	17,000	554	3	2,104
Furniture, fittings and office refurbishments	69	120	51	43	330
Office equipment and computer systems	2,338	9,630	7,292	76	2,454
Total Capital Expenditures	18,853	26,750	7,897	30	4,888

Financial Overview

COMMENTARY ON 2014 FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, the Corporation recorded total revenues of RM374.7 million, an increase of RM74.1 million or 24.7% compared to the previous financial year. The increase was mainly due to higher premiums received during the year as well as higher investment income, which was attributable to the increase in the base of investable funds and upward trend in investment yield observed during the year.

Our operating expenditures for 2014 totalled RM83.9 million, an increase of RM1.8 million or 2.2% from RM82.1 million in 2013. The increase was mainly due to higher employee-related expenses. The operating expenditures was RM17.1 million or 16.9% below budget. We will continue to practise prudent financial management and sound financial stewardship in achieving the objectives as stated in our Corporate Plan. Refer to pages 83 - 91 for further details of the operating results.

Our net surplus totalled RM290.8 million in 2014, an increase of RM72.3 million from 2013.

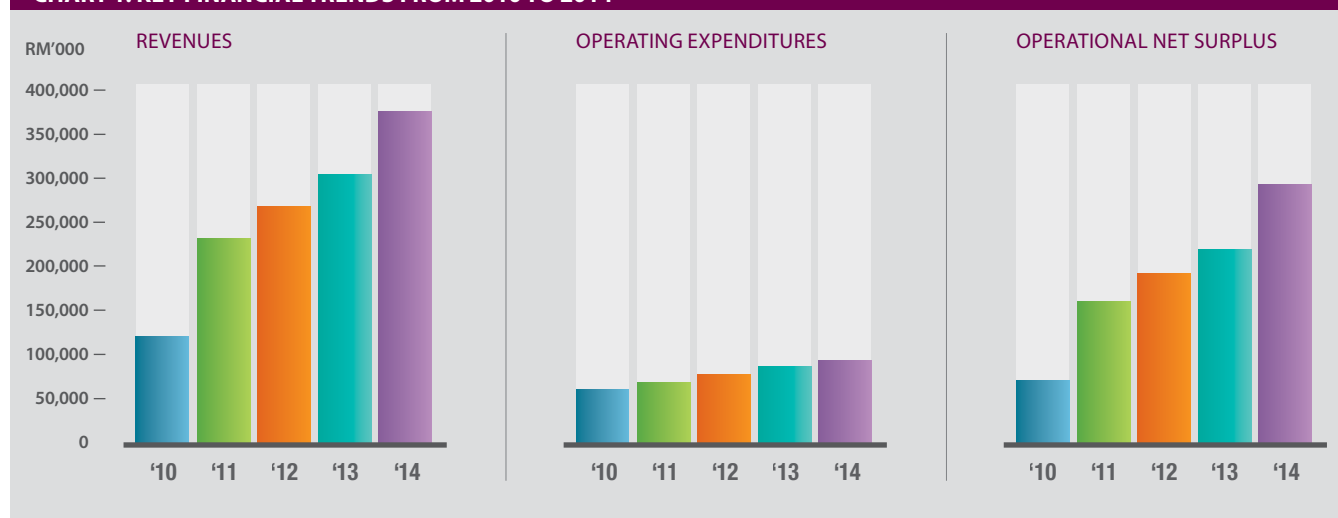
As at 31 December 2014, we contracted RM18.9 million for capital expenditures, which represents 70.5% of the RM26.8 million budgeted for capital expenditures in 2014. The positive variance of 29.5% was primarily due to the deferment of several IT systems development as well as cost savings from the development and upgrading of several operational systems. Refer to page 90 for further details.

The balances of the Funds by the respective systems as at the end of the financial years 2013 and 2014 are as follows:

Funds by System	2014	2013	Variance	
	RM'000	RM'000	Year-on-Year RM'000	%
Deposit Insurance Funds	973,123	768,355	204,768	27
Takaful and Insurance Benefits Protection Funds	1,234,180	1,148,157	86,023	7
Total	2,207,303	1,916,512	290,791	15

The surplus held in the Deposit Insurance Funds (DIFs) and the Takaful and Insurance Benefits Protection Funds (TIPFs) are to be used to cover any losses that may arise from providing protection to depositors as well as takaful certificate and insurance policy owners.

CHART 1: KEY FINANCIAL TRENDS FROM 2010 TO 2014



Financial Overview

REVENUES

Premium Revenues - Deposit Insurance System

The annual premiums paid by member banks are calculated based on the Total Insured Deposits (TID) as at 31 December of the preceding assessment year and the applicable premium rates. For the assessment year 2014, total premiums collected from member banks amounted to RM239.7 million, an increase of RM59.4 million or 32.9% compared to the previous year. The higher premiums collected was in line with the revised premium rates applicable for assessment year 2014. Growth in member banks' deposits has also contributed to the increase in the TID.

The premiums collected for the Conventional Deposit Insurance Fund amounted to RM199.3 million, an increase of 31.6% from RM151.5 million in the previous year. For the Islamic Deposit Insurance Fund, the premiums collected rose by 40.3% to RM40.4 million from RM28.8 million in the previous year.

CHART 2: TREND OF TID FROM ASSESSMENT YEARS 2010 TO 2014

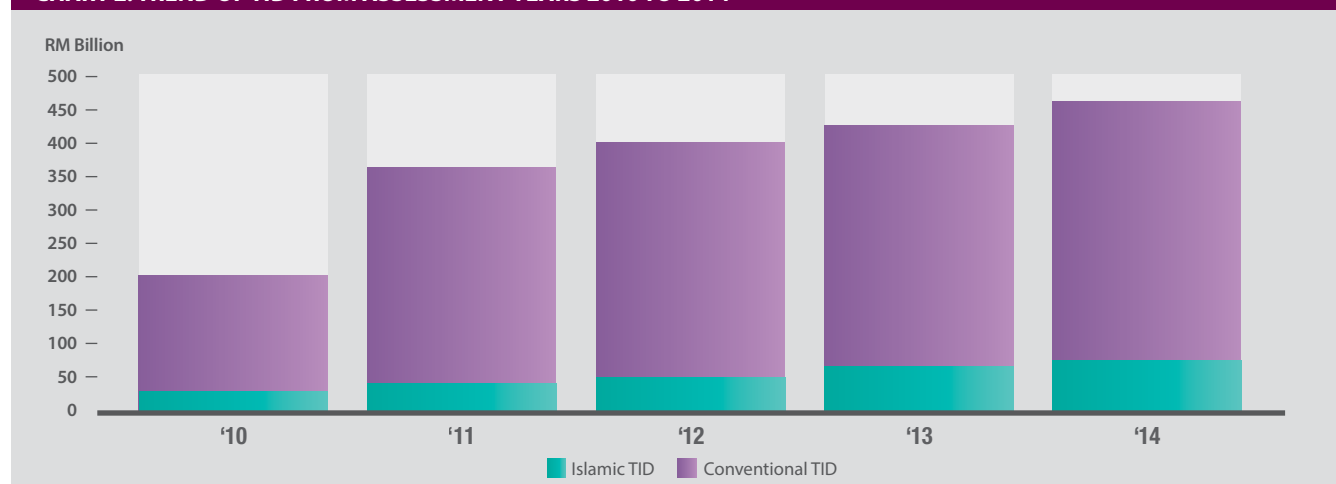
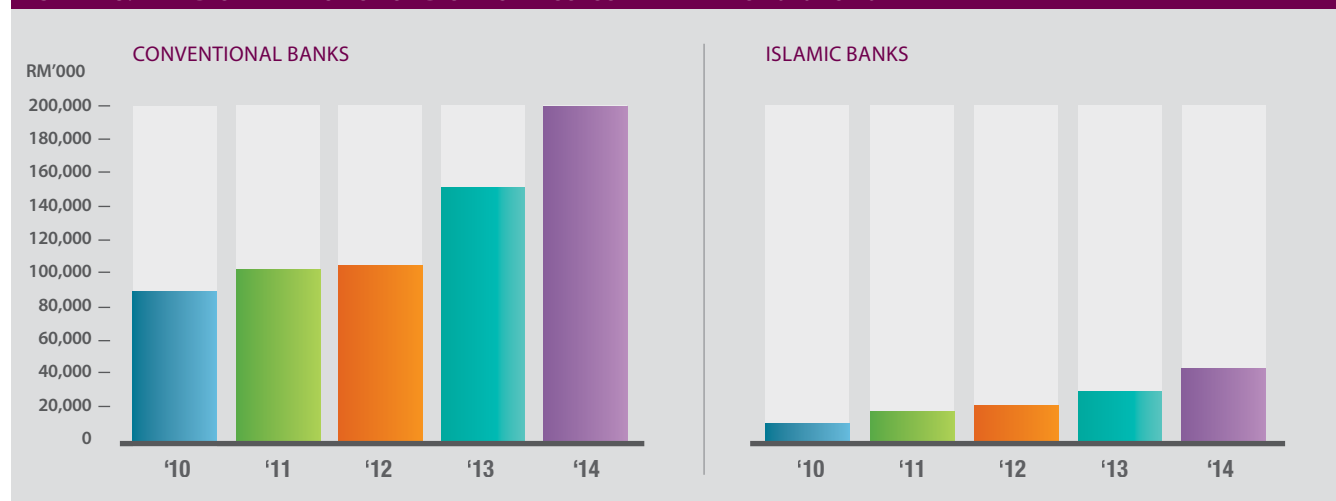


CHART 3: TREND OF PREMIUMS FOR DIS FROM ASSESSMENT YEARS 2010 TO 2014



Financial Overview

For the assessment year 2015, we are expecting premiums collection of RM297.5 million for DIS. The increase in premiums will be driven by the revised premium rates applicable for the assessment year, coupled with the expected moderate growth in TID.

For the assessment year 2014, TID stood at RM461.8 billion compared to RM433.3 billion in the previous assessment year. The growth in TID of RM28.5 billion or 6.6% was due to favourable deposits growth trend of member banks in 2013. TID for the conventional banking business increased by RM20.8 billion or 5.5% and stood at RM396.2 billion as at the end of December 2013. For the Islamic banking business, TID totalled RM65.6 billion compared to RM57.9 billion in the previous year, an increase of RM7.7 billion or 13.3%.

Premium rates applicable to member banks are prescribed in the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in Respect of Deposit-Taking Members) (Amendment) Order 2012, which took effect from assessment year 2013. Table 1 depicts the annual premium rates and minimum amount of annual premiums that are applicable for the respective premium categories.

TABLE 1: DPS PREMIUM CATEGORIES, REVISED ANNUAL PREMIUM RATES AND MINIMUM AMOUNT OF ANNUAL PREMIUM FROM ASSESSMENT YEAR 2013 ONWARDS

Premium Category	Revised Annual Premium Rates			Minimum Amount of Annual Premium (RM)
	2013	2014	2015 Onwards	
1	0.04%	0.05%	0.06%	100,000
2	0.08%	0.10%	0.12%	200,000
3	0.16%	0.20%	0.24%	400,000
4	0.32%	0.40%	0.48%	800,000

Since 2008, the determination of the member banks' premium rates has been based on the premium categories specified under the DPS, whereby member banks with lower risk profiles are placed in better premium categories compared to member banks with higher risk profiles. The DPS is aimed at providing fairness in the premium assessment process as well as to incentivise member banks to enhance their risk management practices and minimise excessive risk taking. The DPS is continuously reviewed to ensure that the existing criteria and indicators used are current and relevant given the changes and developments in the operating environment and regulatory requirements. Beginning assessment year 2015, member banks will be assessed based on the revised DPS framework.

Premium Revenues - Takaful and Insurance Benefits Protection System

Similar to the DPS for member banks, the DLS aims to introduce fairness into the premium assessment process as well as provide greater incentives for insurer members to enhance their risk management practices and minimise excessive risk taking. The DLS differentiates insurer members according to their risk profiles and classifies them into four premium categories. Lower risk insurer members pay lower premiums than those in higher risk categories. Table 2 lists the premium categories with the corresponding premium rates and the minimum annual premium payable.

TABLE 2: BUSINESS TYPES, TIPS PREMIUM RATES AND MINIMUM AMOUNT OF ANNUAL PREMIUM

Premium Category	Premium Rates for Life Insurance Business	Premium Rates for General Insurance Business	Minimum Amount of Annual Premium (RM)
1	0.025%	0.05%	75,000
2	0.05%	0.10%	150,000
3	0.10%	0.20%	300,000
4	0.20%	0.40%	600,000

Financial Overview

The DLS framework is currently not applicable to takaful operators. Hence, takaful operators will continue to apply the flat rate system in the calculation of the premium payable subject to the minimum annual premium prescribed in Table 3.

TABLE 3: BUSINESS TYPES, TIPS PREMIUM RATES AND MINIMUM AMOUNT OF ANNUAL PREMIUM

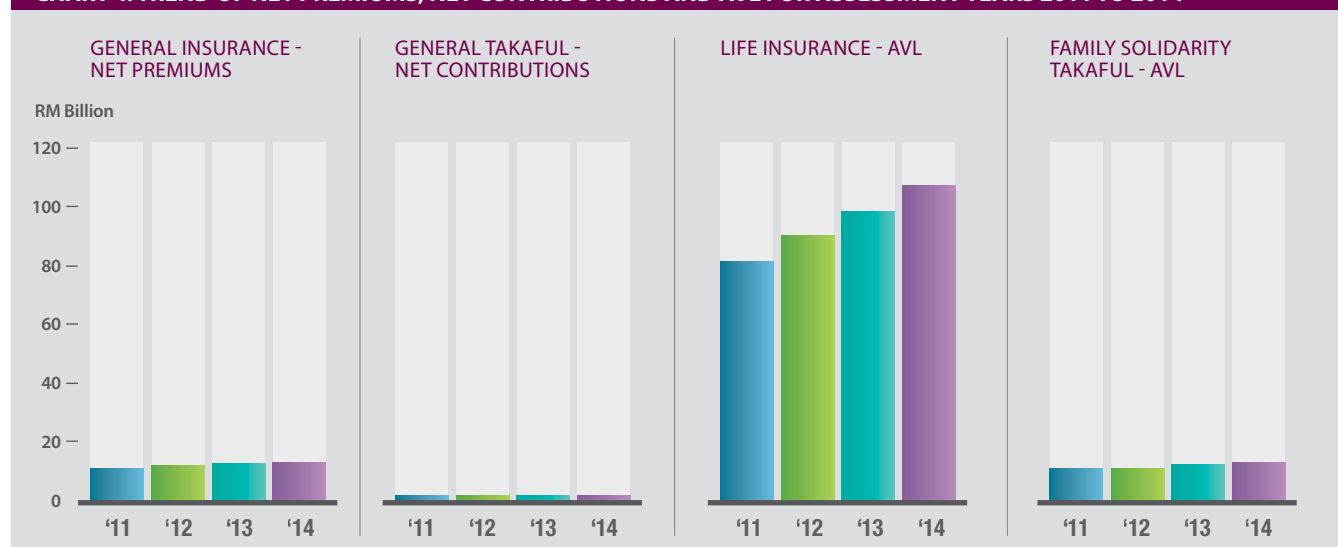
Business Types	Flat Premium Rates	Minimum Amount of Annual Premium (RM)
Family Solidarity Takaful	0.06%	150,000
General Takaful	0.25%	150,000

The DLS framework for takaful operators is planned for implementation from assessment year 2016 onwards. On 15 December 2014, we have issued a consultation paper to seek views from the public, in particular the takaful operators on the proposed DLS framework for takaful operators.

The annual premiums payable by insurer members are derived based on the applicable premium rates (refer to Table 2 and Table 3) and total actuarial valuation liabilities (AVL) of qualified certificates or policies¹ as at 31 December of the preceding assessment year for family solidarity takaful or life insurance businesses, and total net contributions or net premiums of qualified certificates or policies received during the preceding assessment year for general takaful or general insurance businesses.

For the assessment year 2013, PIDM authorised a transitional arrangement whereby insurer members had benefited from a one-time 10% transitional adjustment. With the DLS in full force in assessment year 2014, total premiums collected from insurer members increased to RM71.3 million, from RM64.8 million in the previous year. Additionally, the consistent growth in AVL and net premiums or contributions, which formed the basis for premiums computation, also contributed to the increase in total premiums collected.

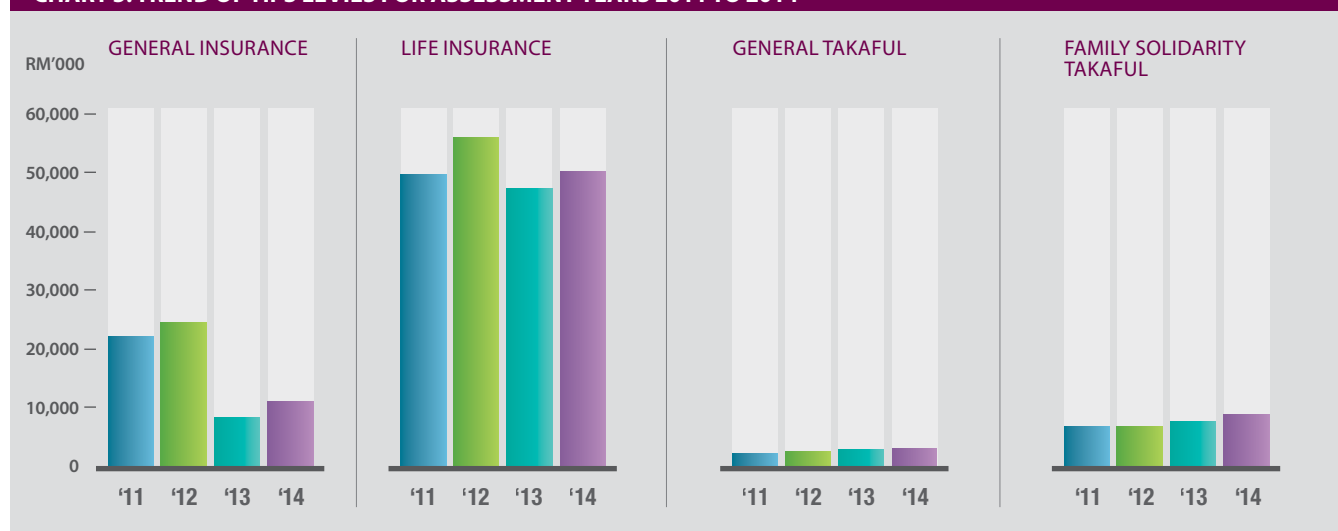
With the expectation of continuing improvements in the insurer members' DLS premium categories, we are budgeting total premiums of RM66.9 million for the assessment year 2015.

CHART 4: TREND OF NET PREMIUMS, NET CONTRIBUTIONS AND AVL FOR ASSESSMENT YEARS 2011 TO 2014

¹ Qualified certificates or policies refer to certificates or policies that contain part or all of those benefits protected under TIPS, as prescribed in Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2011, Malaysia Deposit Insurance Corporation (Protected Benefits Limit) Order 2011, and Guidelines on Takaful And Insurance Benefits Protection System: Submission of Returns on Calculation of Premiums for Takaful and Insurance Businesses (2011)

Financial Overview

CHART 5: TREND OF TIPS LEVIES FOR ASSESSMENT YEARS 2011 TO 2014

**Investment-Related Revenues**

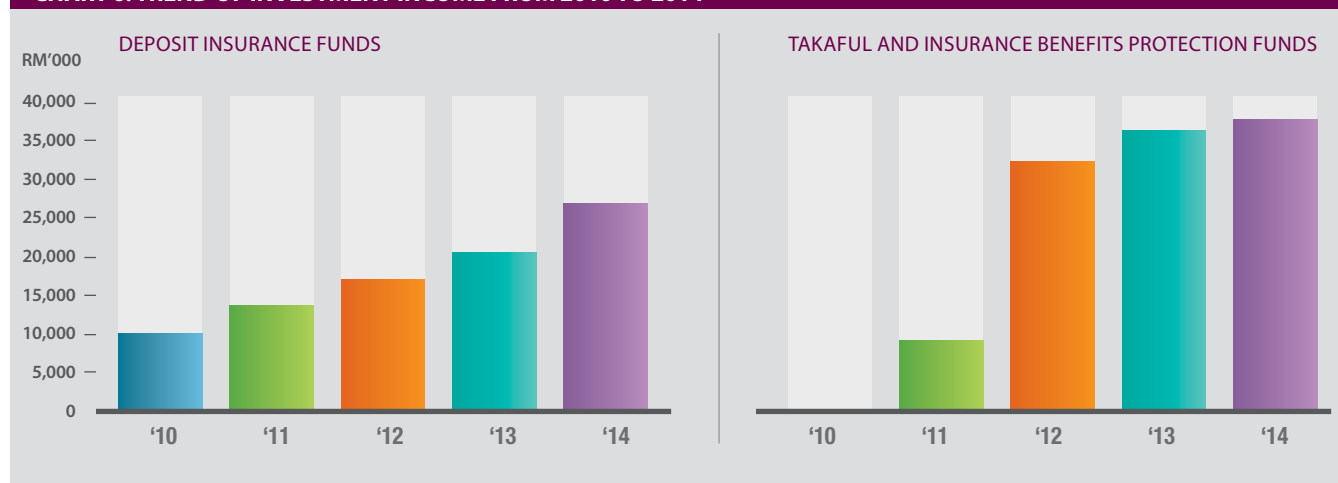
PIDM operates within guidelines that are approved by the Board of Directors as well as the approved policies relating to the management of financial risks, i.e. liquidity, market and credit risks. Our Investment Policy allows investments in short-term and medium-term Ringgit Malaysia-denominated Government and BNM securities or securities of high investment grade issued by Government-related entities, which are Government guaranteed or with a minimum rating of AAA, of varying maturities. It is a policy that our investments are held-to-maturity.

In relation to the day-to-day operational cash management, we continue to invest in short-term Ringgit Malaysia-denominated securities issued by the Government or BNM as well as placements of excess operational funds in short-term money market deposits.

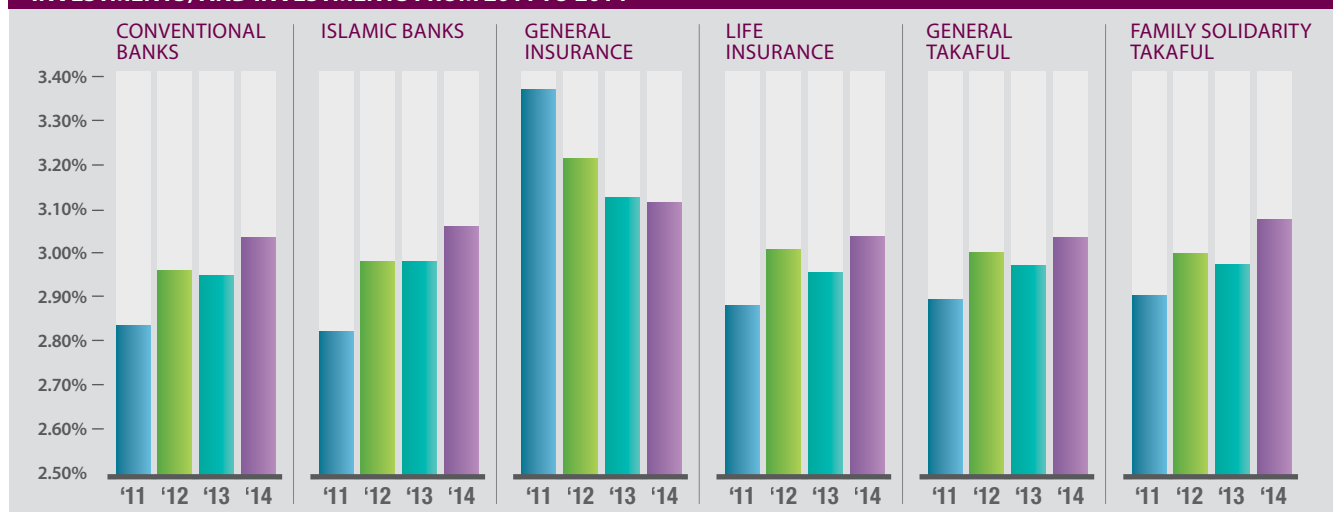
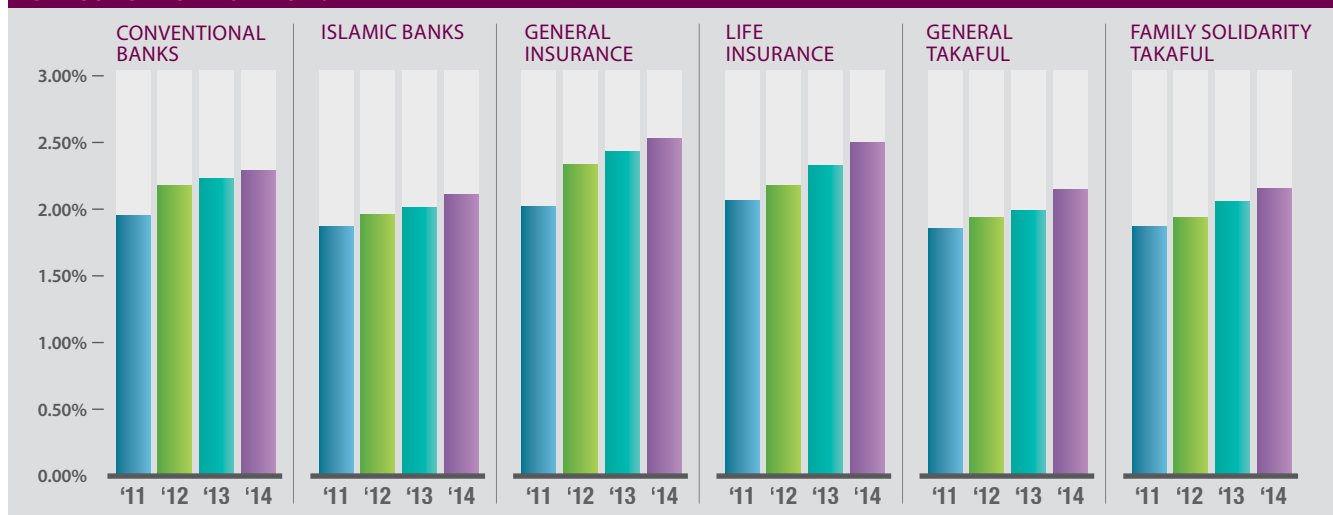
Our investment portfolio also consists of investment securities, which were part of the former Insurance Guarantee Scheme Funds (IGSF) portfolio previously managed by BNM that was transferred to PIDM on 30 September 2011. In 2011, specific approval from the Board was obtained to exempt certain investment securities, namely, Government Securities with long-term tenures and high grade Private Debt Securities (PDS) of Government-Linked Companies (GLCs), from complying with the approved Investment Policy. These investment securities are being held to their relevant maturities.

Our investment income for 2014 of RM63.7 million (DIFs: RM26.2 million, TIPFs: RM37.5 million) was higher than budget due to the increase in the base of investable funds and upward trend in investment yield observed during the year. The Weighted Average Effective Yield Rates (WAEYR) for other cash equivalents and investments as well as placements in short-term money market deposits were 2.96% (2013: 2.85%) and 3.08% (2013: 3.05%) for DIFs and TIPFs respectively. Details of the WAEYR by the type of portfolio as well as by the respective Funds are presented in Note 12(c) to the financial statements.

CHART 6: TREND OF INVESTMENT INCOME FROM 2010 TO 2014



Financial Overview

CHART 7: TREND OF WEIGHTED AVERAGE EFFECTIVE YIELD RATES FOR OTHER CASH EQUIVALENTS (SHORT-TERM INVESTMENTS) AND INVESTMENTS FROM 2011 TO 2014**CHART 8: TREND OF WEIGHTED AVERAGE EFFECTIVE YIELD RATES FOR PLACEMENTS IN SHORT-TERM MONEY MARKET DEPOSITS FROM 2011 TO 2014****OPERATING EXPENDITURES**

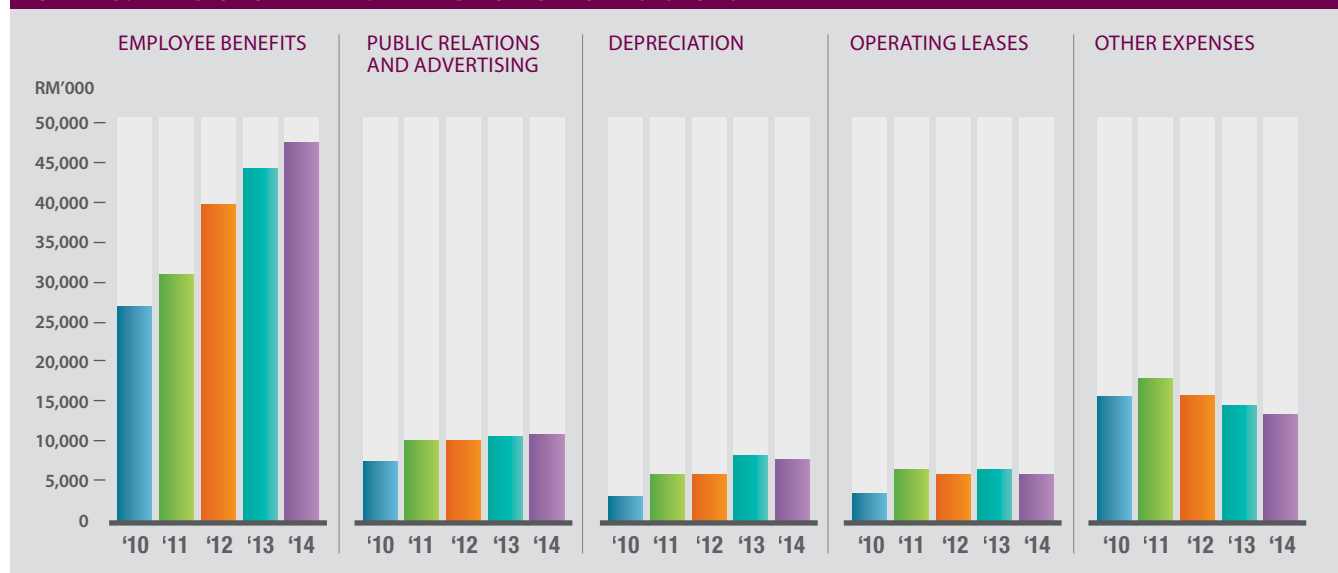
Our operating expenditures for 2014 totalled RM83.9 million, an increase of RM1.8 million or 2.2% from RM82.1 million in 2013. The increase in expenditures year-on-year was directly related to our efforts to enhance our operations in both DIS and TIPS. The operating expenditures were RM17.1 million or 16.9% below budget. The positive variance against budget was mainly due to lower employee benefits expenses as well as lower expenditures incurred for professional and consultancy fees, communications-related expenses, depreciation, travelling, training and development, cost of hosting of international events and scholarship programme.

Our approach to budgeting for operating expenditures is to use it as a plan and it is not our objective, as an end game, to expend the approved operating budget fully. During the year, we necessarily make expenditure decisions based on updated information and other operational developments. The trend of our operating expenditures is expected to increase moderately over the next three years.

Financial Overview

The following chart depicts the trend of our operating expenditures for the past five years.

CHART 9: TREND OF OPERATING EXPENDITURES FROM 2010 TO 2014

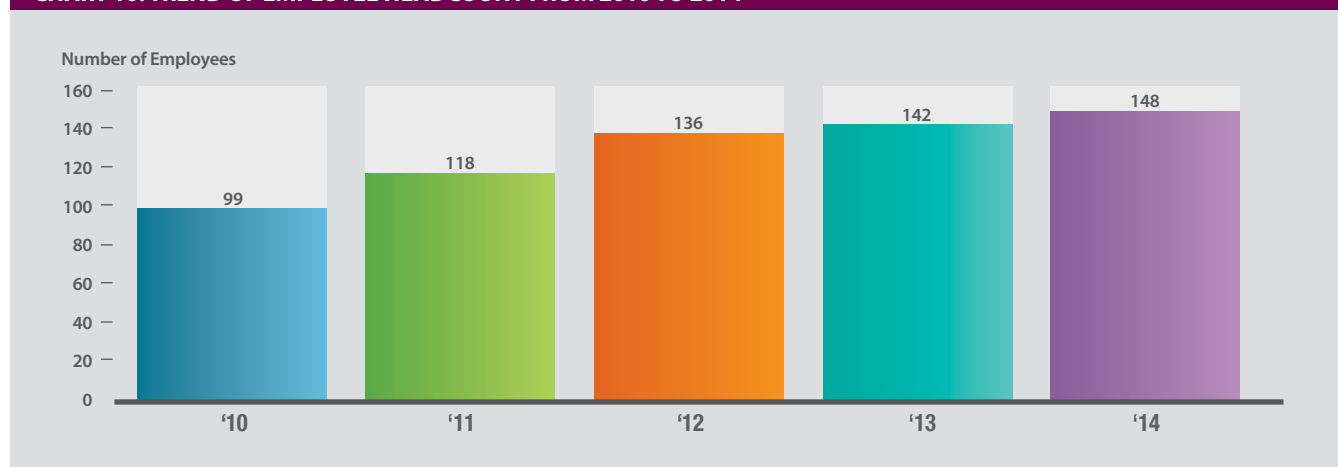


Employee Benefits

Our employees are our most important asset. During the year, we continued to focus on the development and retention of skills and expertise for the purpose of succession planning and to support PIDM's strategic and operational capacity. It is our strategy to provide competitive compensation that is benchmarked to the general market, to attract and retain talent.

PIDM continues to grow and develop its employees' capabilities and competencies through various efforts to support its operational readiness and ensure sustainability over the long term. Employees' competencies are being enhanced through the provision of relevant learning and development initiatives and knowledge transfer as well as through collaboration with local and international subject matter experts. As part of the succession planning efforts to develop bench strength for key Management and critical positions, potential successors have been identified and are being developed to assume critical roles when the need arises with an emphasis on building a stronger and highly capable leadership team. Job rotational opportunities have also been initiated for employees in specific roles and for those who possess the required skills and potential.

CHART 10: TREND OF EMPLOYEE HEADCOUNT FROM 2010 TO 2014



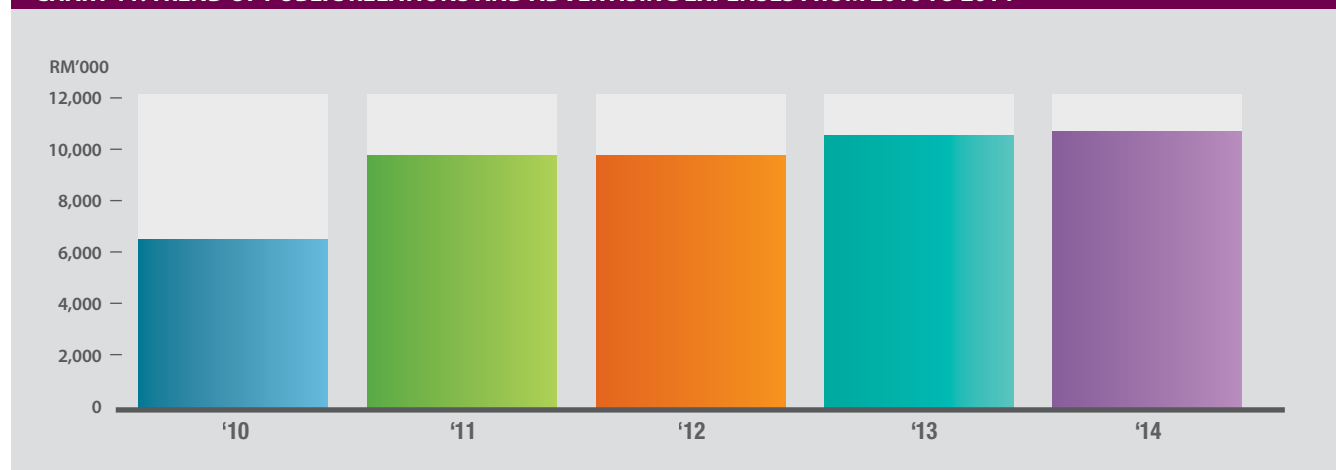
A total of RM47.6 million has been incurred for employee benefits and compensation in 2014 (2013: RM44.2 million) representing a 7.7% increase from the previous year. The higher employee-related expenditures was primarily due to the increase in the resources required for key areas to ensure operational effectiveness and readiness as well as succession management. The increase in employee benefits expenses year-on-year was also due to the full impact of new hires in the second half of 2013 which has now been fully reflected in 2014.

Financial Overview

Favourable variance of RM7.2 million or 13.1% lower than budget for employee benefits expenses was mainly due to lower overall market adjustment of employees' basic salaries as well as lower number of headcount at the end of the year due to timing of new employees hired as compared to plan.

Public Relations and Advertising

CHART 11: TREND OF PUBLIC RELATIONS AND ADVERTISING EXPENSES FROM 2010 TO 2014



Communications and public awareness initiatives continue to be an important part of the Corporation's operations towards educating and building understanding of PIDM, DIS and TIPS. Public relations and advertising expenses for 2014 totalled RM10.5 million, which was 1% higher than the previous year, but 14% lower than budget. The public relations and advertising budget for 2014 continued to focus on the implementation of key communications initiatives under PIDM's multi-year ICP, namely advertising campaigns and public relations activities including briefings and roadshows, media engagements and our education programme.

The majority of the costs incurred on public relations and advertising during the year were related to our advertising campaigns as well as the education programme. Advertising continued to anchor our communications initiatives to reinforce key messages about the features and benefits of DIS and TIPS among our target audiences. During the year, the cost incurred for our advertising campaigns amounted to RM7.6 million, a slight increase of 2.7% (2013: RM7.4 million) from the previous year.

We continued to implement the PIDM Project MoneySmart education programme in 2014 and introduced the "Snap or Draw, Upload and Win" as well as a quiz competition while continuing with the Online Game and School Challenge for secondary schools. We also continued with the Campus Challenge for tertiary level students. To date, our education programme has directly benefited approximately one million students and 4,000 teachers from 2,239 schools and 150 institutions of higher learning.

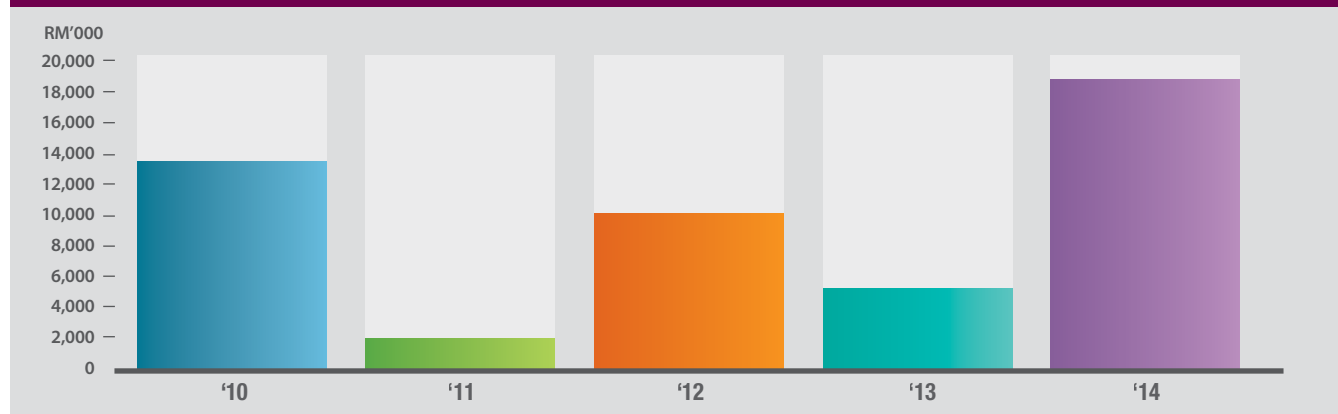
PIDM will continue with the implementation of the ICP initiatives for 2015 aimed at strengthening understanding of DIS and TIPS and promoting confidence in the role of PIDM, contributing to financial awareness and literacy, particularly among the younger generation, as well as enhancing engagement with member institutions and the Corporation's strategic partners. Refer to Section 7 for further details on the Corporation's public awareness initiatives.

Financial Overview

Capital Expenditures and Depreciation

We continued to build a strong and effective operational infrastructure, in particular our IT systems. In 2014, we continued our focus on enhancing and developing our core IT systems as well as the development of our permanent DRC.

CHART 12: TREND OF CAPITAL EXPENDITURES FROM 2010 TO 2014

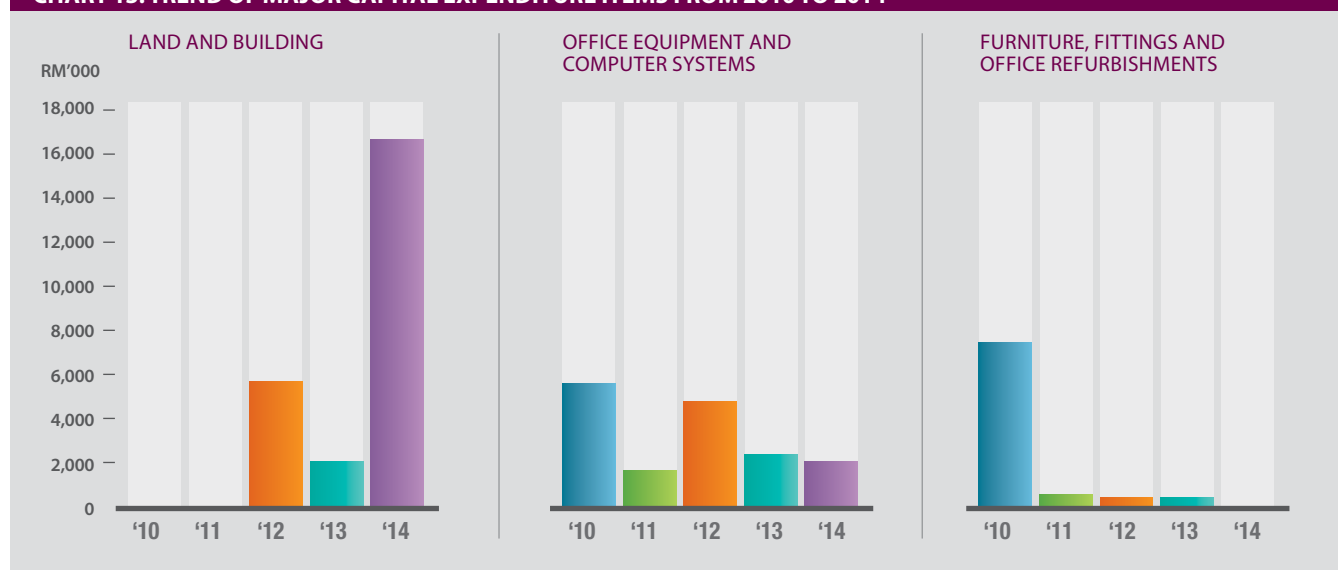


As at 31 December 2014, we contracted RM18.9 million for capital expenditures, which represents 70.5% of the RM26.8 million budgeted for capital expenditures in 2014. The positive variance is mainly due to the following:

- deferment in engaging a vendor to develop the Premium Reimbursement and Claims Management System as the industry's views and ability to provide the required data and to meet the Corporation's requirements under the regulations on protected benefits prior to the development of the system need to be sought;
- to internally enhance the existing simplified model, detailing all information requirements and the relationship between the information prior to engaging an external consultant to develop the Evaluation Model for DIS and TIPS; and
- cost savings on the development and upgrading of several operational systems.

As at the end of 2014, the construction of the DRC has reached 11% completion and the overall project is expected to be completed on schedule in 2016.

CHART 13: TREND OF MAJOR CAPITAL EXPENDITURE ITEMS FROM 2010 TO 2014

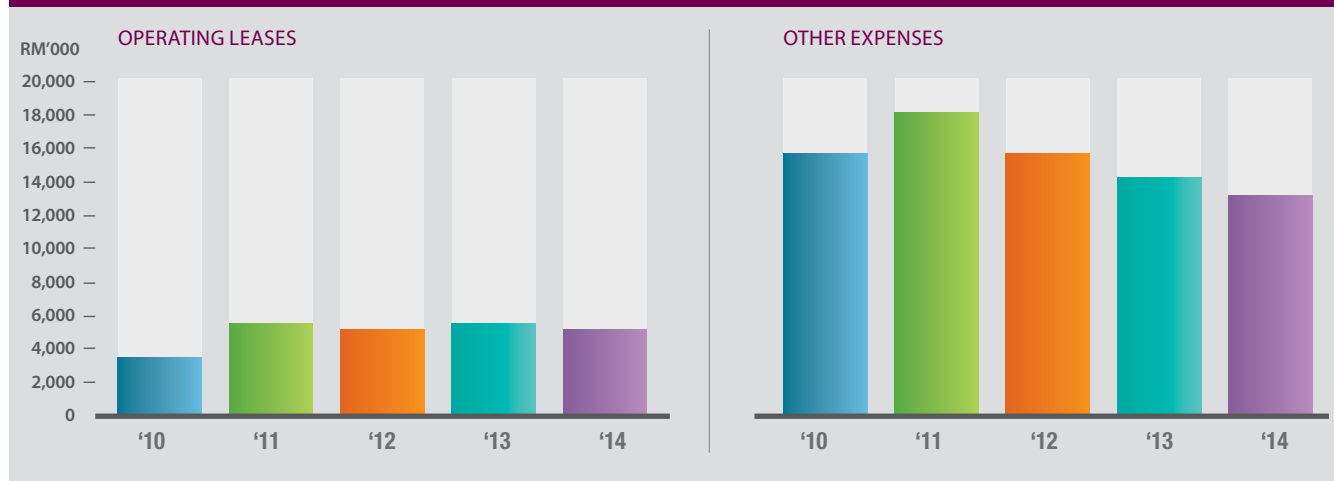
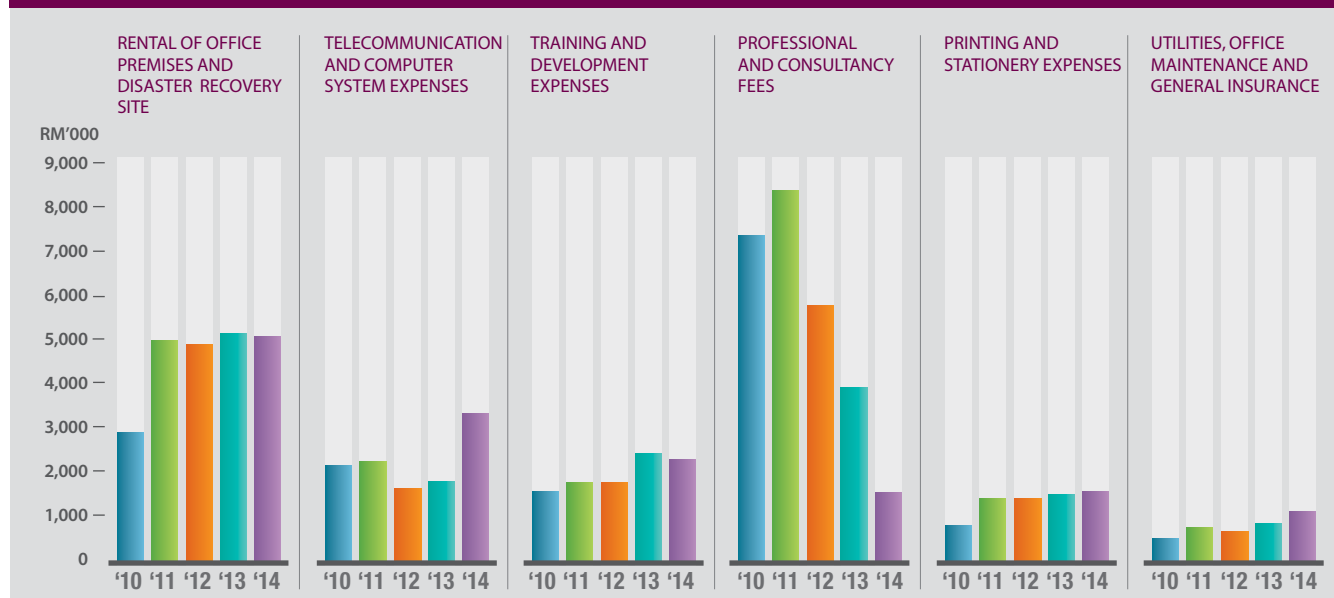


Depreciation expenses for the year amounted to RM7.1 million, which was 6.6% lower than the previous year and 11.3% lower than budget. This was mainly attributable to a decrease in depreciable assets, the timing of the capitalisation of IT systems during the year and the deferment of IT initiatives planned in 2014 to 2015.

Financial Overview

Operating Leases and Other Expenses

These categories of expenses relate to our general and administration expenses, such as rental of office premises, professional and consultancy fees, training and development, travelling, printing and stationery and telecommunications costs.

CHART 14: TREND OF OPERATING LEASES AND OTHER EXPENSES FROM 2010 TO 2014**CHART 15: TREND OF MAJOR ITEMS WITHIN OPERATING LEASES AND OTHER EXPENSES FROM 2010 TO 2014**

The operating leases of RM5.3 million relate mainly to the rental of our office premises, rental of space for our current Disaster Recovery Site and leases for office equipment. The slight decrease in operating leases from the previous year was due to lower rental costs for general storage facilities. The operating lease expenses were also below budget.

Other expenses decreased by 6.3% from RM14.3 million in 2013 to RM13.4 million in 2014, mainly due to lower expenses incurred on the engagement of consultants for the development of IFR-related framework, IFR simulations and engagement of legal advisors. The other expenses were below budget by RM7 million or 34.3% primarily due to the timing of and savings on several key activities, particularly on the engagement of consultants for IFR-related work as well as legal advice, travelling, training and development, hosting of international events as well as printing and stationery expenses.

Financial Overview

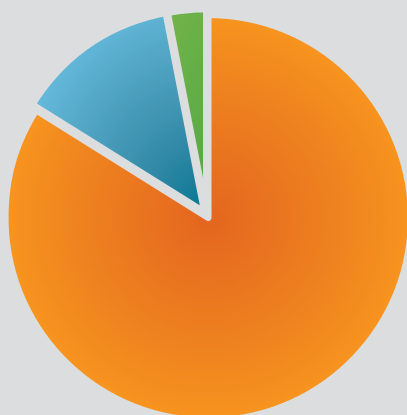
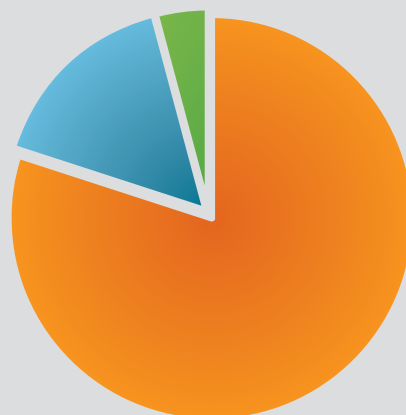
Value Added Statement

Value added is a measure of funds created by PIDM from its operations. The Value Added Statement indicates the total monetary value of the funds created during the financial year and its allocation to key stakeholders: (i) our internal stakeholders, i.e. our employees; (ii) the public via public relations and advertising initiatives; and (iii) the funds retained in the respective Funds for the protection of our member institutions.

	2014 RM'000	2013 RM'000
Value Added		
Premium revenues*	310,998	245,100
Investment income*	63,732	56,142
Operating expenditures excluding employee benefits expenses, public relations and advertising expenses as well as depreciation*	(18,668)	(19,876)
Realised losses from divestment of investment securities*	-	(650)
Value added available to be allocated	356,062	280,716
Distribution of Value Added		
To employees:		
Employee benefits expenses*	47,623	44,185
To public:		
Public relations and advertising expenses*	10,505	10,406
Retain in PIDM:		
Depreciation*	7,143	7,590
Funds		
- Conventional Deposit Insurance Fund	170,322	127,126
- Islamic Deposit Insurance Fund	34,446	24,152
- General Insurance Protection Fund	40,779	30,269
- Life Insurance Protection Fund	37,320	29,894
- General Takaful Protection Fund	2,560	2,391
- Family Solidarity Takaful Protection Fund	5,364	4,703
Total allocated to Funds	290,791	218,535
Total allocated	356,062	280,716

* Please refer to Note 20 to the Financial Statements for the breakdown of the revenues and expenses allocated to the respective Funds

Financial Overview

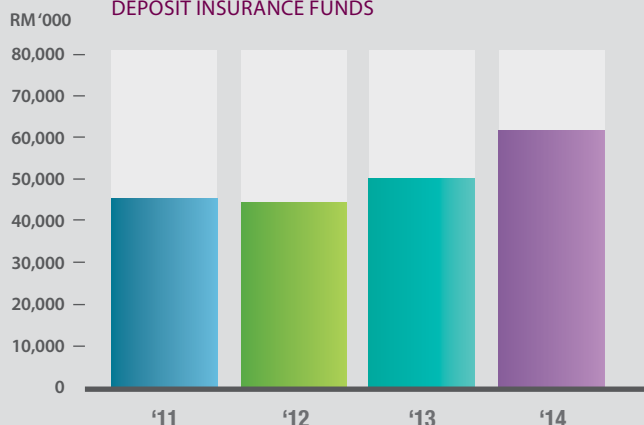
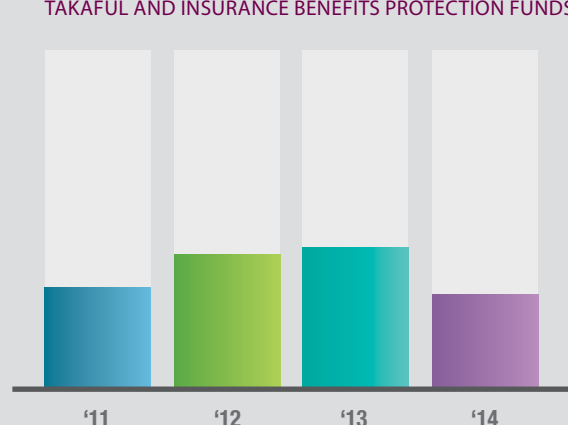
CHART 16: ALLOCATION OF VALUE ADDED FOR 2014 AND 2013**2014****RETAIN IN PIDM**
84%**EMPLOYEES**
13%**PUBLIC**
3%**2013****RETAIN IN PIDM**
80%**EMPLOYEES**
16%**PUBLIC**
4%

The premium revenues and investment income are primarily attributed towards the accumulation of the Funds, net of the operating expenditures of PIDM. As the funds for reinvestment for each of the respective Funds increase year-on-year, the investment income attributable to the respective Funds will also increase. This in turn will result in the funds allocation to the Funds to increase whilst the allocation to employees to decrease, over time. In the future, it is expected that the investment income will be sufficient to cover the overall operating expenditures, and thus all of the premiums collected from member institutions will be solely attributed towards the accumulation of the Funds.

Segment Information

In administering DIS and TIPS, we maintain six distinct and separate Funds for each of the business segments for which we provide financial consumer protection. There is no commingling of funds between the six separate Funds to ensure no cross subsidisation between the business segments as well as to ensure compliance with Shariah requirements for the Islamic Deposit Insurance Fund as well as the Takaful Protection Funds.

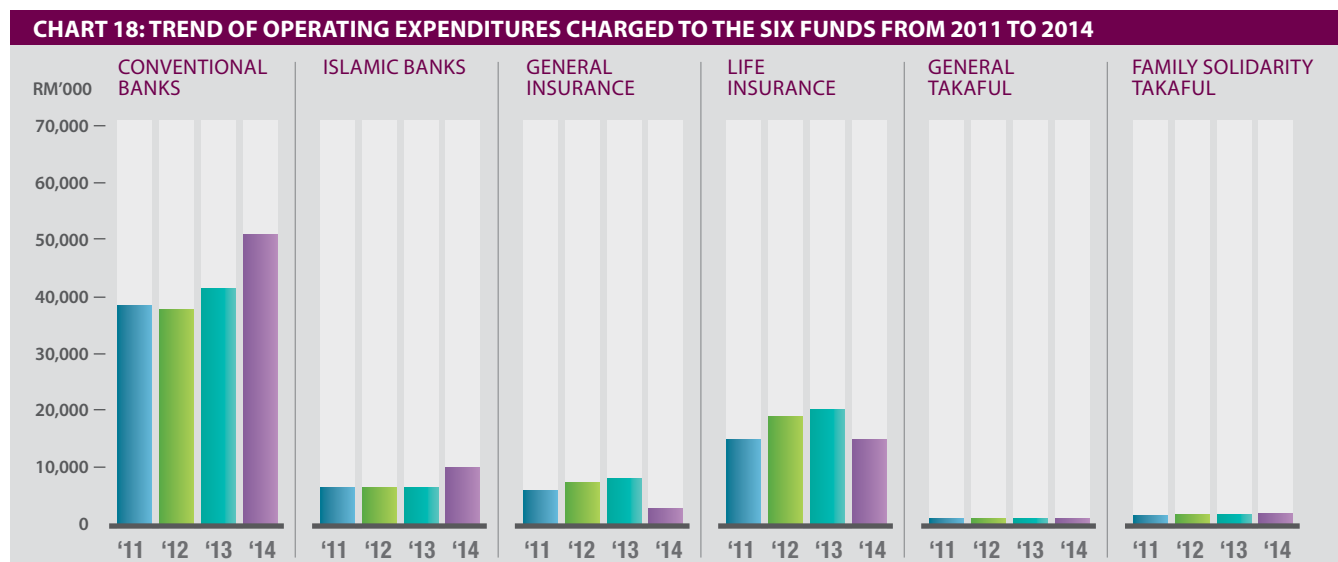
The crediting and charging of our revenues and expenditures is made in accordance with the provisions in the PIDM Act. All revenues are attributed directly to the specific Fund or Funds to which it relates. On the other hand, expenditures are charged to the respective Funds in accordance with the requirements of the Malaysia Deposit Insurance Corporation (Allocation of Expenses, Costs or Losses) Order 2011 (Costs Allocation Order). The Costs Allocation Order requires direct expenditures to be charged directly to the respective Fund or Funds whilst indirect expenditures are charged either to DIFs or TIPFs or allocated across all the six Funds, based on premiums received in the previous year. Note 2.2(f) of the financial statements details out the basis and percentages allocated to indirect expenditures to the respective Funds in accordance with the Costs Allocation Order.

CHART 17: TREND OF OPERATING EXPENDITURES CHARGED TO DIFs AND TIPFs FROM 2011 TO 2014**DEPOSIT INSURANCE FUNDS****TAKAFUL AND INSURANCE BENEFITS PROTECTION FUNDS**

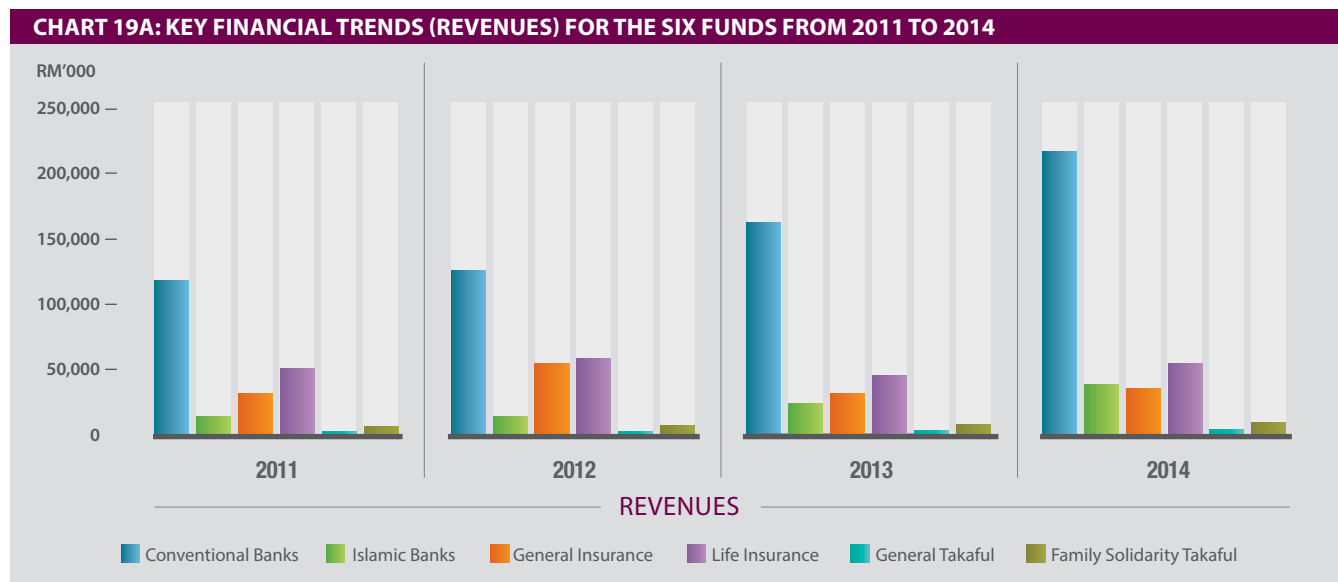
Financial Overview

The significant change in the allocation of operating expenditures between DIFs and TIPFs during the year was due to higher premiums collected for DIS as a result of the revision to the premium rates beginning assessment year 2013, as well as the lower premium collected particularly from conventional insurer members arising from the implementation of the DLS in 2013.

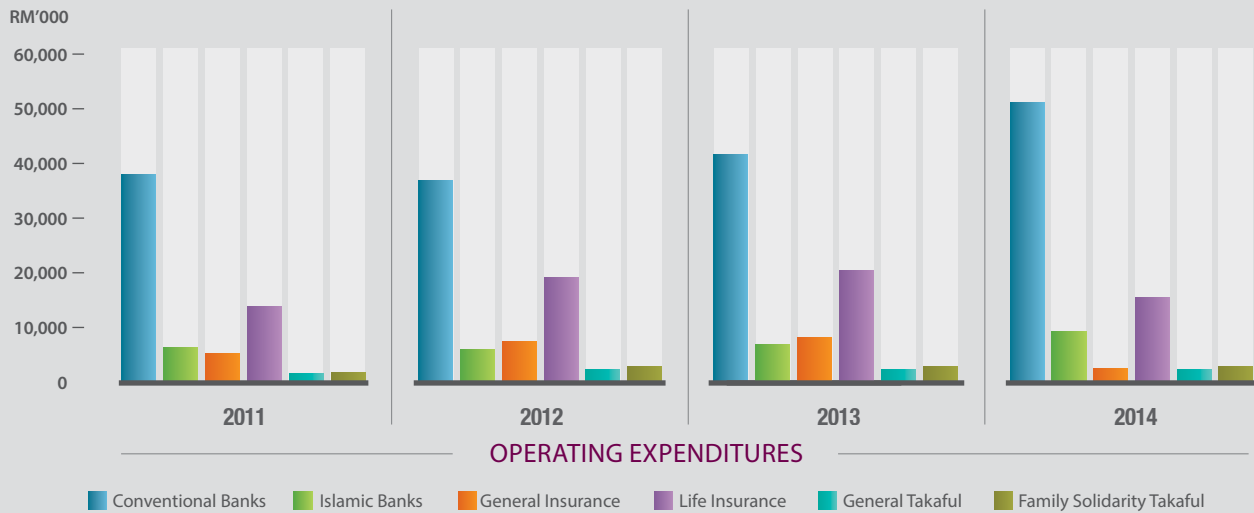
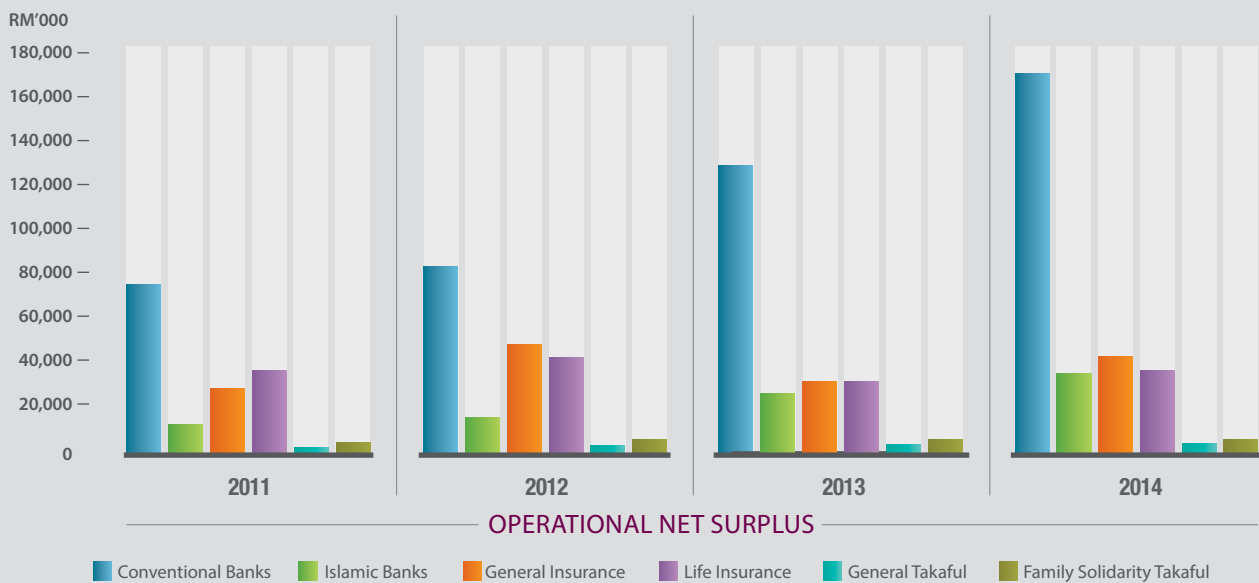
From the perspective of the six Funds, the share of total operating expenditures of the respective Funds for 2014 is described in Chart 18 below.



We continued to direct our efforts to enhance our capacity and capabilities to ensure operational readiness for both DIS and TIPS. This includes enhancing our IT systems and infrastructure as well as our operational processes, policies and procedures, particularly for our intervention and failure resolution as well as insurance, risk assessment and monitoring functions.

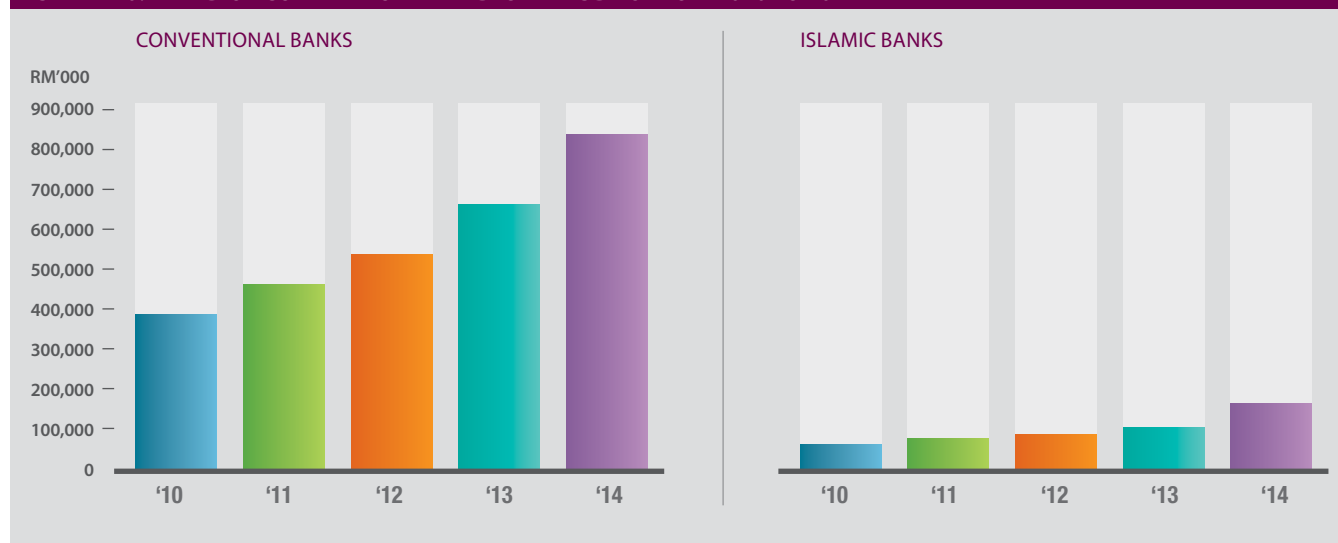


Financial Overview

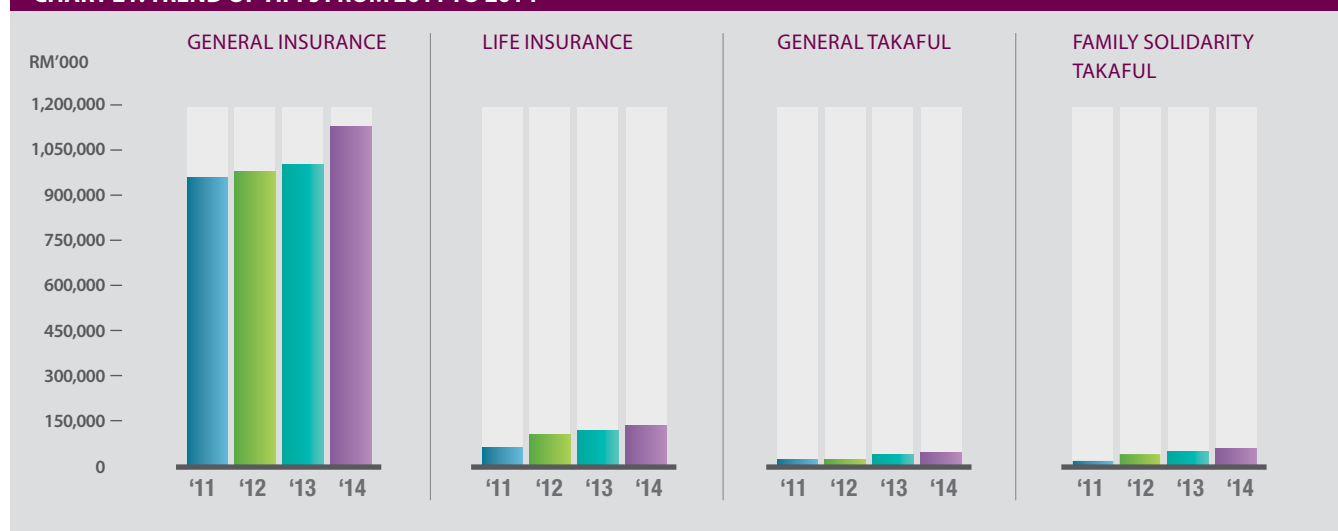
CHART 19B: KEY FINANCIAL TRENDS (OPERATING EXPENDITURES) FOR THE SIX FUNDS FROM 2011 TO 2014**CHART 19C: KEY FINANCIAL TRENDS (OPERATIONAL NET SURPLUS) FOR THE SIX FUNDS FROM 2011 TO 2014**

Charts 19A, 19B and 19C provide a snapshot of the key financial trends pertaining to all six Funds from 2011 to 2014. Details of the financial position as well as the financial performance of the six Funds are available in Note 20 of the financial statements.

Financial Overview

CHART 20: TREND OF CONVENTIONAL AND ISLAMIC DIFs FROM 2010 TO 2014

Total DIFs as at 31 December 2014 amounted to RM973.1 million, an increase of 26.7% from the previous year. Conventional DIF increased to RM831.3 million or by 25.8% whilst Islamic DIF increased to RM141.8 million or by 32.1%.

CHART 21: TREND OF TIPFs FROM 2011 TO 2014

Total TIPFs as at 31 December 2014 amounted to RM1.2 billion, an increase of 7.5% from the previous year. The General Insurance Protection Fund increased by 4% whilst the Life Insurance Protection Fund increased by 35.8%. The General Takaful Protection Fund and the Family Solidarity Takaful Protection Fund increased by 39.5% and 40.9% respectively. The significantly lower growth for the General Insurance Protection Fund compared to the other TIPFs was primarily due to its larger base of funds arising from the transfer of the former IGSP to PIDM in 2011.

Financial Overview

HIGHLIGHTS OF THE STATEMENT OF FINANCIAL POSITION

CHART 22: ASSET COMPOSITION AS AT 31 DECEMBER 2014

INVESTMENTS
98.1%

PROPERTY AND EQUIPMENT
0.8%

CASH AND CASH EQUIVALENTS
0.7%

OTHER ASSETS
0.4%

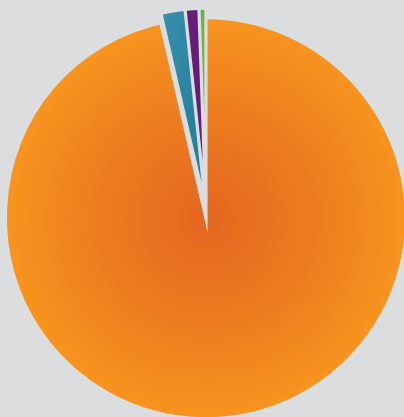
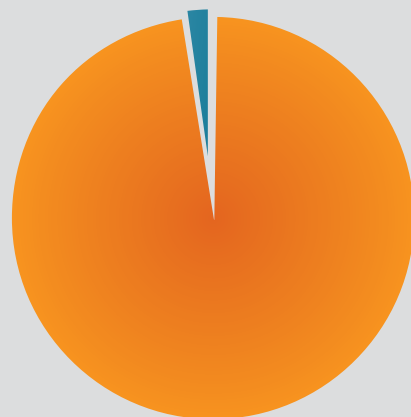


CHART 23: CLASSIFICATION OF CASH, CASH EQUIVALENTS AND INVESTMENTS AS AT 31 DECEMBER 2014

INVESTMENTS - RM2.2 BILLION,
99.3%

DEPOSITS WITH BNM AND CASH ON HAND AND AT BANK - RM15.3 MILLION,
0.7%

**Cash, Cash Equivalents and Investments as at 31 December 2014**

Our assets remain liquid with cash, cash equivalents and investments, which stood at RM2.2 billion, representing 98.8% of our total assets as at 31 December 2014.

As at 31 December 2014, our cash and cash equivalents (which include short-term investments of less than 90 days from the date of acquisition), deposits as well as cash on hand and in the bank totalled RM15.3 million (DIFs: RM12.1 million and TIPFs: RM3.2 million).

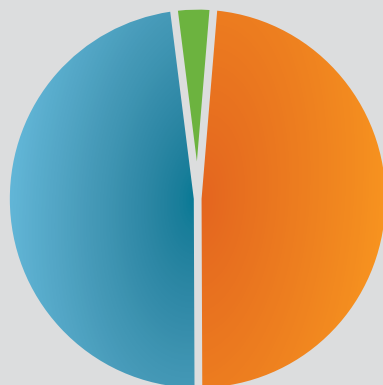
Our investments as at 31 December 2014 totalled RM2.2 billion, an increase of 15.8% compared to RM1.9 billion in 2013. All of these investments were classified as held-to-maturity investments and were stated in the financial statements at cost adjusted for accretion of discounts net of amortisation of premiums.

CHART 24: COMPOSITION OF INVESTMENT SECURITIES (INCLUDING CASH EQUIVALENTS) AS AT 31 DECEMBER 2014

MALAYSIAN GOVERNMENT SECURITIES AND INVESTMENT ISSUES - RM1,060.3 MILLION,
48.7%

BNM BILLS AND NEGOTIABLE NOTES - RM1,044.7 MILLION,
48.0%

PRIVATE DEBT SECURITIES - RM70.7 MILLION,
3.3%



All investments (except for investment securities from the former IGSF portfolio) were invested in accordance with the Board-approved Investment Policy. These investments, as at 31 December 2014, comprised BNM Bills and Negotiable Notes as well as Malaysian Government Securities and Investment Issues with short-term tenures ranging from 92 days to 361 days. The longest tenure for these investments is up to November 2015. As for the former IGSF portfolio, specific approval of the Board was obtained to retain all of the Government investment securities (including tenures exceeding 36 months) as well as PDS issued by GLCs. The longest tenure for the retained investment securities is until July 2021. Please refer to Note 21(b) to the financial statements for the breakdown of the investment portfolio (by Funds) and its tenure to maturity.

The sources and uses of cash and cash equivalents are described in the Statements of Cash Flows in Section 4 of this Annual Report. We have also prepared a Statement of Cash Flows using an indirect method, which is presented in Note 4(b) to the financial statements.

Financial Overview

Property and Equipment and Other Assets as at 31 December 2014

As at 31 December 2014, our property and equipment amounted to RM19.2 million (2013: RM17.2 million). The key additions to property and equipment in 2014 were attributed to the costs of developing the land for the construction of the DRC and the development of IT systems, particularly the Legal Knowledge Management System.

Other assets comprise deposits and prepayments, investment income receivables, other assets and other receivables amounting to RM8.5 million. The balance as at the end of the year was 4.3% lower than the previous year primarily due to the reduction in investment income receivable as the PDS in the former IGSF portfolio that matured during the year has been reinvested into BNM Bills and Negotiable Notes as well as Malaysian Government Securities and Investment Issues.

Investments in Subsidiaries as at 31 December 2014

We have incorporated five subsidiaries in 2012 as part of our efforts to ensure operational readiness for any intervention or failure resolution. These subsidiaries were established in accordance with section 10 of the PIDM Act, for the purposes of carrying out our functions, powers and duties. The subsidiaries incorporated include one asset management company and four bridge institutions (namely one conventional bank, one Islamic bank, one insurance company and one takaful operator). The subsidiaries were incorporated as part of our readiness plan in advance of any failure of a member institution, and hence will remain dormant until activated to carry out any necessary intervention and failure resolution activities. The names of the subsidiaries are as follows:

1. The Federal Asset Management Agency of Malaysia Berhad
2. The Federal Commercial Bank of Malaysia Berhad
3. The Federal Islamic Bank of Malaysia Berhad
4. The National PIDM Insurance Corporation of Malaysia Berhad
5. The Federal Takaful Corporation of Malaysia Berhad

The basis of accounting and details of the subsidiaries are further described in Note 2.2(b), Note 3.1(a) and Note 7 to the financial statements.

Liabilities as at 31 December 2014

Our liabilities include payables for utilities, communication services, IT systems, provision for unutilised leave as well as accruals for services rendered in respect of consultancy engagements and the supply of goods.

SOURCES OF FUNDS AND FINANCIAL ABILITIES

Funding Framework

As a statutory body, our sources of funding and future ability to meet our liabilities and commitments as they arise are established in the PIDM Act. It is imperative for PIDM to have adequate financial resources in order to effectively administer and operate a robust and sound DIS as well as TIPS. The availability of financial resources is critical to ensure that we are able to meet our obligations with a high degree of confidence as and when the need arises. As a financial consumer protection authority, we have an inherent exposure to losses resulting from protecting deposits held by member banks as well as takaful and insurance benefits provided by insurer members. During the year, there have been no events that would require PIDM to record a specific provision in our financial statements in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Our funding framework explicitly highlights the need for adequate financial resources to effectively carry out our mandate as well as to address the risks to which we are exposed. The main objectives of our funding framework are to (i) ensure the availability of sufficient financial resources to enable PIDM to fund its day-to-day operations; and (ii) accumulate reserves to ensure that we are able to meet future obligations to depositors as well as takaful certificate and insurance policy owners. The funding framework, which takes into consideration our role as one of the financial safety-net authorities as well as our legislative powers relating to sources of funding, also provides clear objectives for our internal and external sources of funding.

Internal Funding

Our internal funds are built through the accumulation of net surpluses from our operations. Annual net surplus is credited into and accumulated in the respective Funds as reserves to meet future obligations that may arise from providing the financial consumer protection systems. As noted earlier, operating expenditures are credited against the respective Funds on a costs allocation basis as described in Note 2.2(f) to the financial statements and there is no commingling between the Funds.

Financial Overview

Deposit Insurance Funds

DIFs are accumulated reserves designated to cover the net insurance losses arising from providing deposit insurance protection. In accordance with the PIDM Act, we maintain separate DIFs for conventional and Islamic DIS. The DIFs are accumulated from annual net surpluses, which are the surplus of the premium revenues and investment income net of operating expenditures for a particular financial year.

Target Fund for the Deposit Insurance System

In 2011, we had established a framework to determine the reserve levels of DIFs that we aim to accumulate over the long term to meet our objectives and fulfil our mandate. These levels (known as the Target Fund) represent the level of funds that will be sufficient to cover the net insurance losses from IFR activities. The Target Fund is usually described as a percentage of TID, and for PIDM, is specified as a range of target levels (lower and upper ranges).

The Target Fund range is between 0.6% to 0.9% of TID for both Conventional and Islamic DIFs. Based on the level of TID as at 31 December 2013, the range in RM absolute terms is between RM2.4 billion and RM3.6 billion for Conventional DIF and between RM393 million and RM590 million for Islamic DIF. The Target Fund modelling was reviewed during the year as part of the annual review process, and the conclusion was that the existing Target Fund level is still current and relevant.

The current levels of DIFs compared to the Target Fund range are described in the following table:

TABLE 4: LEVEL OF DIFs AS AT 31 DECEMBER 2013 AND 2014

Deposit Insurance Funds	Target Fund			
	2014 Actual RM Million / %	2013 Actual RM Million / %	Lower Range RM Million / %	Upper Range RM Million / %
Conventional Deposit Insurance Fund				
Balance	831.3	660.9	2,377	3,566
Percentage of Total Insured Deposits*	0.21%	0.18%	0.6%	0.9%
Islamic Deposit Insurance Fund				
Balance	141.8	107.4	393	590
Percentage of Total Insured Deposits*	0.22%	0.19%	0.6%	0.9%

* Based on TID as at 31 December 2013

The determination of the Target Fund is based on the macro-economic conditions in the market that may, directly or indirectly, affect the potential default rates of member banks. The Target Fund, which is set as a range and expressed as a percentage of TID, is dependent on, among other things, the risk profile of each member bank, the expected financial exposure to PIDM in providing deposit insurance protection as well as the expected recoveries from potential intervention and failure resolution activities. The Target Fund is not static and is reviewed and validated annually to ensure its relevance and to reflect any changes in the assumptions or inputs.

In developing the Target Fund, we adopted both a scientific approach through the use of statistical modelling as well as a discretionary approach in determining the range of our Target Fund.

Modelling approach – We use a statistical modelling to assess the estimated net financial exposure to PIDM in providing deposit insurance protection. The model assumes two broad approaches that may be adopted in resolving a troubled member bank: (a) liquidation and (b) going-concern resolution.

Financial Overview

The statistical model determines our expected loss using the following key input variables:

- (i) **Probability of Default (PD)** – PD measures the likelihood of a member bank going into default within a specific time horizon. In determining PD, data from international External Credit Assessment Institutions – such as Standard & Poor's, Moody's as well as Fitch are obtained. In cases of multiple ratings, an average rating is used;
- (ii) **Exposure At Default (EAD)** – EAD represents the financial exposure to PIDM in the event of default. We adopt different EADs for liquidation and going-concern resolution approaches. We use TID (at the limit of RM250,000 per depositor per member bank) as the EAD for the liquidation approach and re-capitalisation as proxy for the going-concern approach; and
- (iii) **Loss Given Default (LGD)** – LGD is defined as the net loss to PIDM after taking into account recoveries in any given IFR action related to a non-viable member bank. The LGD adopted also takes into consideration the liquidation and going-concern resolution approaches.

In estimating the Target Fund using the statistical model, we have used the Monte Carlo simulation approach, which involves running 10 million random loss scenarios to build a statistical loss distribution. For each trial scenario, the insurance loss is determined by the input variables described above. It is from this loss distribution that we then determine the level of funds that will be sufficient to cover losses given a specified confidence level. In identifying the appropriate levels of funds required, we used a confidence level of 98.75%.

Discretionary approach – In determining the Target Fund range, we also took into consideration other qualitative factors such as our mandate and legislative powers, the banking industry landscape and operating environment as well as the financial system's regulatory and supervisory regime in Malaysia. These qualitative factors are either directly reflected within the statistical model or used in the determination of the Target Fund range.

Risks and Sensitivity of the Target Fund Modelling

The process of estimating the Target Fund levels is subject to uncertainty as the inputs to the model are based on a set of assumptions. Hence, the model is predicated upon and is sensitive to several key factors as follows:

- (i) **Operating environment** - The model is based on the assumption that the environment in which the member banks operate does not deviate significantly in the foreseeable future. This includes economic conditions and the risk profile of individual member banks, the banking industry's landscape as well as the regulatory and supervisory regime. Significant or drastic changes to these characteristics or other similar characteristics may result in different Target Fund levels than previously required. We are of the view that the current economic condition and the risks affecting member banks are not expected to change significantly in the foreseeable future. Nevertheless, the operating environment will be reviewed and validated against the model annually;
- (ii) **Total Insured Deposits** - TID are indicative of the EAD used in the modelling of Target Fund levels. Accordingly, significant changes in TID will have a direct impact on the EAD, and thus the Target Fund levels; and
- (iii) **Mandate and powers** - The mandate and powers are set out in the PIDM Act, which among others enable PIDM to intervene and resolve a troubled member institution promptly to minimise losses to the financial system. The Target Fund modelling and estimation were made based on the current mandate and powers set out in the PIDM Act. Any significant changes to our mandate and powers may affect the modelling assumptions and thus the estimation of the Target Fund levels. However, we do not expect significant changes to our mandate and powers to occur in the near future.

As noted earlier, we review our Target Fund model annually to ensure its relevance and to reflect any changes in the assumptions or inputs used. Our annual review of the Target Fund for 2014 indicates that the existing Target Fund range remains current and relevant.

Financial Overview

Time-to-Fund

Time-to-Fund refers to the timeframe (usually set out as number of years) required to achieve the set Target Fund levels, given the levels of premiums to be charged to member banks and the level of net surplus to be accumulated annually.

After taking into consideration the operating environment and impact to the banking industry, we have determined the reasonable Time-to-Fund to achieve the lower range of the Target Fund level of 0.6% of TID to be between 10 and 12 years (beginning from 2012).

In 2012, we had obtained the approval from the Minister of Finance to gradually increase the premium rates assessed on member banks beginning assessment year 2013. The revised premium rates will enable PIDM to meet the Target Fund levels within the specific Time-to-Fund.

Time-to-Fund is predicated upon and is sensitive to the following factors:

- (i) **TID growth** – When the rate of growth in TID is higher than expected, the estimated Time-to-Fund will correspondingly lengthen. The reverse will also be true should TID growth rate be lower than expected;
- (ii) **Investment income** – Premiums received from member banks are invested in stable, low risk fixed income investments. Accordingly, returns on investments that are different from those that have been expected will have an inverse effect on Time-to-Fund i.e. higher interest rates than expected will result in a shorter Time-to-Fund; and
- (iii) **Operating expenditures** – Moving forward, our operating expenditures are expected to increase marginally and will begin to stabilise after all the required resources have been obtained or acquired, and all key infrastructure, systems and processes have been developed and implemented.

The following tables show how Time-to-Fund will be impacted by possible movements in key model input variables against the base assumptions:

TABLE 5: POSSIBLE MOVEMENTS IN KEY MODEL INPUT VARIABLES AGAINST THE BASE ASSUMPTIONS

Scenarios	Variation to Input Assumptions Against Base Case
Most favourable scenario	<ul style="list-style-type: none"> - 2% decrease in TID; - 0.5% increase in yield on investments; and - 10% decrease in operating expenditures.
Least favourable scenario	<ul style="list-style-type: none"> - 2% increase in TID; - 0.5% decrease in yield on investments; and - 10% increase in operating expenditures.

TABLE 6: SENSITIVITY ANALYSIS OF TIME-TO-FUND

Scenarios	Time-to-Fund
Base case	8 – 10 years
Favourable scenario	7 – 8 years
Less favourable scenario	11 – 12 years

Financial Overview

We will continue to monitor and report on the progress of achieving our Target Fund levels annually. Based on the current level of accumulated surpluses and approved premium rates, we expect the lower range of the Target Fund to be achieved within the next eight to 10 years.

Takaful and Insurance Benefits Protection Funds

TIPFs began to accumulate with insurer members paying premiums from assessment year 2011. TIPFs are accumulated from annual net surpluses, which are the premium revenues and investment income net of operating expenditures for a particular year. Similar to DIFs, we maintain separate TIPFs for all the Protection Funds within TIPS. The balances of TIPFs as at 31 December 2014 are as follows:

TABLE 7: BALANCES OF TIPFs AS AT 31 DECEMBER 2014				
	General Insurance RM Million	Life Insurance RM Million	General Takaful RM Million	Family Solidarity Takaful RM Million
Takaful and Insurance Benefits Protection Funds	1,065.2	141.4	9.1	18.5

PIDM is finalising a Target Fund framework for the general insurance industry for implementation in 2015. PIDM will be developing a Target Fund framework for the remaining Funds within TIPFs over the next few years.

External Funding

We may raise external funds through either borrowings from the Government, capital markets or other sources as deemed necessary and appropriate. The PIDM Act empowers the Minister of Finance to provide Government loans to PIDM to meet its obligations. Such borrowings will be based on terms and conditions as the Minister of Finance will determine. Funding from the capital markets, namely through the issuance of Government-guaranteed debt securities, is also an option when the environment or market is conducive to do so.

Hence, with internal and external funding available to PIDM, the financial ability to meet its obligations is assured.



SUMMARY OF OUR CORPORATE PLAN 2015 - 2017

At PIDM, we believe that knowledge is a powerful tool for all. We strive to continue to educate the public about financial protection systems so that they can be empowered to make informed financial decisions that are aligned to their financial goals and aspirations. By doing so, public confidence in the financial system will be maintained. In promoting the stability of the financial system, the Corporation needs to continuously strengthen our capabilities and operational effectiveness, to ensure our long-term sustainability.

Our Corporate Plan is developed based on an integrated approach, incorporating risk management processes that identify and manage the key risks that could prevent the Corporation from achieving its objectives. We have also incorporated scenario planning with the objective of responding effectively in the unlikely event of an intervention or resolution of a troubled member institutions. The following is a summary of our Plan. This should be read in conjunction with our Corporate Plan 2015 - 2017, which is available on our website at www.pidm.gov.my.

OUR STRATEGY

For the planning period of 2015 - 2017, the following strategic direction will guide PIDM's activities:

"The Corporation continuously promotes and contributes to the stability of the financial system towards meeting its statutory mandate with robust risk assessment, monitoring, intervention and resolution capabilities. The emphasis is on long-term sustainability and continuing operational effectiveness in all areas. Specifically, we shall:

- develop a dynamic learning organisation that promotes and facilitates an interconnected way of working through continuous learning, sharing and collaboration, as well as leveraging on the knowledge and skills of all employees within the Corporation;
- focus on talent management including enhancing employee competencies and succession planning;
- strengthen relationships with key stakeholders; and
- increase the level of public awareness and education of financial consumers in PIDM's protection systems."

OUR AREAS OF FOCUS

The key areas of focus for the 2015 - 2017 planning period will be as follows.

Strengthening Operational Effectiveness and Readiness

As operational readiness remains a priority for the Corporation, it is essential to ensure continuous enhancement to all areas, particularly on risk assessment and monitoring of our member institutions as well as on our IFR capacity. The necessary infrastructure and processes will continue to be strengthened to support the Corporation's capabilities and capacity to promptly deal with the IFR of member institutions as well as resolution of large and complex financial institutions. Our collaboration and working relationships with key stakeholders are also vital.

Risk Assessment and Monitoring: Over the years, the Corporation has successfully put in place a strong foundation for the risk assessment and monitoring function to enable the Corporation to promptly identify and respond to potential risks affecting the member institutions. In ensuring that the existing framework, systems and infrastructure remain effective, we continuously keep abreast of developments and changes to regulations and policies affecting the member institutions. We also continue to review and enhance the framework and infrastructure to ensure that they remain current and relevant.

In the planning period, we will be embarking on the following:

- (a) enhancement to the Risk Assessment System (RAS) for DIS;
- (b) completion of the Takaful and Insurance Risk Assessment System (TIRAS);
- (c) development of the Rating Prediction Model for TIPS;
- (d) development of the DLS framework for takaful operators;
- (e) completion of the Target Fund framework for TIPS; and
- (f) development of the IADI Core Principles for Effective Islamic Deposit Insurance Systems.

Summary of Our Corporate Plan 2015 - 2017

Intervention and Failure Resolution: Readiness to undertake an IFR of a troubled member institution is an ongoing effort that requires continuous improvements in processes, infrastructure and competencies with the objective of optimising the efficiency and effectiveness of the preparatory and planning process to execute a resolution action. In 2014, we have commenced Phase 2 of the operational readiness roadmap that represents an enhanced state of readiness where the Corporation is able to conduct an IFR action with greater effectiveness and control. We will continue with Phase 2 in the planning period.

The Corporation will also continue to collaborate with BNM on the development of the Recovery and Resolution Plan Framework and Guidelines for the purpose of dealing with troubled financial institutions in Malaysia in an orderly manner without causing severe systemic disruption to the financial system.

Other planned key initiatives that will be completed during the planning period are:

- (a) development of the Evaluation Model, which will enable multiple analysis of the resolution costs for different resolution actions, utilising data made available from the due diligence exercise and preparatory examination; and
- (b) development of the Premium Reimbursement System, Claims Management System and Payment Management System which will assist in the process of reimbursement of the protected benefits to policy owners upon winding-up of an insurer member.

Improve Infrastructure and Operations: As technology continues to evolve and the Corporation's reliance on technology continues to grow, investments to ensure the stability of systems as well as integrity and security of information is vital. The Corporation will continue to develop and enhance the core operational systems and capabilities that support risk assessment and IFR functions as well as expand its information collaboration enabling facilities to improve communication, document management and information accessibility. Information security of the Corporation's data will be enhanced via the application of industry-accepted standards on information security and the implementation of additional tools to mitigate cyber threats and information leakage.

In relation to business continuity management, we need to ensure the continuity of the Corporation's critical business functions in the event of any incidents and / or disasters that may lead to a disruption of its operations or functions. The construction of the permanent DRC is on track for completion within the planning period.

Develop A Dynamic Learning Organisation and Focus on Talent Management

In line with the strategic direction, the Corporation will move towards the development of a learning organisation through continuous development, upskilling, retention and engagement of a high performing workforce. In supporting this, assessment tools such as 360-degree assessment and career profiling inventory will continue to be deployed for leadership development and career management. Succession planning efforts to further develop the bench strength for key Management and critical positions as well as job rotation, job secondment and job sharing opportunities will also be continued.

The Corporation is committed to providing a conducive work environment and promoting a positive corporate culture as this ultimately promotes high employee engagement and drives performance. This is supported by a competitive remuneration package, an employee engagement survey and employee engagement-related activities.

Increase the Level of Public Awareness and Education of Financial Consumers

Enhancing and raising public awareness is a continuous process over the long term and has to be sustained. Towards this end, the Corporation will implement its enhanced communications strategies over the planning period to support the achievement of its mandate, which is to promote or contribute to the stability of the Malaysian financial system.

The Corporation will continue with its communications initiatives such as briefings, roadshows, training sessions, seminars as well as accreditation and Train-the-Trainer sessions so as to build better understanding of PIDM as well as the features, benefits and limits of DIS and TIPS. Our education programme, enhanced with new and creative activities will also continue to be implemented, including engagement with the younger generation via social media. The effectiveness of the Corporation's communications strategies and initiatives are reviewed and enhanced on an ongoing basis, based on the year-end nationwide consumer awareness survey results, as well as focus group discussions.

Details of the key initiatives in support of our corporate objectives are described in our Corporate Scorecard 2015 - 2017 as depicted in the Appendix.

Summary of Our Corporate Plan 2015 - 2017

SUPPORTING FINANCIAL PLAN AND PROJECTIONS

The Financial Plan 2015 has been developed to support the achievement of the 2015 initiatives as well as the management of our day-to-day operations.

Premium revenues are budgeted at RM364.5 million, of which RM297.5 million (81.6%) is expected from member banks and RM67.0 million (18.4%) from insurer members. The premiums from member banks will be based on the DPS rate structure whilst the premiums from the conventional insurer members will be based on the DLS rates. The premiums from takaful operators will continue to be based on the flat rate structure. Combined with a budgeted investment income of RM74.8 million, PIDM's total revenues are expected to stand at RM439.3 million for 2015.

Total operating expenditures are budgeted at RM109.0 million, whilst capital expenditures are budgeted at RM19.6 million. At the end of 2015, we expect a net surplus from operations of RM330.3 million, which will increase the total Funds administered by PIDM to RM2.5 billion, comprising RM1.2 billion for DIFs and RM1.3 billion for TIPFs.

The financial projections for 2016 and 2017 have been prepared based on conservative forecasts and assumptions in relation to the Corporation's past trends in revenues and expenditures. Key financial assumptions include the following:

- (a) Premiums are expected to increase at 6% annually.
- (b) Total operating expenditures are projected to increase by 4% and 5% in 2016 and 2017 respectively.
- (c) No member institution failure is assumed during the planning period.

GOING FORWARD

As we progress into our 10th year, we continue to make advancements towards achieving our vision to be a best practice financial consumer protection authority. This is made possible through the effective execution of our Plan with the support of a highly engaged team, strong partnerships with other financial safety-net players and close collaboration with our key stakeholders.





SECTION FOUR

FINANCIAL

STATEMENTS

107

Directors'
Report

111

Statement
by Directors

112

Statutory
Declaration

113

Auditor General's
Certification

114

Statement of
Financial Position

115

Statement of Profit
or Loss and Other
Comprehensive Income

116

Statement of Changes
in Funds and Reserves

118

Statement of
Cash Flows

119

Notes to the
Financial Statements

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of Perbadanan Insurans Deposit Malaysia (PIDM) for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

PIDM is a statutory body established to administer a Deposit Insurance System (DIS) and a Takaful and Insurance Benefits Protection System (TIPS). PIDM is governed by the provisions of the Malaysia Deposit Insurance Corporation Act 2011 (PIDM Act).

The DIS provides protection against the loss of part or all of deposits for which a member bank is liable whereas the TIPS provides protection against the loss of part or all of takaful or insurance benefits for which an insurer member is liable. In addition, PIDM provides incentives for sound risk management in the financial system as well as promotes and contributes to the stability of the financial system. PIDM is the resolution authority for all member institutions and thus has wide intervention and failure resolution powers. PIDM also undertakes risk assessment and monitoring of all member institutions and works closely with the supervisory authority to ensure that concerns about the business and affairs of member institutions are addressed promptly.

The PIDM Act provides for separate coverage for Islamic and conventional deposits as well as for protected benefits in relation to general insurance, life insurance, general takaful and family solidarity takaful. To ensure proper governance and compliance with Shariah requirements, PIDM maintains and administers two separate Funds for Islamic and conventional deposits known as Deposit Insurance Funds (DIFs) as well as four separate Funds for each business segments within TIPS known as Takaful and Insurance Benefits Protection Funds (TIPFs). There is no commingling of funds between the separate Funds.

FINANCIAL RESULTS

	2014 RM'000	2013 RM'000
Net surplus for the financial year:		
Deposit Insurance Funds	204,768	151,278
Takaful and Insurance Benefits Protection Funds (excluding Other Comprehensive Income)	86,023	67,257
Total net surplus	290,791	218,535

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Funds and Reserves.

In the opinion of the Directors, the results of the operations of PIDM during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

The balances of the Funds as at the end of the financial year were:

	2014 RM'000	2013 RM'000
Deposit Insurance Funds:		
Conventional Deposit Insurance Fund	831,270	660,948
Islamic Deposit Insurance Fund	141,853	107,407
Total Deposit Insurance Funds	973,123	768,355
Takaful and Insurance Benefits Protection Funds:		
General Insurance Protection Fund	1,065,215	1,024,436
Life Insurance Protection Fund	141,432	104,112
General Takaful Protection Fund	9,042	6,482
Family Solidarity Takaful Protection Fund	18,491	13,127
Total Takaful and Insurance Benefits Protection Funds	1,234,180	1,148,157

Directors' Report

DIRECTORS

The names of the Directors of PIDM in office during the financial year ended 31 December 2014 were:

- Tan Sri Datuk Dr. Abdul Samad Haji Alias (Chairman)
- Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
- Tan Sri Dato' Sri Dr. Mohd Irwan Serigar Abdullah
- Dato' Halipah Esa
- Datuk Seri Dr. Rahamat Bivi Yusoff
- Encik Mohamad Abdul Halim Ahmad
- Mr. George Anthony David Dass
- Mr. Lim Tian Huat
- Mr. Alex Foong Soo Hah

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz and Tan Sri Dato' Sri Dr. Mohd Irwan Serigar Abdullah are ex officio Directors by virtue of their office, in accordance with subsection 11(2) of the PIDM Act. Members of the Board of Directors of PIDM other than ex officio Directors are appointed by the Minister of Finance in accordance with subsection 11(2) of the PIDM Act.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the financial year, was there any arrangement to which PIDM was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 15 to the financial statements) by reason of a contract made by PIDM or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest.

BAD AND DOUBTFUL DEBTS AND VALUATION METHODS

Before the Statements of Profit or Loss and Other Comprehensive Income as well as the Statements of Financial Position of PIDM were completed, the Directors have satisfied themselves that Management had taken proper action to ensure that there are no known bad debts to be written off or doubtful debts to be provided for nor were they aware of any circumstances that would require such action. At the date of this report, the Directors are not aware of any circumstances which would render the need to write-off bad debts or to provide for doubtful debts in the financial statements of PIDM.

The Directors have also satisfied themselves that Management had taken reasonable steps to ascertain the values attributed to the assets and liabilities in the financial statements of PIDM. As at the date of this report, the Directors are not aware of any circumstances that have arisen that would render adherence to the existing methods of valuation of assets or liabilities in PIDM's accounts misleading or inappropriate.

CHANGE OF CIRCUMSTANCES

As at the date of this report, the Directors are not aware of any change in circumstances not otherwise dealt with in this report or the financial statements of PIDM which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature, likely to substantially affect the results of the operations of PIDM for the current financial year in respect of which this report is made.

As at the date of this report, there does not exist any charge on the assets of PIDM that has arisen since the end of the financial year that secures the liabilities of any other person.

Directors' Report

CONTINGENT LIABILITIES**Exposure to losses**

Under the PIDM Act, PIDM has an inherent exposure to losses resulting from insuring deposits under DIS as well as insurance policies and takaful certificates under TIPS. However, this inherent exposure cannot be accurately ascertained or estimated with any acceptable degree of reliability. During the year, there have been no events that would require PIDM to record a specific provision in its financial statements in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

As part of its mandate, PIDM undertakes risk assessment and monitoring of all member institutions and works closely with the supervisory authority to ensure that its concerns about the business and affairs of member institutions are addressed promptly. However, PIDM necessarily relies on the supervisory authority to take prompt corrective action to mitigate the possibility of a member institution failure.

PIDM reinforces financial discipline through its Differential Premium Systems (DPS) and Differential Levy System (DLS), which provide strong incentives for member banks and conventional insurer members to adopt sound and rigorous risk management practices including the maintenance of strong capital positions. A DLS for takaful operators is currently going through industry consultation and is planned for implementation in 2016.

If a member institution is deemed non-viable by the supervisory authority, PIDM is mandated and has the necessary powers to intervene and resolve the member institution in a manner that minimises losses to the financial system.

While provisions are not recorded unless a specific event occurs, PIDM continues to build reserves in its Funds through the accumulation of annual net surpluses arising from its operations.

Accumulated surpluses are held in each Fund to cover losses when respective obligations arise. Accumulated surpluses in one Fund cannot be used to cover obligations of another Fund. As discussed in Note 10 to the financial statements, PIDM has established the Target Fund framework for DIFs. PIDM is finalising a Target Fund framework for the general insurance industry for implementation in 2015. PIDM will be developing a Target Fund framework for the remaining Funds within TIPFs over the next several years.

If the relevant Fund was ever to be insufficient to meet obligations, PIDM, as a statutory body, has the authority to borrow from the Government or issue public debt securities to raise funds, as well as to assess and collect higher premiums in relation to the relevant Fund with the approval of the Minister of Finance.

Other contingent liabilities

Based on the representation made by Management, the Directors are of the opinion that other than the exposure to losses discussed above, there does not exist:

- (i) any contingent liability which has arisen since the end of the financial year; and
- (ii) any contingent or other liability that has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of PIDM to meet their obligations when they fall due.

INVESTMENTS IN SUBSIDIARIES

PIDM has incorporated five subsidiaries as part of its efforts to ensure operational readiness to carry out any intervention or failure resolution (IFR) activities. In accordance with section 10 of the PIDM Act, PIDM may establish subsidiaries as it considers necessary for the purposes of carrying out its functions, powers and duties. The subsidiaries are incorporated in advance as part of PIDM's operational readiness in case of a failure of a member institution, and thus will remain dormant until activated to carry out any necessary IFR activities. The basis of accounting as well as details of the subsidiaries are further described in Note 2.2(c), Note 3.1(a) and Note 7 to the financial statements.

Directors' Report

RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors, in providing the opinion on the financial statements, relied on written representations by Management of their compliance with internal processes and their system of internal controls as well as the internal and external audit functions designed to ensure that:

- (i) the financial statements of PIDM have been prepared in accordance with the PIDM Act and applicable Malaysian Financial Reporting Standards (MFRS), so as to give a true and fair view of the financial position of PIDM as at 31 December 2014, the results of its operations and its cash flows for the year ended on that date; and
- (ii) the Islamic Deposit Insurance Fund as well as the Takaful Protection Funds are maintained and administered in accordance with Shariah requirements and is in compliance with the PIDM Act.

AUDITORS

In accordance with the PIDM Act, the accounts of PIDM are audited by the Auditor General of Malaysia.

Signed on behalf of the Board in accordance with a resolution approved by the Board of Directors



Tan Sri Datuk Dr. Abdul Samad bin Haji Alias
Chairman of the Board of Directors

Kuala Lumpur
3 March 2015



Mr. Lim Tian Huat
Chairman of the Audit Committee

STATEMENT BY DIRECTORS

We, Tan Sri Datuk Dr. Abdul Samad bin Haji Alias and Mr. Lim Tian Huat, being two of the Directors of Perbadanan Insurans Deposit Malaysia (PIDM), do hereby state that, in the opinion of the Directors, the financial statements have been prepared and presented in accordance with the Malaysia Deposit Insurance Corporation Act 2011 (PIDM Act) and applicable Malaysian Financial Reporting Standards, so as to give a true and fair view of the state of affairs of PIDM as at 31 December 2014, the results of its operations and its cash flows for the year ended on that date. The Directors are also of the opinion that the Islamic Deposit Insurance Fund as well as the Takaful Protection Funds are maintained and administered in accordance with Shariah requirements, as set out in the PIDM Act.

Signed on behalf of the Board in accordance with a resolution approved by the Board of Directors



Tan Sri Datuk Dr. Abdul Samad bin Haji Alias
Chairman of the Board of Directors



Mr. Lim Tian Huat
Chairman of the Audit Committee

Kuala Lumpur
3 March 2015

STATUTORY DECLARATION

BY MANAGEMENT IN RELATION TO THEIR RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the financial statements of Perbadanan Insurans Deposit Malaysia (PIDM) and the information relating to the financial statements are the responsibility of Management. The financial statements have been prepared in accordance with the Malaysia Deposit Insurance Corporation Act 2011 (PIDM Act) and applicable Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of PIDM as at 31 December 2014, the results of its operations and its cash flows for the year ended on that date. The Islamic Deposit Insurance Fund as well as the Takaful Protection Funds are maintained and administered in accordance with Shariah requirements, and is in compliance with the PIDM Act.

In discharging its responsibility for the integrity and fairness of the financial statements, Management maintains financial and management control systems and practices. Compliance with control systems and practices are validated by an independent internal audit function designed to provide reasonable assurance that transactions are duly authorised, assets are safeguarded and proper records are maintained in accordance with the PIDM Act as well as the Statutory Bodies (Accounts and Annual Reports) Act 1980.

These financial statements have been duly audited by the Auditor General of Malaysia and the results of the audit have been duly noted by Management. In carrying out the audit, the auditors have access to all documents and records of PIDM. The auditors also have free access to the Audit Committee of the Board, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting and recommends the financial statements to the Board of Directors.

The financial statements have been considered and approved by the Board of Directors and a resolution was approved on 3 March 2015.

We, Jean Pierre Sabourin and Noorida binti Baharuddin, being the two officers primarily responsible for the financial management of PIDM, do solemnly and sincerely declare that the financial statements, to the best of our knowledge and belief, are correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 3 March 2015



Jean Pierre Sabourin
Chief Executive Officer



Noorida binti Baharuddin
Chief Financial Officer and General Manager,
Finance and Administration

Before me,

Commissioner for Oaths



Level 16, Menara Tokio Marine Life,
'89, Jalan Tun Razak, 50400 Kuala Lumpur.



**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
PERBADANAN INSURANS DEPOSIT MALAYSIA
FOR THE YEAR ENDED 31 DECEMBER 2014**

Report on the Financial Statements

I have audited the accompanying financial statements of Perbadanan Insurans Deposit Malaysia, which comprise the Statement of Financial Position as at 31 December 2014 and Statement of Profit Or Loss And Other Comprehensive Income, Statement of Changes In Funds And Reserves and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the approved financial reporting standards in Malaysia and the Perbadanan Insurans Deposit Malaysia Act 2011 (Act 720). The Directors are also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with the approved standards on auditing in Malaysia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Perbadanan Insurans Deposit Malaysia as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia.

(TAN SRI DATO' SERI HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
18 MARCH 2015



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	31.12.2014 RM'000	31.12.2013 RM'000 Restated	1.1.2013 RM'000 Restated
ASSETS				
Cash and cash equivalents	4a	15,290	180,701	34,293
Investments				
<i>Available-for-sale investments</i>	5a	-	-	4,859
<i>Held-to-maturity investments</i>	5b	2,175,718	1,716,821	1,634,314
Other assets	6	8,483	8,863	9,194
Investments in subsidiaries	7	_*	_*	_*
Property and equipment	8	19,180	17,156	24,123
Total Assets		2,218,671	1,923,541	1,706,783
LIABILITIES				
Payables	9	11,368	7,029	8,988
Total Liabilities		11,368	7,029	8,988
FUNDS AND RESERVES				
Deposit Insurance Funds				
<i>Accumulated surpluses</i>	10a	973,123	768,355	617,077
<i>Other reserves</i>		-	-	-
		973,123	768,355	617,077
Takaful and Insurance Benefits Protection Funds				
<i>Accumulated surpluses</i>	10b	1,234,180	1,148,157	1,080,900
<i>Other reserves</i>	10b	-	-	(182)
		1,234,180	1,148,157	1,080,718
Total Funds and Reserves		2,207,303	1,916,512	1,697,795
Total Liabilities, Funds and Reserves		2,218,671	1,923,541	1,706,783

* The amount is significantly below the rounding threshold. Refer to Note 7 for the details.

The accompanying notes form an integral part of the financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 RM'000	2013 RM'000
Premium revenues	11	310,998	245,100
Investment income from cash and investment securities	12	63,732	56,142
Realised losses from divestment of investment securities	13	-	(650)
Total revenues		374,730	300,592
Employee benefits	14	47,623	44,185
Public relations and advertising		10,505	10,406
Depreciation	8	7,143	7,590
Operating leases		5,268	5,535
Other expenses	15	13,400	14,341
Total expenses		83,939	82,057
Net surplus for the year		290,791	218,535
Other comprehensive income			
Items that can be subsequently reclassified to profit or loss:			
Net gains on available-for-sale investments	10b	-	182
Total comprehensive income for the year		290,791	218,717

Note: PIDM is exempted from income tax.

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER

DEPOSIT INSURANCE FUNDS

	Note	Conventional Deposit Insurance Fund		Islamic Deposit Insurance Fund		Total Funds and Reserves RM'000
		Accumulated surpluses	Other reserves	Accumulated surpluses	Other reserves	
		RM'000	RM'000	RM'000	RM'000	
As at 1 January 2013	10a	533,822	-	83,255	-	617,077
Total comprehensive income for the year		127,126	-	24,152	-	151,278
As at 31 December 2013	10a	660,948	-	107,407	-	768,355
As at 1 January 2014	10a	660,948	-	107,407	-	768,355
Total comprehensive income for the year		170,322	-	34,446	-	204,768
As at 31 December 2014	10a	831,270	-	141,853	-	973,123

The accompanying notes form an integral part of the financial statements

Statement of Changes in Funds and Reserves
for the year ended 31 December

TAKAFUL AND INSURANCE BENEFITS PROTECTION FUNDS

	Note	General Insurance Protection Fund		Life Insurance Protection Fund		General Takaful Protection Fund		Family Solidarity Takaful Protection Fund		Total Funds and Reserves	
		Accumulated surpluses RM'000	Other reserves RM'000	Accumulated surpluses RM'000	Other reserves RM'000	Accumulated surpluses RM'000	Other reserves RM'000	Accumulated surpluses RM'000	Other reserves RM'000	RM'000	RM'000
As at 1 January 2013	10b	994,167	(182)	74,218	-	4,091	-	8,424	-	-	1,080,718
Total comprehensive income for the year		30,269	182	29,894	-	2,391	-	4,703	-	-	67,439
As at 31 December 2013	10b	1,024,436	-	104,112	-	6,482	-	13,127	-	-	1,148,157
As at 1 January 2014	10b	1,024,436	-	104,112	-	6,482	-	13,127	-	-	1,148,157
Total comprehensive income for the year		40,779	-	37,320	-	2,560	-	5,364	-	-	86,023
As at 31 December 2014	10b	1,065,215	-	141,432	-	9,042	-	18,491	-	-	1,234,180

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 RM'000	2013 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received from member institutions		310,998	245,100
Payments in the course of operations to suppliers and employees		(77,276)	(76,414)
Receipts of investment income		53,804	58,111
Net cash flows generated from operating activities		287,526	226,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities		2,682,210	2,836,027
Purchase of investment securities		(3,130,396)	(2,915,069)
Purchase of property and equipment		(4,751)	(1,347)
Net cash flows used in investing activities		(452,937)	(80,389)
Net (decrease) / increase in cash and cash equivalents		(165,411)	146,408
Cash and cash equivalents at beginning of year		180,701	34,293
Cash and cash equivalents at end of year	4a	15,290	180,701

Note 1: The Statement of Cash Flows shows how cash and cash equivalents have changed over the reporting period at PIDM. In accordance with MFRS 107, cash flows are divided into cash flows from operating and investing activities. The cash and cash equivalents shown in the Statement of Cash Flows correspond to the Statement of Financial Position item cash and cash equivalents. The amount of liquid assets available to PIDM is represented by adding investments. Refer to Note 21 for details of PIDM's management of liquidity risk.

Note 2: Statement of Cash Flows prepared using the indirect method is presented in Note 4(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. PRINCIPAL ACTIVITIES

Perbadanan Insurans Deposit Malaysia (PIDM) is a statutory body established to administer a Deposit Insurance System (DIS) and a Takaful and Insurance Benefits Protection System (TIPS). PIDM is governed by the provisions of the Malaysia Deposit Insurance Corporation Act 2011 (PIDM Act).

The DIS provides protection against the loss of part or all of deposits for which a member bank is liable whereas the TIPS provides protection against the loss of part or all of takaful or insurance benefits for which an insurer member is liable. In addition, PIDM provides incentives for sound risk management as well as promotes and contributes to the stability of the financial system. PIDM is the resolution authority for all member institutions and thus has wide intervention and failure resolution powers. PIDM also undertakes risk assessment and monitoring of all member institutions and works closely with the supervisory authority to ensure that concerns about the business and affairs of member institutions are addressed promptly.

The PIDM Act provides separate coverage for Islamic and conventional deposits as well as for protected benefits in relation to general insurance, life insurance, general takaful and family solidarity takaful. To ensure proper governance and compliance with Shariah requirements, PIDM maintains and administers two separate Funds for Islamic and conventional deposits known as the Deposit Insurance Funds (DIFs) as well as four separate Funds for each business segments within TIPS known as the Takaful and Insurance Benefits Protection Funds (TIPFs). There is no commingling of funds between the separate Funds.

There have been no significant changes in the nature of the principal activities of PIDM during the financial year.

The office address of PIDM is Level 12, Axiata Tower (formerly known as Quill 7), No. 9, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The financial statements have been approved by the Board of Directors through a resolution made on 3 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of PIDM have been prepared in accordance with the PIDM Act and applicable Malaysian Financial Reporting Standards (MFRS).

The financial statements comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on the historical cost basis except for available-for-sale investments, which have all been measured at fair value.

The financial statements incorporate those activities relating to the administration of both DIFs and TIPFs of PIDM. The Islamic Funds are maintained and administered in accordance with Shariah requirements and in compliance with the PIDM Act.

PIDM presents its Statement of Financial Position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of PIDM.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies****(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on demand with banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. This includes short-term investments with maturities of less than 90 days from the date of acquisition. The Statement of Cash Flows is prepared using the direct method. A Statement of Cash Flows prepared using the indirect method is also presented in Note 4(b) to the financial statements.

(b) Financial instruments**(i) Initial recognition and measurement**

Financial instruments are financial assets or financial liabilities recognised in the Statement of Financial Position when PIDM becomes a party to the contractual provisions of the instruments on the trade date. (This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place).

When financial instruments are recognised initially, they are measured at fair value, plus, in the case of available-for-sale and held-to-maturity investments, directly attributable transaction costs.

PIDM determines the classification of its financial assets at initial recognition, and the categories include held-to-maturity investments and available-for-sale investments as well as other assets and receivables.

(ii) Financial instrument categories and subsequent measurement**1. Financial assets**

- **Available-for-sale investments**

Available-for-sale investments consist of Private Debt Securities (PDS) that are intended to be held for an indefinite period of time but may be sold or divested in response to the requirement of internal policies. These securities are measured at fair value after initial measurement.

Any unrealised gains and losses after applying the amortised cost method are recognised directly in Other reserves except for impairment losses. When the securities are sold, any cumulative unrealised gains or losses previously recognised in Other reserves are recognised as gains or losses from sales of investments in the Statement of Profit or Loss. Interest or returns earned whilst holding these investments, including any amortisation of premiums and accretion of discounts, which are calculated using the effective interest or yield method are recognised as investment income in the Statement of Profit or Loss. Any losses as result of impairment of these investments are recognised in the Statement of Profit or Loss and removed from Other reserves.

PIDM evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, PIDM is unable to trade these financial assets due to inactive markets, PIDM may elect to reclassify these financial assets if Management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the amount at maturity is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Profit or Loss.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(b) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****1. Financial assets (continued)**

- **Held-to-maturity investments**

Investments classified as held-to-maturity comprise primarily marketable Malaysian Government Securities and Bank Negara Malaysia investment securities. PIDM invests in short-term and medium-term Ringgit Malaysia denominated securities that are intended to be held-to-maturity and are not traded. These securities with fixed or determinable payments and fixed maturity are stated at cost adjusted for amortisation of premiums or accretion of discounts, calculated on an effective yield basis, from the date of purchase to the maturity date, less any impairment losses recognised. Interest or returns earned whilst holding these investments including amortisation of premiums and accretion of discounts, which are calculated using the effective interest or yield method, and impairment losses, are recognised in the Statement of Profit or Loss.

If PIDM were to sell or reclassify a more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, PIDM would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

- **Receivables and other assets**

Receivables and other assets are stated at anticipated net realisable values. Bad debts are written off when identified. An estimate, if any, is made for doubtful debts based on a review of all outstanding amounts as at Statement of Financial Position date.

2. Financial liabilities

- **Payables**

PIDM measures all financial liabilities at cost, which is the fair value of the consideration to be paid in the future for goods and services rendered.

(iii) Fair value of financial instruments

PIDM measures available-for-sale investments at fair value at each Statement of Financial Position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by PIDM.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(b) Financial instruments (continued)****(iii) Fair value of financial instruments (continued)**

PIDM uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, PIDM determines whether transfers have occurred between the Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, PIDM has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Levels of the fair value hierarchy as explained above.

(iv) Derecognition**1. Financial asset**

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired.
- PIDM has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - o PIDM has transferred substantially all the risks and rewards of the asset; or
 - o PIDM has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When PIDM has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of PIDM's continuing involvement in the asset. In that case, PIDM also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PIDM has retained.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in the Statement of Profit or Loss.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(b) Financial instruments (continued)****(iv) Derecognition (continued)****2. Financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

(c) Investments in subsidiaries

Investments in subsidiaries are measured in PIDM's Statement of Financial Position at cost less any impairment losses, unless the investment is held for sale.

In line with section 35 of the PIDM Act, the financial results of PIDM's subsidiaries are not consolidated with the financial statements of PIDM. Consolidating the financial statements of PIDM together with those of its subsidiaries will not provide meaningful information and a true and fair view of the financial position and performance of PIDM, as the financial exposure and impact of any intervention or failure resolution of a member institution only affects the specific Fund(s) to which that member institution relates.

Furthermore, in accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, PIDM does not prepare consolidated financial statements as PIDM does not meet all the criteria required for having 'control' over its subsidiaries, as defined in MFRS 10. This is because PIDM, as an entity, has limited financial exposure or rights to variable returns from its investments in the subsidiaries, as the financial exposure and rights to any variable returns are attributed directly to the relevant Funds. This is discussed in further detail in Note 3.1(a).

(d) Property and equipment, and depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to PIDM and the cost of the item can be measured reliably. The carrying amount of parts or components of an asset that are replaced is derecognised. All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided for on a straight-line basis to reduce the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Furniture and fittings	20%
Motor vehicles	20%
Office refurbishments	20%
Office equipment and computer systems	33.3%

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(d) Property and equipment, and depreciation (continued)**

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the Statement of Profit or Loss. The unutilised portion of the revaluation surplus on that item is recognised directly to the Funds and Reserves.

(e) Impairment**1. Financial assets**

PIDM assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired.

(i) Available-for-sale investments

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor in fulfilling its financial obligations, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised as profit or loss, is transferred from equity to the Statement of Profit or Loss.

For available-for-sale debt investments, impairment losses are subsequently reversed as profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the Statement of Profit or Loss.

(ii) Held-to-maturity investments as well as other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on a financial asset has been incurred, PIDM considers factors such as the probability of insolvency or significant financial difficulties of the debtor, issuer and obligor as well as any default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the Statement of Profit or Loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Statement of Profit or Loss.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(e) Impairment (continued)****2. Non-financial assets**

At each Statement of Financial Position date, PIDM reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the Statement of Profit or Loss in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is accounted for. This is as the revaluation decreases to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the Statement of Profit or Loss unless the asset is carried at revalued amount, in which case such reversal is treated as a revaluation increase.

(f) Recognition of income and expenditures

All income and operating expenditures pertaining to DIS and TIPS are recognised on an accrual basis. The PIDM Act empowers PIDM to credit all direct operating income to, and charge all expenditures against the relevant Fund or Funds. Expenditures that cannot be charged directly to the relevant Fund or Funds will be allocated based on the requirements of the Malaysia Deposit Insurance Corporation (Allocation of Expenses, Costs or Losses) Order 2011. The expenditures that cannot be charged directly to a specific Fund or Funds are categorised into either the following two categories:

- (i) *Expenditures that can be attributed to either DIS or TIPS but are common or indirect expenditures for the respective systems.* The allocation of this category of expenditures are based on the proportion of premiums collected for the respective systems in the preceding year. For the 2014 financial year, the expenditures were allocated to the respective systems based on the proportion of premiums collected for the respective systems during the financial year ended 31 December 2013. The allocation rates used during the year are as follows:

Year	DIS		TIPS			
	Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Solidarity Takaful
2014	84.0%	16.0%	11.6%	72.9%	5.2%	10.3%
	100%			100%		
2013	84.9%	15.1%	27.3%	62.3%	3.4%	7.0%
	100%			100%		

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(f) Recognition of income and expenditures (continued)**

- (ii) *Expenditures which are common or indirect costs of administering both DIS and TIPS.* Expenditures that cannot be specifically attributed to either DIS or TIPS, are allocated based on the proportion of premiums collected for the respective Funds in DIS and TIPS in the preceding year. For the 2014 financial year, these expenditures were allocated to the respective Funds based on the proportion of premiums collected for each of the Funds during the financial year ended 31 December 2013. The apportionment basis used is as follows:

Year	Total	DIS		TIPS			
		Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Solidarity Takaful
2014	100%	61.8%	11.7%	3.1%	19.3%	1.4%	2.7%
2013	100%	50.1%	8.9%	11.2%	25.5%	1.4%	2.9%

Premium revenues are recognised in a financial year in respect of the premium assessed during that particular financial period. Member institutions pay annual premiums for the risk coverage period that coincides with PIDM's financial period.

Investment income including income from placements in short-term money market deposits is recognised on a time proportion basis that reflects the effective yield on the asset.

(g) Employee benefits**(i) Short-term benefits**

Wages, salaries, bonuses, social security contributions and other benefits such as medical coverage benefits and allowances are recognised as an expense in the year in which the associated services are rendered by employees of PIDM. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which PIDM pays fixed contributions into a separate entity or fund. PIDM will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current or preceding financial years. Such contributions are recognised as an expense in the Statement of Profit or Loss as incurred. As required by law, PIDM makes contributions to the statutory national pension scheme, Kumpulan Wang Simpanan Pekerja, as well as Pertubuhan Keselamatan Sosial.

(h) Currencies**(i) Functional and presentation currency**

The financial statements of PIDM are presented in Ringgit Malaysia (RM), which is the currency of the primary economic environment in which PIDM operates (functional currency).

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Summary of significant accounting policies (continued)****(h) Currencies (continued)****(ii) Foreign currency transactions**

In preparing the financial statements of PIDM, transactions in foreign currencies other than PIDM's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising from the settlement of monetary items, and on the translation of monetary items, are included in the Statement of Profit or Loss for the period. Exchange differences arising from the translation of non-monetary items carried at fair value are included in the Statement of Profit or Loss for the period except for the differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in the Funds and Reserves. Exchange differences arising from such non-monetary items are also recognised directly in the Funds and Reserves.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

PIDM has early adopted the following accounting standards and amendments of the MFRS that have been issued by the Malaysian Accounting Standards Board (MASB) as follows:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014:

- Amendments to MFRS 8 *Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)*
- Amendments to MFRS 116 *Property, Plant & Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124 *Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)*

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016:

- Amendments to MFRS 7 *Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)*
- Amendments to MFRS 10 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 116 *Property, Plant & Equipment (Clarification of Acceptable Methods of Depreciation)*
- Amendments to MFRS 119 *Employee Benefits (Annual Improvements to MFRSs 2010-2012 Cycle)*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017:

- MFRS 15 *Revenue from Contracts with Customers*

The adoption of the above amendments and improvements to MFRS did not have any material effect on the financial performance or position of PIDM. These changes also do not result in significant changes in the accounting policies of PIDM.

The accounting standard that has been issued by the MASB which is not yet effective and has not been adopted by PIDM is MFRS 9 *Financial Instruments (Effective: 1 January 2018)*.

Notes to the Financial Statements

31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies (continued)

PIDM is in the process of assessing the financial effects of this new accounting standard.

The following accounting standards, amendments and interpretations to the MFRS Framework that are not yet effective for the 2014 financial statements and are currently not applicable to PIDM's operations:

- Amendments to MFRS 2 *Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 138 *Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 140 *Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)* (Effective: 1 July 2014)
- Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)* (Effective: 1 January 2016)
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (Effective: 1 January 2016)
- MFRS 14 *Regulatory Deferral Accounts* (Effective: 1 January 2016)
- Amendments to MFRS 138 *Clarification of Acceptable Methods of Amortisation* (Effective: 1 January 2016)
- Amendments to MFRS 116 and 141 *Agriculture: Bearer Plants* (Effective: 1 January 2016)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the PIDM's financial statements does not generally require Management to make judgements, estimates and assumptions that affect the reported amounts except for the areas discussed below and the disclosure of contingent liabilities at the reporting date. Where judgements are required, uncertainty about the assumptions and estimates used could result in outcomes that would require a material adjustment to the carrying amount of the affected asset or liability in the future.

3.1 Judgements made in applying accounting policies

In the process of applying PIDM's accounting policies, Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Non-consolidation of investments in subsidiaries

In accordance with MFRS 10, consolidation of subsidiaries by a parent is required when the parent has 'control' over its subsidiaries. For 'control' to be established, the investor must have the following:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of investor's return.

PIDM is the resolution authority for all member institutions with a wide intervention and failure resolution (IFR) powers. The subsidiaries were incorporated to act as vehicles for PIDM to carry out any IFR activities rather than for investment purposes. Any returns from the subsidiaries are meant for the benefit of the respective Funds, which are to be used for future IFR activities. PIDM, as an entity, has limited financial exposure or rights to variable returns from its investments in the subsidiaries, as the financial exposure and rights to any variable returns are attributed directly to the relevant Funds. Although PIDM has rights to use monies in the Funds to cover any expenses incurred in order to run its operations, these expenses are limited and strictly governed by the PIDM Act.

Notes to the Financial Statements

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**3.1 Judgements made in applying accounting policies (continued)****(a) Non-consolidation of investments in subsidiaries (continued)**

Given the above considerations, the criteria for having 'control' as defined in MFRS 10 are not met, and hence consolidated financial statements have not been prepared. Nevertheless, a summary of the financial information of each of the subsidiaries is included in Note 7 to the financial statements.

(b) Impairment of available-for-sale investments

PIDM reviews its debt securities classified as available-for-sale investments at the reporting date to assess whether they are impaired. PIDM records impairment charges when there has been a significant or prolonged decline in the fair value below their cost as well as the deterioration of financial ability and any default in payments of contractual obligations by the issuer or obligor.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, PIDM evaluates, among other factors, historical quoted price movements, the duration and extent to which the fair value of an investment is less than its cost.

(c) Impairment of held-to-maturity investments as well as receivables and other assets

PIDM assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, PIDM considers factors such as the probability of insolvency or significant financial difficulties of the debtor, issuer or obligor as well as any default or significant delay in payments.

(d) Operating lease commitments

PIDM has entered into non-cancellable lease contracts for the use of office space and various office equipment. PIDM has determined, based on an evaluation of the terms and conditions of the arrangements, that the lease terms do not constitute a major part of the economic life of the assets and there is no purchase option clause included in the contract. As such, there is no transfer of significant risks and rewards of ownership of these assets to PIDM. Hence, these contracts are accounted for as operating lease.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair value of financial investments

Where the fair values of financial assets recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgement includes considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions.

(b) Impairment of held-to-maturity investments as well as receivables and other assets

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Notes to the Financial Statements

31 December 2014

4. CASH AND CASH EQUIVALENTS

a. Balances as at the end of the financial year

	31.12.2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Deposits with Bank Negara Malaysia	1,704	374	1,330
Cash on hand and at bank	13,586	11,730	1,856
	15,290	12,104	3,186
Short-term investments:			
Malaysian Government Securities and Investment Issues	-	-	-
Bank Negara Malaysia Bills and Negotiable Notes	-	-	-
	-	-	-
Add: Accretion of discounts net of amortisation of premium	-	-	-
	-	-	-
Total cash and cash equivalents	15,290	12,104	3,186
Market values of short-term investments held as at 31 December 2014 are as follows:			
Malaysian Government Securities and Investment Issues	-	-	-
Bank Negara Malaysia Bills and Negotiable Notes	-	-	-
Total market values of short-term investments	-	-	-

Notes to the Financial Statements

31 December 2014

4. CASH AND CASH EQUIVALENTS (continued)

a. Balances as at the end of the financial year (continued)

	31.12.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Deposits with Bank Negara Malaysia	909	191	718
Cash on hand and at bank	19,050	17,442	1,608
	19,959	17,633	2,326
Short-term investments:			
Malaysian Government Securities and Investment Issues	19,588	9,989	9,599
Bank Negara Malaysia Bills and Negotiable Notes	140,886	69,998	70,888
	160,474	79,987	80,487
Add: Accretion of discounts net of amortisation of premium	268	145	123
	160,742	80,132	80,610
Total cash and cash equivalents	180,701	97,765	82,936
Market values of short-term investments held as at 31 December 2013 are as follows:			
Malaysian Government Securities and Investment Issues	19,597	9,993	9,604
Bank Negara Malaysia Bills and Negotiable Notes	141,153	70,144	71,009
Total market values of short-term investments	160,750	80,137	80,613

Notes to the Financial Statements

31 December 2014

4. CASH AND CASH EQUIVALENTS (continued)**a. Balances as at the end of the financial year (continued)**

	1.1.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Deposits with Bank Negara Malaysia	587	1	586
Cash on hand and at bank	18,674	14,680	3,994
	19,261	14,681	4,580
Short-term investments:			
Malaysian Government Securities and Investment Issues	-	-	-
Bank Negara Malaysia Bills and Negotiable Notes	15,000	15,000	-
	15,000	15,000	-
Add: Accretion of discounts net of amortisation of premium	32	32	-
	15,032	15,032	-
Total cash and cash equivalents	34,293	29,713	4,580
Market values of short-term investments held as at 1 January 2013 are as follows:			
Malaysian Government Securities and Investment Issues	-	-	-
Bank Negara Malaysia Bills and Negotiable Notes	15,033	15,033	-
Total market values of short-term investments	15,033	15,033	-

Short-term investments that have a term to maturity of less than 90 days from acquisition date are categorised as cash equivalents. These short-term investments are intended to be held to their maturities and therefore stated at cost adjusted for amortisation of premiums and accretion of discounts.

The market values of these short-term investments were based on indicative market prices.

Notes to the Financial Statements

31 December 2014

4. CASH AND CASH EQUIVALENTS (continued)

b. Statement of Cash Flows (indirect method)

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year	290,791	204,768	86,023
<i>Adjustments for:</i>			
Depreciation	7,143	6,441	702
Investment income from cash and investment securities	(63,732)	(26,233)	(37,499)
Loss on disposal of investment securities	-	-	-
Operating profit before changes in working capital	234,202	184,976	49,226
Change in payables	4,339	4,422	(83)
Change in other assets	(404)	(367)	(37)
Cash generated from operations	238,137	189,031	49,106
Net accretion / amortisation for investment securities	(15,127)	(9,748)	(5,379)
Change in investment income receivables	784	1	783
Investment income from cash and investment securities	63,732	26,233	37,499
Net cash flows generated from operating activities	287,526	205,517	82,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities	2,682,210	1,239,126	1,443,084
Purchase of investment securities	(3,130,396)	(1,527,017)	(1,603,379)
Purchase of property and equipment	(4,751)	(3,287)	(1,464)
Net cash flows used in investing activities	(452,937)	(291,178)	(161,759)
Net decrease in cash and cash equivalents	(165,411)	(85,661)	(79,750)
Cash and cash equivalents at beginning of year	180,701	97,765	82,936
Cash and cash equivalents at end of year	15,290	12,104	3,186

Notes to the Financial Statements

31 December 2014

4. CASH AND CASH EQUIVALENTS (continued)

b. Statement of Cash Flows (indirect method) (continued)

	2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year	218,535	151,278	67,257
<i>Adjustments for:</i>			
Depreciation	7,590	7,272	318
Investment income from cash and investment securities	(56,142)	(20,525)	(35,617)
Loss on disposal of investment securities	650	-	650
Operating profit before changes in working capital	170,633	138,025	32,608
Change in payables	(1,959)	(1,456)	(503)
Change in other assets	(712)	(162)	(550)
Cash generated from operations	167,962	136,407	31,555
Net accretion / amortisation for investment securities	1,650	520	1,130
Change in investment income receivables	1,043	(1)	1,044
Investment income from cash and investment securities	56,142	20,525	35,617
Net cash flows generated from operating activities	226,797	157,451	69,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities	2,836,027	1,403,162	1,432,865
Purchase of investment securities	(2,915,069)	(1,491,761)	(1,423,308)
Purchase of property and equipment	(1,347)	(800)	(547)
Net cash flows (used in) / generated from investing activities	(80,389)	(89,399)	9,010
Net increase in cash and cash equivalents	146,408	68,052	78,356
Cash and cash equivalents at beginning of year	34,293	29,713	4,580
Cash and cash equivalents at end of year	180,701	97,765	82,936

Notes to the Financial Statements

31 December 2014

5. INVESTMENTS

a. Available-for-sale investments

	31.12.2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Private Debt Securities	-	-	-
Total available-for-sale investments	-	-	-

	31.12.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Private Debt Securities	-	-	-
Total available-for-sale investments	-	-	-

	1.1.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Private Debt Securities	4,859	-	4,859
Total available-for-sale investments	4,859	-	4,859

Available-for-sale investments in prior year are measured and recognised in the Statement of Financial Position at fair value. The fair values were determined by reference to indicative market prices as at the end of the financial year obtained from a bond pricing agency.

Notes to the Financial Statements

31 December 2014

5. INVESTMENTS (continued)

b. Held-to-maturity investments

	31.12.2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Investment Issues	1,046,561	409,323	637,238
Bank Negara Malaysia Bills and Negotiable Notes	1,034,456	529,681	504,775
Private Debt Securities	71,089	-	71,089
	2,152,106	939,004	1,213,102
Add: Accretion of discounts net of amortisation of premium	23,612	12,411	11,201
Total held-to-maturity investments	2,175,718	951,415	1,224,303
Market values of investments held as at 31 December 2014 are as follows:			
Malaysian Government Securities and Investment Issues	1,053,658	415,629	638,029
Bank Negara Malaysia Bills and Negotiable Notes	1,044,158	534,857	509,301
Private Debt Securities	70,393	-	70,393
Total market values of investments	2,168,209	950,486	1,217,723

	31.12.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Investment Issues	719,471	239,813	479,658
Bank Negara Malaysia Bills and Negotiable Notes	905,062	411,448	493,614
Private Debt Securities	81,597	-	81,597
	1,706,130	651,261	1,054,869
Add: Accretion of discounts net of amortisation of premium	10,691	5,910	4,781
Total held-to-maturity investments	1,716,821	657,171	1,059,650
Market values of investments held as at 31 December 2013 are as follows:			
Malaysian Government Securities and Investment Issues	724,829	243,170	481,659
Bank Negara Malaysia Bills and Negotiable Notes	911,111	413,958	497,153
Private Debt Securities	80,928	-	80,928
Total market values of investments	1,716,868	657,128	1,059,740

Notes to the Financial Statements

31 December 2014

5. INVESTMENTS (continued)

b. Held-to-maturity investments (continued)

	1.1.2013 Restated		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Investment Issues	909,680	291,562	618,118
Bank Negara Malaysia Bills and Negotiable Notes	624,645	270,986	353,659
Private Debt Securities	90,474	-	90,474
	1,624,799	562,548	1,062,251
Add: Accretion of discounts net of amortisation of premium	9,515	5,803	3,712
Total held-to-maturity investments	1,634,314	568,351	1,065,963
Market values of investments held as at 1 January 2013 are as follows:			
Malaysian Government Securities and Investment Issues	915,393	294,511	620,882
Bank Negara Malaysia Bills and Negotiable Notes	631,644	273,831	357,813
Private Debt Securities	90,668	-	90,668
Total market values of investments	1,637,705	568,342	1,069,363

Investments are denominated in Ringgit Malaysia.

The market values of investments in both DIFs as well as TIPFs as disclosed above are indicative of their fair values as at the end of the financial year and are determined by reference to indicative market prices obtained from a bond pricing agency.

Notes to the Financial Statements

31 December 2014

6. OTHER ASSETS

	2014		
	Total	DIFs	TIPFs
	RM'000	RM'000	RM'000
Deposits and prepayments	3,705	3,228	477
Investment income receivables	3,425	1	3,424
Other receivables	1,099	418	681
Other assets	130	90	40
Amounts due from subsidiaries (Note 7)	124	66	58
Total other assets	8,483	3,803	4,680

	2013		
	Total	DIFs	TIPFs
	RM'000	RM'000	RM'000
Deposits and prepayments	3,593	2,967	626
Investment income receivables	4,209	2	4,207
Other receivables	860	341	519
Other assets	130	90	40
Amounts due from subsidiaries	71	37	34
Total other assets	8,863	3,437	5,426

Included in other receivables are inter-fund balances of RM1.1 million (2013: RM0.8 million) for day-to-day operational activities. Refer to Note 9.

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

The Other assets balance disclosed in the column titled "1.1.2013" in the Statement of Financial Position is the same as the closing audited balance as at 31 December 2012. There is no impact on such balance arising from the reclassification of Cash and cash equivalents balance to Investments balance.

Notes to the Financial Statements

31 December 2014

7. INVESTMENTS IN SUBSIDIARIES

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
At cost			
Unquoted shares	—*	—	—
Total investment in subsidiaries	—	—	—

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
At cost			
Unquoted shares	—*	—	—
Total investment in subsidiaries	—	—	—

* Total paid-up capital of RM10 (RM2 for each of the five subsidiaries) is significantly below the rounding threshold.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Incorporation date	Effective ownership interest	Status
The Federal Asset Management Agency of Malaysia Berhad**	Malaysia	Asset management company	8 June 2012	100%	Dormant
The Federal Commercial Bank of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant
The Federal Islamic Bank of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant
The National PIDM Insurance Corporation of Malaysia Berhad**	Malaysia	Bridge institution	20 June 2012	100%	Dormant
The Federal Takaful Corporation of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant

** Audited by an external audit firm, Messrs Khairuddin Hasyudeen & Razi.

The names of all Directors for all the subsidiaries in office during the financial year ended 31 December 2014 were:

- Ms. Lim Yam Poh, Executive General Manager and General Counsel, PIDM
- Encik Rafiz Azuan Abdullah, Executive General Manager, PIDM

The subsidiaries were incorporated as part of PIDM's efforts to ensure operational readiness to carry out any intervention or failure resolution (IFR) activities. In accordance with section 10 of the PIDM Act, PIDM may establish subsidiaries as it considers necessary for the purposes of carrying out its functions, powers and duties. The five subsidiaries, being one asset management company (AMC) and four bridge institutions (BIs), have been incorporated under the Companies Act 1965 as public companies limited by shares. The subsidiaries are incorporated in advance in case of any failure of a member institution and hence, will remain dormant until activated to carry out any necessary IFR activities.

Notes to the Financial Statements

31 December 2014

7. INVESTMENTS IN SUBSIDIARIES (continued)

The specific objective and purpose of these subsidiaries are as follows:

Name of subsidiary	Objects / Purpose
The Federal Asset Management Agency of Malaysia Berhad	The AMC was established to carry on the business of an asset management company and has the authority to acquire, assume control, manage, dispose of, sell, deal with, transact and operate as a going concern or otherwise, the assets, liabilities, business, undertakings and affairs of a member institution as defined in the PIDM Act, whether by way of an arrangement, agreement, instrument or otherwise in accordance with the PIDM Act and any other applicable laws.
<p><u>Bridge institutions (BIs)</u></p> <p>A BI is a resolution tool under the PIDM Act. This would enable PIDM to transfer the business, assets and liabilities of a troubled or failed member institution to a BI where there is no immediate purchaser or where the resolution action involves a complex member institution. The BI is intended to be a temporary special purpose vehicle that would preserve the business franchise value of the troubled or failed member institution. The BI is to be operated on a conservative basis, and subsequently sold to a private sector purchaser. On activation and designation of a BI under the PIDM Act with the approval of the Minister of Finance, the BI will operate as a fully licensed financial institution.</p>	
The Federal Commercial Bank of Malaysia Berhad	This subsidiary, upon activation, will operate as a licensed bank to carry on and transact all commercial banking business as defined in the Financial Services Act 2013.
The Federal Islamic Bank of Malaysia Berhad	This subsidiary, upon activation, will operate as a licensed Islamic bank to carry on and transact all Islamic banking business as defined in the Islamic Financial Services Act 2013.
The National PIDM Insurance Corporation of Malaysia Berhad	This subsidiary, upon activation, will operate as a licensed composite, life or general insurance company to carry on or transact all insurance, assurance, guarantee and indemnity businesses as defined in the Financial Services Act 2013.
The Federal Takaful Corporation of Malaysia Berhad	This subsidiary, upon activation, will operate as a registered takaful operator to carry on or transact every kind of takaful and re-takaful businesses under the Islamic Financial Services Act 2013.

In line with section 35 of the PIDM Act, the financial results of the subsidiaries are not consolidated with the financial statements of PIDM. Consolidating the financial statements of PIDM together with those of its subsidiaries will not provide meaningful information and a true and fair view of the financial position and performance of PIDM as the financial exposure and impact of any intervention or failure resolution of a member institution only affects the specific Fund(s) to which that member institution relates.

Notes to the Financial Statements

31 December 2014

7. INVESTMENTS IN SUBSIDIARIES (continued)

In addition, PIDM, as an entity, has limited financial exposure or rights to variable returns from its investments in the subsidiaries. Although PIDM has rights to use the Funds to cover any expenses incurred in order to run its operations, these expenses are limited and strictly governed by the PIDM Act. Given these considerations, the criteria for having 'control' as defined in MFRS 10 are not met, hence consolidated financial statements have not been prepared. Nevertheless, a summary of the financial information of each of the subsidiaries (in absolute RM) is set out below.

	2014				
	The Federal Asset Management Agency of Malaysia Berhad	The Federal Commercial Bank of Malaysia Berhad	The Federal Islamic Bank of Malaysia Berhad	The National PIDM Insurance Corporation of Malaysia Berhad	The Federal Takaful Corporation of Malaysia Berhad
	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-
Operating expenses	10,641	10,641	10,641	10,641	10,641
Total assets	-	-	-	-	-
Total liabilities	25,091	24,793	24,793	24,822	24,793
Capital	2	2	2	2	2

	2013				
	The Federal Asset Management Agency of Malaysia Berhad	The Federal Commercial Bank of Malaysia Berhad	The Federal Islamic Bank of Malaysia Berhad	The National PIDM Insurance Corporation of Malaysia Berhad	The Federal Takaful Corporation of Malaysia Berhad
	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-
Operating expenses	8,203	8,203	8,203	8,203	8,203
Total assets	-	-	-	-	-
Total liabilities	14,450	14,152	14,152	14,181	14,152
Capital	2	2	2	2	2

Notes to the Financial Statements

31 December 2014

8. PROPERTY AND EQUIPMENT

	2014						
	Land and building	Office equipment and computer systems	Furniture and fittings	Motor vehicles	Office refurbishments	Assets under construction*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Balance as at 1 January 2014	2,300	24,634	3,015	418	8,361	627	39,355
Additions	2,418	166	6	-	29	6,548	9,167
Reclassifications / Adjustments	-	2,540	34	-	-	(2,574)	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	4,718	27,340	3,055	418	8,390	4,601	48,522
Accumulated depreciation							
Balance as at 1 January 2014	-	14,620	2,511	415	4,653	-	22,199
Charge for the year	-	5,203	270	1	1,669	-	7,143
Reclassifications / Adjustments	-	-	-	-	-	-	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	-	19,823	2,781	416	6,322	-	29,342
Net carrying amount as at 31 December 2014	4,718	7,517	274	2	2,068	4,601	19,180

The Property and Equipment balance disclosed in the column titled "1.1.2013" in the Statement of Financial Position is the same as the closing audited balance as at 31 December 2012. There is no impact of such balance arising from the reclassification of Cash and cash equivalents balance to Investments balance.

* Assets under construction amounting to RM4,601,072 (2013: RM626,723) consist of the development of the Disaster Recovery Centre (DRC) of RM4,001,713, the enhancements to the Deposit Liability Information Management System (DLIMS) of RM169,659, the enhancements to Enterprise Portal of RM165,880, server upgrade of RM103,618, the Submission Tracking and Rating System (STARS) of RM77,962, the Storage Consolidation Project Implementation of RM61,263, the Board Pad application of RM13,347 and the integration of Human Resource Information System with the Enhanced Financial Management System of RM7,630. The development of the DRC is currently estimated at 11% stage of completion. The remaining balance of the cost ascertained as at 31 December 2014 is currently recognised as part of the capital commitment (land and building) in Note 18.

Notes to the Financial Statements

31 December 2014

8. PROPERTY AND EQUIPMENT (continued)

	2013						
	Land and building RM'000	Office equipment and computer systems RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office refurbishments RM'000	Assets under construction* RM'000	Total RM'000
Cost							
Balance as at 1 January 2013	2,300	22,551	2,996	418	8,050	2,417	38,732
Additions	-	161	19	-	24	1,652	1,856
Reclassifications / Adjustments**	-	1,922	-	-	287	(3,442)	(1,233)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	2,300	24,634	3,015	418	8,361	627	39,355
Accumulated depreciation							
Balance as at 1 January 2013	-	8,906	2,246	414	3,043	-	14,609
Charge for the year	-	5,793	265	1	1,610	-	7,669
Reclassifications / Adjustments	-	(79)	-	-	-	-	(79)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	-	14,620	2,511	415	4,653	-	22,199
Net carrying amount as at 31 December 2013	2,300	10,014	504	3	3,708	627	17,156

* Assets under construction amounting to RM626,723 (2012: RM2,417,288) consist of the Human Resource Information System (Phase 2) of RM268,091, the Enhancement to Corporate Performance Management System (CPMS) of RM34,965 and the development of the DRC of RM323,667.

** Reclassifications / adjustments include adjustments of RM1.2 million that relate to reversal of specific contracted items for DLIMS and the Payout Payment Management System (PPMS) which have yet to be completed.

Notes to the Financial Statements
31 December 2014

8. PROPERTY AND EQUIPMENT (continued)

a. Deposit Insurance Funds

	2014						
	Land and building	Office equipment and computer systems	Furniture and fittings	Motor vehicles	Office refurbishments	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Balance as at 1 January 2014	1,376	23,059	3,004	416	7,610	367	35,832
Additions	1,779	122	4	-	21	4,756	6,682
Reclassifications / Adjustments	-	1,864	25	-	-	(1,889)	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	3,155	25,045	3,033	416	7,631	3,234	42,514
Accumulated depreciation							
Balance as at 1 January 2014	-	14,368	2,511	415	4,437	-	21,731
Charge for the year	-	4,654	267	1	1,519	-	6,441
Reclassifications / Adjustments	-	-	-	-	-	-	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	-	19,022	2,778	416	5,956	-	28,172
Net carrying amount as at 31 December 2014	3,155	6,023	255	-	1,675	3,234	14,342

Notes to the Financial Statements

31 December 2014

8. PROPERTY AND EQUIPMENT (continued)

a. Deposit Insurance Funds (continued)

	2013						
	Land and building	Office equipment and computer systems	Furniture and fittings	Motor vehicles	Office refurbishments	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Balance as at 1 January 2013	1,376	22,119	2,993	416	7,426	1,443	35,773
Additions	-	89	11	-	15	971	1,086
Reclassifications / Adjustments	-	851	-	-	169	(2,047)	(1,027)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	1,376	23,059	3,004	416	7,610	367	35,832
Accumulated depreciation							
Balance as at 1 January 2013	-	8,847	2,246	414	2,953	-	14,460
Charge for the year	-	5,593	265	1	1,484	-	7,343
Reclassifications / Adjustments	-	(72)	-	-	-	-	(72)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	-	14,368	2,511	415	4,437	-	21,731
Net carrying amount as at 31 December 2013	1,376	8,691	493	1	3,173	367	14,101

Notes to the Financial Statements
31 December 2014

8. PROPERTY AND EQUIPMENT (continued)

b. Takaful and Insurance Benefits Protection Funds

	2014						
	Land and building	Office equipment and computer systems	Furniture and fittings	Motor vehicles	Office refurbishments	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Balance as at 1 January 2014	924	1,575	11	2	751	260	3,523
Additions	639	44	2	-	8	1,792	2,485
Reclassifications / Adjustments	-	676	9	-	-	(685)	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	1,563	2,295	22	2	759	1,367	6,008
Accumulated depreciation							
Balance as at 1 January 2014	-	252	-	-	216	-	468
Charge for the year	-	549	3	-	150	-	702
Reclassifications / Adjustments	-	-	-	-	-	-	-
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2014	-	801	3	-	366	-	1,170
Net carrying amount as at 31 December 2014	1,563	1,494	19	2	393	1,367	4,838

Notes to the Financial Statements
31 December 2014

8. PROPERTY AND EQUIPMENT (continued)

b. Takaful and Insurance Benefits Protection Funds (continued)

	2013						
	Land and building	Office equipment and computer systems	Furniture and fittings	Motor vehicles	Office refurbishments	Assets under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Balance as at 1 January 2013	924	432	3	2	624	974	2,959
Additions	-	72	8	-	9	681	770
Reclassifications / Adjustments	-	1,071	-	-	118	(1,395)	(206)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	924	1,575	11	2	751	260	3,523
Accumulated depreciation							
Balance as at 1 January 2013	-	59	-	-	90	-	149
Charge for the year	-	200	-	-	126	-	326
Reclassifications / Adjustments	-	(7)	-	-	-	-	(7)
Retirements	-	-	-	-	-	-	-
Balance as at 31 December 2013	-	252	-	-	216	-	468
Net carrying amount as at 31 December 2013	924	1,323	11	2	535	260	3,055

Notes to the Financial Statements

31 December 2014

9. PAYABLES

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Other payables	2,318	1,900	418
Accruals	7,790	5,734	2,056
Sundry creditors	48	35	13
Provision for unutilised leave	1,212	872	340
Total payables	11,368	8,541	2,827

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Other payables	1,884	1,416	468
Accruals	3,995	2,006	1,989
Sundry creditors	44	26	18
Provision for unutilised leave	1,106	671	435
Total payables	7,029	4,119	2,910

Other payables include amount due to related parties as disclosed in Note 19.

Included in other payables are inter-fund balances of RM1.1 million (2013: RM0.8 million) for day-to-day operational activities. Refer to Note 6.

10. FUNDS AND RESERVES

a. Deposit Insurance Funds

Accumulated surpluses

	2014		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
Balance as at 1 January	768,355	660,948	107,407
Net surplus	204,768	170,322	34,446
Balance as at 31 December	973,123	831,270	141,853

Notes to the Financial Statements

31 December 2014

10. FUNDS AND RESERVES (continued)

a. Deposit Insurance Funds (continued)

Accumulated surpluses (continued)

	2013		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
Balance as at 1 January	617,077	533,822	83,255
Net surplus	151,278	127,126	24,152
Balance as at 31 December	768,355	660,948	107,407

The DIFs are the accumulated reserves (ex-ante funds) to cover the net insurance losses arising from providing deposit insurance protection to depositors. In accordance with the PIDM Act, PIDM maintains separate DIFs for both conventional and Islamic DIS. DIFs are accumulated from annual net surpluses, which are the premium revenue and investment income net of operating expenses for a particular year.

In 2011, PIDM had established a framework to determine the levels of DIFs that PIDM aims to build as reserves over the long-run to meet its objectives and fulfil its mandate. This level (known as the Target Fund) represents the level of funds that would be sufficient to cover the net insurance losses from IFR activities. The Target Fund is usually described as a percentage of Total Insured Deposits (TID), and for PIDM, is specified as a range of target levels (lower and upper ranges).

The Target Fund range is between 0.6% and 0.9% of TID for both the conventional and Islamic DIFs. Based on the level of TID as at 31 December 2013, the range in RM absolute terms is between RM2.4 billion and RM3.6 billion for the conventional DIF and between RM393 million and RM590 million for the Islamic DIF. The Target Fund modelling was reviewed during the year as part of the annual review process, and the conclusion was that the existing Target Fund level is still current and relevant.

The current levels of DIFs compared to the Target Fund range are described in the following table:

DEPOSIT INSURANCE FUNDS	TARGET FUND			
	2014 ACTUAL RM MILLION / %	2013 ACTUAL RM MILLION / %	LOWER RANGE RM MILLION / %	UPPER RANGE RM MILLION / %
Conventional Deposit Insurance Fund				
Balance	831.3	660.9	2,377	3,566
Percentage of Total Insured Deposits	0.21%	0.18%	0.6%	0.9%
Islamic Deposit Insurance Fund				
Balance	141.8	107.4	393	590
Percentage of Total Insured Deposits	0.22%	0.19%	0.6%	0.9%

Notes to the Financial Statements

31 December 2014

10. FUNDS AND RESERVES (continued)**a. Deposit Insurance Funds (continued)****Accumulated surpluses (continued)**

In order to achieve the Target Fund levels within a reasonable timeframe, the premium rates to be assessed on member banks have been revised. Details of the premium rates revision are described in Note 11(a).

Based on the current level accumulated surpluses and approved premium rates, the lower range of the Target Fund is expected to be achieved within the next eight to 10 years.

b. Takaful and Insurance Benefits Protection Funds**i. Accumulated surpluses**

	2014				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
Balance as at 1 January	1,148,157	1,024,436	104,112	6,482	13,127
Net surplus	86,023	40,779	37,320	2,560	5,364
Balance as at 31 December	1,234,180	1,065,215	141,432	9,042	18,491

	2013				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
Balance as at 1 January	1,080,900	994,167	74,218	4,091	8,424
Net surplus	67,257	30,269	29,894	2,391	4,703
Balance as at 31 December	1,148,157	1,024,436	104,112	6,482	13,127

PIDM is finalising a Target Fund framework for the general insurance industry for implementation in 2015. PIDM will be developing a Target Fund framework for the remaining Funds within TIPFs over the next several years.

Notes to the Financial Statements

31 December 2014

10. FUNDS AND RESERVES (continued)

b. Takaful and Insurance Benefits Protection Funds (continued)

ii. Other reserves

	2014				
	Total	General	Life	General	Family
	RM'000	Insurance	Insurance	Takaful	Solidarity
		RM'000	RM'000	RM'000	Takaful
					RM'000
Balance as at 1 January	-	-	-	-	-
Net unrealised gains / (losses) on available-for-sale investments arising during the year	-	-	-	-	-
Net realised (gains) / losses on available-for-sale investments reclassified to Statement of Profit or Loss	-	-	-	-	-
Net gains / (losses) from prior years on available-for-sale investments recognised during the year in other comprehensive income	-	-	-	-	-
Balance as at 31 December	-	-	-	-	-

	2013				
	Total	General	Life	General	Family
	RM'000	Insurance	Insurance	Takaful	Solidarity
		RM'000	RM'000	RM'000	Takaful
					RM'000
Balance as at 1 January	(182)	(182)	-	-	-
Net unrealised losses on available-for-sale investments arising during the year	(525)	(525)	-	-	-
Net realised losses on available-for-sale investments reclassified to Statement of Profit or Loss	707	707	-	-	-
Net gains from prior years on available-for-sale investments recognised during the year in other comprehensive income	182	182	-	-	-
Balance as at 31 December	-	-	-	-	-

Notes to the Financial Statements

31 December 2014

11. PREMIUM REVENUES

a. Premium revenues from member banks

	2014		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
First premiums	-	-	-
Annual premiums	239,726	199,276	40,450
Total premium revenues from member banks	239,726	199,276	40,450

	2013		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
First premiums	-	-	-
Annual premiums	180,319	151,565	28,754
Total premium revenues from member banks	180,319	151,565	28,754

Premium rates applicable on the member banks are in accordance with the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) (Amendment) Order 2012 (Premium Order – Member Banks 2012), which took effect from assessment year 2013.

i. Rate for annual premium under the Differential Premium Systems

PREMIUM CATEGORY [COLUMN (1)]	PREMIUM RATE			MINIMUM ANNUAL PREMIUM AMOUNT (RM) [COLUMN (5)]
	ASSESSMENT YEAR 2013 [COLUMN (2)]	ASSESSMENT YEAR 2014 [COLUMN (3)]	ASSESSMENT YEAR 2015 ONWARDS [COLUMN (4)]	
1	0.04%	0.05%	0.06%	100,000
2	0.08%	0.10%	0.12%	200,000
3	0.16%	0.20%	0.24%	400,000
4	0.32%	0.40%	0.48%	800,000

Where the premium category in which a member bank is classified for an assessment year is as specified in column (1), the rates for the annual premium payable by such member bank will be the corresponding premium rate as specified in columns (2) to (4), subject to minimum annual premiums as specified in column (5).

Where a member bank is classified in different premium categories with respect to its Islamic insured deposits and its conventional insured deposits, the two different annual premium rates will apply with regard to the Islamic insured deposits and the conventional insured deposits respectively.

Notes to the Financial Statements

31 December 2014

11. PREMIUM REVENUES (continued)**a. Premium revenues from member banks (continued)****ii. Rates for first premium**

In respect of a new member bank [as defined in Regulation 2 of the Malaysia Deposit Insurance Corporation (in respect of Deposit-Taking Members) Regulations 2011] holding Islamic insured deposits or conventional insured deposits, the rate for the first premium for such new member bank will be the same as the premium rate for premium category 1, subject to a minimum first premium of RM250,000.

b. Premium revenues from insurer members

	2014				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
First premiums	-	-	-	-	-
Annual premiums	71,272	10,508	49,962	3,533	7,269
Total premium revenues from insurer members	71,272	10,508	49,962	3,533	7,269

	2013				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
First premiums	-	-	-	-	-
Annual premiums	64,781	7,487	47,252	3,370	6,672
Total premium revenues from insurer members	64,781	7,487	47,252	3,370	6,672

Notes to the Financial Statements

31 December 2014

11. PREMIUM REVENUES (continued)**b. Premium revenues from insurer members (continued)****i. Premium rates under the Differential Levy System for general and life insurer members**

All general and life insurer members are assessed based on the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Insurer Members) Regulations 2012 (DPS Regulation – Insurer Members 2012), which took effect from the assessment year 2013. The premium rates applicable to an insurer member is determined in accordance with the Malaysia Deposit Insurance Corporation (First Premium and Annual Premium in Respect of Insurer Members) Order 2012 (Premium Order – Insurer Members 2012) based on the premium category for which that insurer member is classified, which also took effect from the assessment year 2013. The rates assessed on the general and life insurer members, as specified in the Premium Order – Insurer Members 2012, are as follows:

PREMIUM CATEGORY	GENERAL INSURANCE	LIFE INSURANCE
1	0.05%	0.025%
2	0.1%	0.05%
3	0.2%	0.1%
4	0.4%	0.2%

The above new annual premiums payable were subject to minimum premiums based on their premium category as follows:

PREMIUM CATEGORY	MINIMUM ANNUAL PREMIUM AMOUNT (RM)
1	75,000
2	150,000
3	300,000
4	600,000

In respect of a new insurer member [as defined in Regulation 3 of the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Insurer Members) Regulations 2012], the rate for the first premium for such new insurer member will be the same as the premium rate for premium category 1.

ii. Premium rates for general takaful and family solidarity takaful members

Premiums on general takaful and family solidarity takaful members were levied in accordance with the Premium Order – Insurer Members 2012, which took effect from the assessment year 2013. The general takaful and family solidarity takaful members were assessed based on a flat rate applied on the relevant protected benefits during the preceding year, as follows:

BUSINESS SEGMENT	PREMIUM RATE
General Takaful	0.25% of the total net premiums received
Family Solidarity Takaful	0.06% of actuarial valuation of family solidarity takaful liabilities

The minimum premium payable by each general takaful and family solidarity takaful member is RM150,000.

Notes to the Financial Statements

31 December 2014

12. INVESTMENT INCOME

a. Investment income according to investment securities

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Investment Issues	35,313	13,940	21,373
Bank Negara Malaysia Bills and Negotiable Notes	25,101	12,154	12,947
Private Debt Securities	3,139	-	3,139
Placements in short-term money market deposits	179	139	40
Total investment income	63,732	26,233	37,499

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Investment Issues	31,069	10,999	20,070
Bank Negara Malaysia Bills and Negotiable Notes	21,235	9,405	11,830
Private Debt Securities	3,634	-	3,634
Placements in short-term money market deposits	204	121	83
Total investment income	56,142	20,525	35,617

b. Investment income according to nature of income

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Coupon and profit rate from investment securities	14,112	-	14,112
Returns from accretion of discounts from investment securities (net of amortisation of premiums)	49,441	26,094	23,347
Returns from placements in short-term money market deposits	179	139	40
Total investment income	63,732	26,233	37,499

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Coupon and profit rate from investment securities	16,800	-	16,800
Returns from accretion of discounts from investment securities (net of amortisation of premiums)	39,138	20,404	18,734
Returns from placements in short-term money market deposits	204	121	83
Total investment income	56,142	20,525	35,617

Notes to the Financial Statements

31 December 2014

12. INVESTMENT INCOME (continued)

c. Weighted Average Effective Yield Rates (WAEYR)

The WAEYR for investment securities that were effective during the financial year are as follows:

YEAR	TYPE OF PORTFOLIO	DIS		TIPS			
		CONVENTIONAL	ISLAMIC	GENERAL INSURANCE	LIFE INSURANCE	GENERAL TAKAFUL	FAMILY SOLIDARITY TAKAFUL
2014	Other cash equivalents and investments	3.03%	3.05%	3.10%	3.04%	3.04%	3.07%
	Placements in short-term money market deposits	2.27%	2.12%	2.52%	2.49%	2.15%	2.14%
	Overall	2.96%		3.08%			
2013	Other cash equivalents and investments	2.95%	2.97%	3.12%	2.96%	2.96%	2.96%
	Placements in short-term money market deposits	2.19%	2.03%	2.40%	2.31%	1.98%	2.04%
	Overall	2.85%		3.05%			

13. GAINS / (LOSSES) RELATING TO DIVESTMENT OF INVESTMENT SECURITIES

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Gains / (losses) from divestment of held-to-maturity investments	-	-	-
Gains / (losses) from divestment of available-for-sale investments	-	-	-
Net gains / (losses) from divestment of investments	-	-	-

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Gains from divestment of held-to-maturity investments	57	-	57
Losses from divestment of available-for-sale investments	(707)	-	(707)
Net losses from divestment of investments	(650)	-	(650)

Included in the 'gains / (losses) from divestment of available-for-sale investments' are losses from prior years of RM Nil (2013: losses of RM181,928), transferred from Other reserves to the Statements of Profit or Loss arising from the divestment of available-for-sale investments. Refer to Note 10(b)(ii).

Notes to the Financial Statements

31 December 2014

14. EMPLOYEE BENEFITS EXPENSES

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Wages and salaries	39,154	27,156	11,998
Contributions to defined contribution plan	5,380	3,725	1,655
Provision for unutilised leave	107	201	(94)
Other benefits	2,982	1,916	1,066
Total employee benefits expenses	47,623	32,998	14,625

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Wages and salaries	36,648	21,196	15,452
Contributions to defined contribution plan	4,860	2,810	2,050
Provision for unutilised leave	153	76	77
Other benefits	2,524	1,469	1,055
Total employee benefits expenses	44,185	25,551	18,634

The number of employees at the end of the financial year was 148 (2013: 142).

15. OTHER EXPENSES

	2014		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Audit fees	48	35	13
Directors' fees and remuneration*	680	500	180
Hosting international event	246	212	34
Parking space rental	534	393	141
Printing and stationery	1,441	1,063	378
Professional and consultancy fees	1,574	1,312	262
Scholarship programme	622	458	164
Subscriptions and memberships	569	422	147
Telecommunication and computer systems	3,378	2,370	1,008
Training and development	2,215	1,720	495
Travelling	731	609	122
Utilities, office maintenance and general insurance	1,050	770	280
Miscellaneous	312	234	78
Total other expenses	13,400	10,098	3,302

* Directors are paid on a fee and allowance structure as approved by the Minister of Finance.

Notes to the Financial Statements

31 December 2014

15. OTHER EXPENSES (continued)

	2013		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Audit fees	44	26	18
Directors' fees and remuneration*	626	370	256
Hosting international event	454	263	191
Parking space rental	516	305	211
Printing and stationery	1,426	843	583
Professional and consultancy fees	3,735	1,040	2,695
Scholarship programme	474	280	194
Subscriptions and memberships	453	268	185
Telecommunication and computer systems	1,881	1,113	768
Training and development	2,337	1,372	965
Travelling	922	570	352
Utilities, office maintenance and general insurance	951	561	390
Miscellaneous	522	329	193
Total other expenses	14,341	7,340	7,001

* Directors are paid on a fee and allowance structure as approved by the Minister of Finance.

16. TAXATION

PIDM is exempted from income tax.

17. OPERATING LEASES

PIDM has renegotiated a non-cancellable tenancy contract for the use of office space at Levels 12, 13, 15 and 16 as well as additional floor at Level 11, Axiata Tower (formerly known as Quill 7), Kuala Lumpur Sentral. PIDM and the landlord have mutually agreed to terminate the existing tenancy agreement and entered into a new tenancy contract for 3 years (First Term) beginning 1 January 2015 at a revised fixed rental rate with the option to renew for another 3 years (Second Term) at prevailing market rental rate, subject to maximum increase of 10%. Thereafter, PIDM has the option to renew for another 3 years (Third Term). There is no purchase option clause included in the contract. There are also no restrictions placed upon PIDM by entering into this tenancy contract.

PIDM has entered into a non-cancellable tenancy contract for the use of space for PIDM's interim Disaster Recovery Site. The tenancy is for two years (First Term) beginning 1 April 2011 at a fixed rental rate. Thereafter, PIDM has the option to renew for another two years (Second Term) plus a further two years (Third Term), both at a rate to be agreed upon between PIDM and the landlord. There is no purchase option clause included in the contract. During the year, PIDM exercised its option to extend the tenancy contract for the Third Term at the same rate as agreed by both PIDM and the landlord.

PIDM has also entered into leases for various office equipment under non-cancellable operating lease contracts. These leases have lease terms of up to five years and include a provision for an automatic renewal if PIDM does not serve termination notice three months before expiration of the primary term. There are no purchase options or escalation clauses included in the contracts.

Notes to the Financial Statements

31 December 2014

17. OPERATING LEASES (continued)

Future aggregate minimum lease payments under the non-cancellable operating leases contracted as at the Statement of Financial Position date but not recognised as liabilities are as follows:

	2014 RM'000	2013 RM'000
Future minimum lease payments:		
Within 1 year	5,624	5,376
More than 1 year but less than 5 years	16,248	3,923
Total operating lease commitments	21,872	9,299

18. CAPITAL COMMITMENTS

	2014 RM'000	2013 RM'000
Approved and contracted for:		
Land and building	15,585	5,483
Office equipment and computer systems	2,740	3,329
Total capital commitments	18,325	8,812

The capital commitment for land and building mainly includes the construction costs as well as the professional and consultancy expenses for the development of PIDM's DRC.

19. RELATED PARTY DISCLOSURES**a. Transactions with related parties**

PIDM is a statutory body governed by the PIDM Act. As such, PIDM is related by way of common interest with all Government Departments, agencies and other statutory bodies. During the financial year, PIDM has transacted with some of these related parties for various provision of services. All the transactions were transacted at commercial arm's length basis. The following table discloses the significant related party transactions:

	NOTE	EXPENSES		PAYABLES	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bank Negara Malaysia	i	276	276	2,310	23
Kumpulan Wang Simpanan Pekerja	ii	5,294	4,780	9	12
Pertubuhan Keselamatan Sosial	ii	86	80	-	-

- Transaction relates to rental of space for the Disaster Recovery Site and remaining balance for the purchase of land for the DRC.
- PIDM makes contributions to the statutory national pension scheme, Kumpulan Wang Simpanan Pekerja as well as Pertubuhan Keselamatan Sosial as disclosed in Note 14.

During the financial year, there were no transactions with any party related to any Directors or officers of PIDM.

Notes to the Financial Statements

31 December 2014

19. RELATED PARTY DISCLOSURES (continued)**b. Remuneration of key management personnel**

	2014	2013
	RM'000	RM'000
Short-term benefits	11,797	11,081
Post employment benefits:		
Contributions to defined contribution plan	1,154	1,000
Total remuneration of key management personnel	12,951	12,081

The remuneration of key management personnel includes the remuneration of the Chief Executive Officer and all members of the Executive Management Committee, being those persons having the authority and responsibility for planning, directing and controlling the activities of PIDM.

The amount above does not include Directors whose remuneration is disclosed separately in Note 15. Remuneration of key management personnel is also included in the employee benefits disclosure in Note 14.

20. SEGMENT INFORMATION

The PIDM Act provides separate coverage for each of the following Funds:

- i. Conventional Deposit Insurance Fund;
- ii. Islamic Deposit Insurance Fund;
- iii. General Insurance Protection Fund;
- iv. Life Insurance Protection Fund;
- v. General Takaful Protection Fund; and
- vi. Family Solidarity Takaful Protection Fund.

Hence, PIDM has reportable segments based on the above Funds' categories. No operating segments have been aggregated to form the above reportable operating segments.

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
ASSETS								
Cash and cash equivalents	4a	15,290	11,455	649	1,544	590	450	602
Investments								
<i>Available-for-sale investments</i>	5a	-	-	-	-	-	-	-
<i>Held-to-maturity investments</i>	5b	2,175,718	812,312	139,103	1,059,353	138,829	8,466	17,655
Other assets	6	8,483	2,765	1,038	3,669	805	74	132
Investments in subsidiaries	7	-	-	-	-	-	-	-
Property and equipment	8	19,180	12,080	2,262	963	3,243	209	423
Total Assets		2,218,671	838,612	143,052	1,065,529	143,467	9,199	18,812
LIABILITIES								
Payables	9	11,368	7,342	1,199	314	2,035	157	321
Total Liabilities		11,368	7,342	1,199	314	2,035	157	321
FUNDS AND RESERVES								
Accumulated surpluses	10	2,207,303	831,270	141,853	1,065,215	141,432	9,042	18,491
Other reserves	10	-	-	-	-	-	-	-
Total Funds and Reserves		2,207,303	831,270	141,853	1,065,215	141,432	9,042	18,491
Total Liabilities, Funds and Reserves		2,218,671	838,612	143,052	1,065,529	143,467	9,199	18,812

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting (continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (RESTATED)

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
ASSETS								
Cash and cash equivalents	4a	180,701	91,811	5,954	62,673	10,080	1,424	8,759
Investments								
<i>Available-for-sale investments</i>	5a	-	-	-	-	-	-	-
<i>Held-to-maturity investments</i>	5b	1,716,821	558,217	98,954	957,184	93,205	5,000	4,261
Other assets	6	8,863	2,617	820	4,535	741	55	95
Investments in subsidiaries	7	-	-	-	-	-	-	-
Property and equipment	8	17,156	11,922	2,179	833	1,888	108	226
Total Assets		1,923,541	664,567	107,907	1,025,225	105,914	6,587	13,341
LIABILITIES								
Payables	9	7,029	3,619	500	789	1,802	105	214
Total Liabilities		7,029	3,619	500	789	1,802	105	214
FUNDS AND RESERVES								
Accumulated surpluses	10	1,916,512	660,948	107,407	1,024,436	104,112	6,482	13,127
Other reserves	10	-	-	-	-	-	-	-
Total Funds and Reserves		1,916,512	660,948	107,407	1,024,436	104,112	6,482	13,127
Total Liabilities, Funds and Reserves		1,923,541	664,567	107,907	1,025,225	105,914	6,587	13,341

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
Premium revenues	11	310,998	199,276	40,450	10,508	49,962	3,533	7,269
Investment income from cash and investment securities	12	63,732	22,423	3,810	32,959	3,815	234	491
Realised losses from divestment of investment securities	13	-	-	-	-	-	-	-
Total revenues		374,730	221,699	44,260	43,467	53,777	3,767	7,760
Employee benefits	14	47,623	27,733	5,265	1,653	10,693	765	1,514
Public relations and advertising		10,505	6,527	1,242	297	2,009	144	286
Depreciation	8	7,143	5,459	982	188	437	25	52
Operating leases		5,268	3,265	620	156	1,012	72	143
Other expenses	15	13,400	8,393	1,705	394	2,306	201	401
Total expenses		83,939	51,377	9,814	2,688	16,457	1,207	2,396
Net surplus for the year		290,791	170,322	34,446	40,779	37,320	2,560	5,364
Other comprehensive income								
Items that can be subsequently reclassified to profit or loss								
Net gains on available-for-sale investments	10b	-	-	-	-	-	-	-
Total comprehensive income for the year		290,791	170,322	34,446	40,779	37,320	2,560	5,364

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
Premium revenues	11	245,100	151,565	28,754	7,487	47,252	3,370	6,672
Investment income from cash and investment securities	12	56,142	17,639	2,886	32,297	2,833	152	335
Realised losses from divestment of investment securities	13	(650)	-	-	(650)	-	-	-
Total revenues		300,592	169,204	31,640	39,134	50,085	3,522	7,007
Employee benefits	14	44,185	21,717	3,834	5,085	11,579	650	1,320
Public relations and advertising		10,406	5,171	917	1,179	2,687	149	303
Depreciation	8	7,590	6,136	1,135	87	196	11	25
Operating leases		5,535	2,816	500	606	1,379	77	157
Other expenses	15	14,341	6,238	1,102	1,908	4,350	244	499
Total expenses		82,057	42,078	7,488	8,865	20,191	1,131	2,304
Net surplus for the year		218,535	127,126	24,152	30,269	29,894	2,391	4,703
Other comprehensive income								
Items that can be subsequently reclassified to profit or loss		182	-	-	182	-	-	-
Net gains on available-for-sale investments	10b							
Total comprehensive income for the year		218,717	127,126	24,152	30,451	29,894	2,391	4,703

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Premiums received from member institutions		310,998	199,276	40,450	10,508	49,962	3,533	7,269
Payments in the course of operations to suppliers and employees		(77,276)	(45,189)	(8,898)	(2,949)	(16,639)	(1,209)	(2,392)
Receipts of investment income		53,804	16,440	3,438	30,323	2,974	172	457
Net cash flows generated from operating activities		287,526	170,527	34,990	37,882	36,297	2,496	5,334
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investment securities		2,682,210	991,294	247,832	1,097,028	268,651	20,407	56,998
Purchase of investment securities		(3,130,396)	(1,239,407)	(287,610)	(1,195,778)	(313,433)	(23,811)	(70,357)
Purchase of property and equipment		(4,751)	(2,770)	(517)	(261)	(1,005)	(66)	(132)
Net cash flows used in investing activities		(452,937)	(250,883)	(40,295)	(99,011)	(45,787)	(3,470)	(13,491)
Net decrease in cash and cash equivalents		(165,411)	(80,356)	(5,305)	(61,129)	(9,490)	(974)	(8,157)
Cash and cash equivalents at beginning of year		180,701	91,811	5,954	62,673	10,080	1,424	8,759
Cash and cash equivalents at end of year	4a	15,290	11,455	649	1,544	590	450	602

Notes to the Financial Statements

31 December 2014

20. SEGMENT INFORMATION (continued)

Fund reporting (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (RESTATED)

	Note	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Solidarity Takaful RM'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Premiums received from member institutions		245,100	151,565	28,754	7,487	47,252	3,370	6,672
Payments in the course of operations to suppliers and employees		(76,414)	(36,514)	(6,657)	(9,072)	(20,644)	(1,163)	(2,364)
Receipts of investment income		58,111	17,699	2,604	34,277	2,914	204	413
Net cash flows from operating activities		226,797	132,750	24,701	32,692	29,522	2,411	4,721
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investment securities		2,836,027	1,186,934	216,228	1,140,377	243,750	13,511	35,227
Purchase of investment securities		(2,915,069)	(1,241,220)	(250,541)	(1,111,959)	(263,858)	(15,586)	(31,905)
Purchase of property and equipment		(1,347)	(681)	(119)	(149)	(339)	(19)	(40)
Net cash flows (used in) / generated from investing activities		(80,389)	(54,967)	(34,432)	28,269	(20,447)	(2,094)	3,282
Net increase / (decrease) in cash and cash equivalents		146,408	77,783	(9,731)	60,961	9,075	317	8,003
Cash and cash equivalents at beginning of year		34,293	14,028	15,685	1,712	1,005	1,107	756
Cash and cash equivalents at end of year	4a	180,701	91,811	5,954	62,673	10,080	1,424	8,759

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS

PIDM's financial risk management policy seeks to ensure that adequate financial resources are available for PIDM's activities whilst managing PIDM's currency, interest rate and rate of return, liquidity, market and credit risks. PIDM operates within guidelines that are approved by the Board of Directors and PIDM's Investment Policy is to only invest in short-term and medium-term Ringgit Malaysia denominated Government and Bank Negara Malaysia securities or securities of high investment grade issued by Government-related entities, which are government guaranteed or with a minimum rating of AAA, of varying maturities. In relation to the day-to-day operational cash management, PIDM may place excess funds in money market or overnight placements with its banker(s). No investments are made with member banks since PIDM is the insurer of deposits.

Part of the former Insurance Guarantee Scheme Funds (IGSF) investment portfolio previously administered by Bank Negara Malaysia, that was transferred to PIDM in 2011 comprises investment securities that are not in line with PIDM's approved Investment Policy. In 2011, a specific approval from the Board of Directors had been obtained in order to exempt these investment securities from complying with the Investment Policy. The investment securities that are not in compliance with the Investment Policy consist of Government securities with long-term tenures and PDS.

a. Foreign currency risk

PIDM is currently not exposed to any currency risk as all transactions were transacted in Ringgit Malaysia denominated currency.

b. Interest rate risk and rate of return risk

PIDM's interest rate and rate of return risks will arise principally from differences in maturities of its financial assets and liabilities.

The financial assets are primarily made up of investment assets held in Malaysian Government Securities and Investment Issues as well as Bank Negara Malaysia Bills and Negotiable Notes. The interest rate risk in this respect arises from fluctuations in market interest rate that may affect the market values and reinvestment decisions of these financial assets. The rate of return risk is the potential impact of market factors affecting the return on assets which, may consequently affect the market values and reinvestment decisions of these financial assets. To mitigate these risks, PIDM currently only invests in short-term and medium-term securities that minimises the impact of any fluctuations in market interest rate or rate of return on the market value of these securities.

PIDM currently does not carry any liabilities that are exposed to interest rate risk.

Notes to the Financial Statements
31 December 2014

21. FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk and rate of return risk (continued)

The following tables set out the carrying amounts, the Weighted Average Effective Yield Rates (WAEYR) as at the Statement of Financial Position date and the remaining maturities of PIDM's financial instruments that are exposed to interest rate risk and rate of return risk.

Conventional Deposit Insurance Fund									
31 December 2014									
Fixed rate									
Note	WAEYR	months	RM'000	months	RM'000	months	RM'000	months	RM'000
4a	2.40	11,455	-	-	-	-	-	-	-
5	3.13	328,108	484,204	-	-	-	-	-	-
31 December 2013									
Fixed rate									
4a	2.81	91,811	-	-	-	-	-	-	91,811
5	2.91	222,455	335,762	-	-	-	-	-	558,217
Islamic Deposit Insurance Fund									
31 December 2014									
Fixed rate									
4a	-	649	-	-	-	-	-	-	649
5	3.21	35,001	104,102	-	-	-	-	-	139,103
31 December 2013									
Fixed rate									
4a	2.90	5,954	-	-	-	-	-	-	5,954
5	2.94	73,274	25,680	-	-	-	-	-	98,954

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk and rate of return risk (continued)

General Insurance Protection Fund		WAEYR %	Within 3 months	4 - 12 months	13 - 36 months	37 - 60 months	61 - 120 months	Total
Note			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2014								
Fixed rate								
4a	Cash and cash equivalents	-	1,544	-	-	-	-	1,544
5	Investments	3.23	532,605	395,328	55,525	56,424	19,471	1,059,353
31 December 2013								
Fixed rate								
4a	Cash and cash equivalents	2.90	62,673	-	-	-	-	62,673
5	Investments	3.17	352,872	310,093	177,701	61,036	55,482	957,184
Life Insurance Protection Fund								
31 December 2014								
Fixed rate								
4a	Cash and cash equivalents	-	590	-	-	-	-	590
5	Investments	3.18	63,419	75,410	-	-	-	138,829
31 December 2013								
Fixed rate								
4a	Cash and cash equivalents	2.95	10,080	-	-	-	-	10,080
5	Investments	2.88	42,834	50,371	-	-	-	93,205

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS (continued)

b. Interest rate risk and rate of return risk (continued)

General Takaful Protection Fund

31 December 2014							
Fixed rate							
Cash and cash equivalents	4a	-	450	-	-	-	450
Investments	5	3.19	4,985	3,481	-	-	8,466

31 December 2013

Fixed rate								
Cash and cash equivalents	4a	2.90	1,424	-	-	-	-	1,424
Investments	5	2.90	-	5,000	-	-	-	5,000

Family Solidarity Takaful Protection Fund

31 December 2014							
Fixed rate							
Cash and cash equivalents	4a	-	602	-	-	-	602
Investments	5	3.31	1,988	15,667	-	-	17,655

31 December 2013

Fixed rate								
Cash and cash equivalents	4a	2.90	8,759	-	-	-	-	8,759
Investments	5	2.92	2,107	2,154	-	-	-	4,261

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS (continued)**b. Interest rate risk and rate of return risk (continued)**

Based on PIDM's investment portfolio as at 31 December 2014, the following table shows how net surplus would have been affected by a 50 basis points increase or decrease in WAEYR.

	NET SURPLUS						
	TOTAL RM'000	CONVENTIONAL DIS RM'000	ISLAMIC DIS RM'000	GENERAL INSURANCE RM'000	LIFE INSURANCE RM'000	GENERAL TAKAFUL RM'000	FAMILY SOLIDARITY TAKAFUL RM'000
50 basis points increase							
- 31 December 2014	10,396	3,707	625	5,317	628	39	80
- 31 December 2013	7,864	2,429	377	4,681	322	18	37
50 basis points decrease							
- 31 December 2014	(10,396)	(3,707)	(625)	(5,317)	(628)	(39)	(80)
- 31 December 2013	(7,864)	(2,429)	(377)	(4,681)	(322)	(18)	(37)

c. Liquidity risk

PIDM's liquidity risk relates to the capability of PIDM to meet its obligations as they become due, without incurring unacceptable losses. This may be caused by the inability to liquidate assets as they become due or to obtain funding to meet its liquidity needs. A significant amount of funds available for investment were invested in short-term securities. PIDM continuously endeavours to manage the maturity profiles of these securities in order to ensure that sufficient funds are available at all times to meet the day-to-day working capital requirements or to bring any financial risk exposures within the approved exposure limits. The values of these investments by the maturity profiles are represented in Note 21(b). The following table sets PIDM's short-term assets and liabilities maturity profile.

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS (continued)

c. Liquidity risk (continued)

	NOTE	31 December 2014				
		LESS THAN 30 DAYS RM'000	31 – 60 DAYS RM'000	60 – 90 DAYS RM'000	MORE THAN 90 DAYS RM'000	TOTAL RM'000
Cash and cash equivalents	4a	15,290	-	-	-	15,290
Investments	5	225,713	276,178	464,215	1,209,612	2,175,718
Payables	9	(10,021)	(66)	-	(1,281)	(11,368)
Net short-term assets		230,982	276,112	464,215	1,208,331	2,179,640

	NOTE	31 December 2013				
		LESS THAN 30 DAYS RM'000	31 – 60 DAYS RM'000	60 – 90 DAYS RM'000	MORE THAN 90 DAYS RM'000	TOTAL RM'000
Cash and cash equivalents	4a	39,554	141,147	-	-	180,701
Investments	5	248,900	255,016	189,624	1,023,281	1,716,821
Payables	9	(5,746)	(86)	-	(1,197)	(7,029)
Net short-term assets		282,708	396,077	189,624	1,022,084	1,890,493

PIDM also has a funding framework to deal with funding requirements relating to IFR activities. The main objective of the framework is to ensure that PIDM has adequate financial resources required for the proper operations of a robust and sound DIS as well as TIPS. The funding framework takes into consideration PIDM's role in the financial safety net and its legislative powers relating to sources of funding as well as clear objectives for its internal and external sources of funding.

- i. **Internal funding** is developed through the accumulation of net surpluses after operating expenses. The annual net surplus is credited into the respective Funds as reserves and is accumulated to meet future obligations that may arise from providing the financial consumer protection programmes.
- ii. **External funding** may be raised through either borrowings from the Government, from capital markets or other sources as deemed necessary and appropriate. External funding sources will be used to meet any additional liquidity requirements that may arise. The PIDM Act empowers PIDM to borrow or raise funds to meet its obligations. PIDM may borrow from the Government with the approval of the Minister of Finance on such terms and conditions as the Minister determines.

d. Market risk

PIDM's market risk relates to the risk of loss resulting from adverse changes in the value of its asset holdings arising from movements in market rates or prices. Market risk in PIDM includes investment-related risks. The market risk exposure of PIDM may vary during normal operations or as a result of IFR activities. Under normal operations, PIDM invests in short-term and medium-term securities which are intended to be held-to-maturity. As such, PIDM's current exposure to market risk in the context of these investments is minimal.

Notes to the Financial Statements

31 December 2014

21. FINANCIAL INSTRUMENTS (continued)**e. Credit risk**

PIDM invests primarily in Malaysian Government Securities and Investment Issues, Bank Negara Malaysia Bills and Negotiable Notes, which are generally considered as low risk assets. PIDM does not expect the counterparties to default and as such, considers the credit risk on these investment assets to be minimal.

Besides the Government investment securities and Bank Negara Malaysia notes, PIDM also has investments in PDS, which were part of the investment assets transferred from the former IGSF in 2011. Of these securities, PIDM only maintains PDS that are issued by the Government-Linked Companies with a minimum rating of AA+. As these PDS potentially exposes PIDM to credit risk of default, PIDM continuously monitors the credit standing of the issuers of the PDS for any potential downgrade in the credit ratings. This credit risk is only applicable to the PDS transferred from the former IGSF.

f. Fair values

Generally, the carrying values of financial assets and liabilities of DIFs and TIPFs approximate their fair values, except for the investments in PDS whereby the fair value is represented by the market values of these securities as disclosed in Note 5.

PIDM has an appropriate framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

The fair value of a financial instrument is the amount at which the instrument can be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The valuations of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

In addition, PIDM continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation model is validated both internally and externally, with periodic reviews to ensure that the model remains suitable for its intended use.

Determination of fair value**i. Level 1: Quoted prices**

This refers to financial instruments that are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and those prices that represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities.

ii. Level 2: Valuation techniques using observable inputs

This refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). Examples of Level 2 financial instruments include corporate and other government bonds.

iii. Level 3: Valuation techniques using significant unobservable inputs

This refers to financial instruments where the fair value is measured using significant unobservable market inputs. The valuation technique is consistent with Level 2. The chosen valuation technique incorporates PIDM's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets.

Notes to the Financial Statements

31 December 2014

22. CONTINGENT LIABILITIES

Exposure to losses

Under the PIDM Act, PIDM has an inherent exposure to losses resulting from insuring deposits under DIS as well as insurance policies and takaful certificates under TIPS. However, this inherent exposure cannot be accurately ascertained or estimated with any acceptable degree of reliability. During the year, there have been no events that would require PIDM to record a specific provision in its financial statements in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

As part of its mandate, PIDM undertakes risk assessment and monitoring of all member institutions and works closely with the supervisory authority to ensure that its concerns about the business and affairs of member institutions are addressed promptly. However, PIDM necessarily relies on the supervisory authority to take prompt corrective action to mitigate the possibility of a member institution failure.

PIDM reinforces financial discipline through its DPS and DLS, which provides strong incentives for member banks and conventional insurer members to adopt sound and rigorous risk management practices including the maintenance of strong capital positions. A DLS for takaful operators is currently going through industry consultation and is planned for implementation in 2016.

If a member institution is deemed non-viable by the supervisory authority, PIDM is mandated and has the necessary powers to intervene and resolve the member institution in a manner that minimises loss to the financial system.

While provisions are not recorded unless a specific event occurs, PIDM continues to build reserves in its Funds through the accumulation of annual net surpluses arising from its operations. Accumulated surpluses are held in each Fund to cover losses when respective obligations arise. Accumulated surpluses in one Fund cannot be used to cover obligations of another Fund. As discussed in Note 10, PIDM has established the Target Fund framework for DIFs. PIDM is finalising a Target Fund framework for the general insurance industry for implementation in 2015. PIDM will be developing a Target Fund framework for the remaining Funds within TIPFs over the next several years.

If the relevant Fund was ever to be insufficient to meet obligations, PIDM, as a statutory body, has the authority to borrow from the Government or issue public debt securities to raise funds, as well as to assess and collect higher premiums in relation to the relevant Fund with the approval of the Minister of Finance.

23. COMPARATIVES

MFRS 107 *Statement of Cash Flows* defines cash equivalents as those funds held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say three months or less from the date of acquisition.

In prior years, included within cash equivalents are short-term low risk investments with remaining maturity of less than 90 days although its original maturity could be more than 90 days. Hence, PIDM has restated the comparatives by reclassifying out those short-term investments with original maturity of more than 90 days from Cash and cash equivalents into Investments balances.

Notes to the Financial Statements

31 December 2014

23. COMPARATIVES (continued)

The impact of the reclassification on the Statement of Financial Position as well as the Statement of Cash Flows are as follows:

Extract of Statement of Financial Position

31.12.2013				
		As previously stated	Reclassification	As restated
	Note	RM'000	RM'000	RM'000
ASSETS				
Cash and cash equivalents	4a	874,242	(693,541)	180,701
Investments				
Held-to-maturity investments	5b	1,023,280	693,541	1,716,821
1.1.2013				
		As previously stated	Reclassification	As restated
	Note	RM'000	RM'000	RM'000
ASSETS				
Cash and cash equivalents	4a	745,211	(710,918)	34,293
Investments				
Held-to-maturity investments	5b	923,396	710,918	1,634,314

Extract of Statement of Cash Flows

31.12.2013			
	As previously stated	Reclassification	As restated
	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(2,932,446)	17,377	(2,915,069)
Net cash flows used in investing activities	(97,766)	17,377	(80,389)
Net increase in cash and cash equivalents	129,031	17,377	146,408
Cash and cash equivalents at beginning of year	745,211	(710,918)	34,293
Cash and cash equivalents at end of year	874,242		180,701



SECTION FIVE

OVERVIEW OF MEMBERSHIP

OVERVIEW OF MEMBERSHIP

PIDM's member institutions had collectively fared well in 2014. The overall steadfast position is demonstrated by solid capitalisation amid steady business expansion in both banking and insurance sectors. Asset quality continued to improve at member banks, while liquidity buffers remained comfortable system-wide. Meanwhile, insurer members showed better underwriting performance on the back of improvements in claims experience.

Our member institutions' overall solid position is especially critical as 2014 ended on a more challenging note. Uneven growth performance across economies and the sharp decline in major commodity prices have contributed towards economic uncertainties in 2015. These external developments and the potential spillover to the domestic economy will continue to be closely monitored.

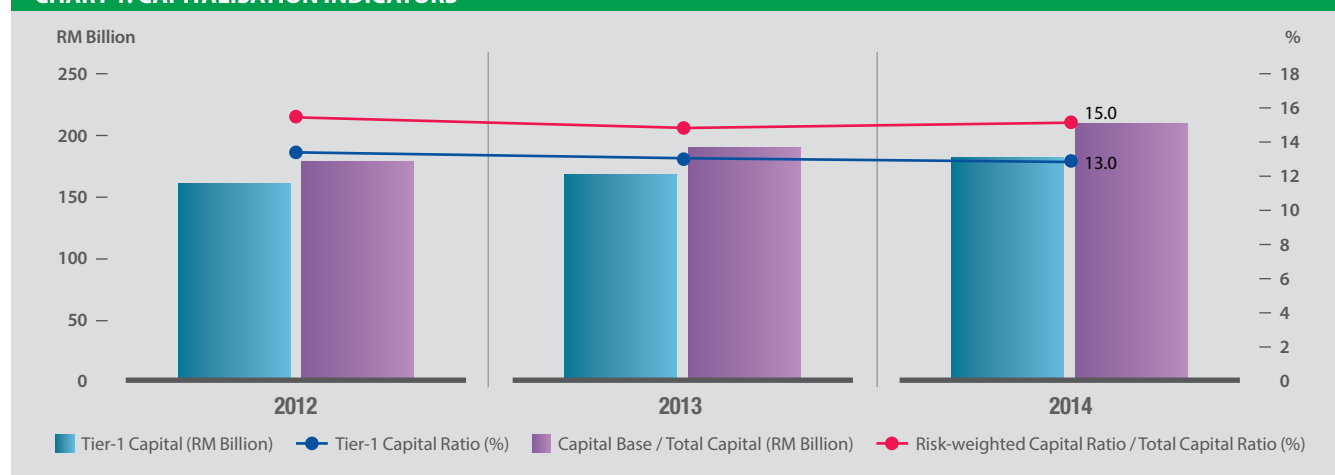
As at end 2014, PIDM's total member institutions stood at 86, comprising 43 member banks and 43 insurer members. The number of insurer members was reduced by one following a merger exercise between two takaful operators.

MEMBER BANKS

Strong Capital Position

Our member banks remained well-capitalised, maintaining strong and high quality capitalisation throughout the year. As at December 2014, the common equity Tier-1, Tier-1 and total capital ratios stood at 12.3%, 13% and 15% respectively, reflecting the member banks' sound loss absorption capacity. At current capitalisation levels, capital buffer in excess of the 8% regulatory requirement was strong at RM98.3 billion. Meanwhile, the member banks' leverage remained conservative at an average asset-to-capital ratio of 11.9 times.

CHART 1: CAPITALISATION INDICATORS



Note: Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework

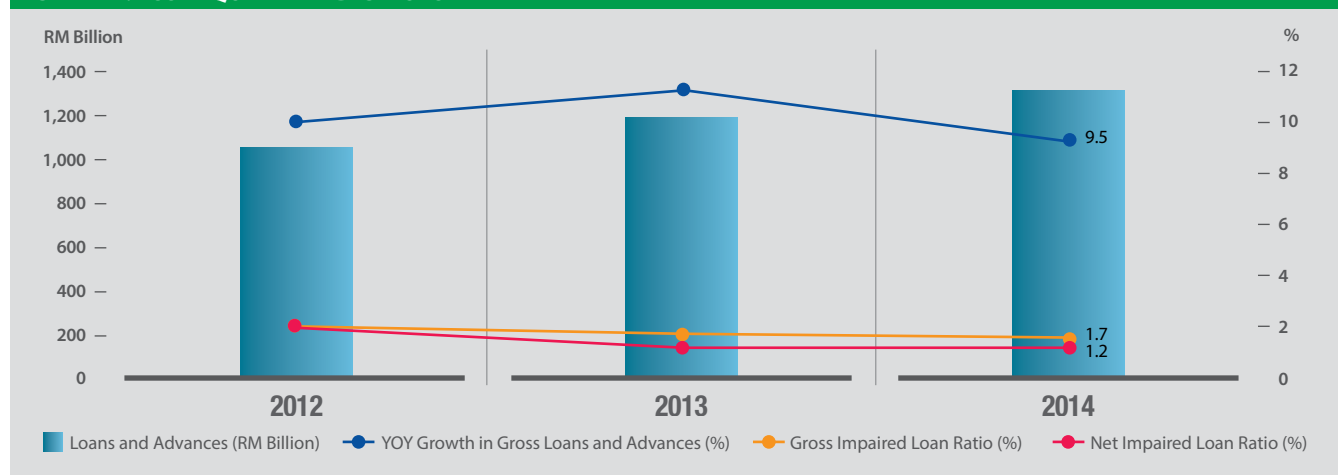
Robust Asset Quality and Prudent Loan Growth

Overall asset quality remained robust with continued improvements in impairment trends. Gross and net impaired loan ratios further improved to a new record low of 1.7% and 1.2% respectively, whilst loan loss coverage remained comfortable at 107.2% as at December 2014 (2013: 101.7%). Meanwhile, default rates have remained manageable across core lending segments, supported by low unemployment and a conducive interest rate environment.

Overview of Membership

Total loans and advances stood at RM1.33 trillion as at December 2014 translating to a healthy loan growth of 9.5% during the year (2013: 10.7%). Member banks had tightened lending standards across the board amidst calls for more prudent lending practices. Lending towards the purchase of residential property continued to be the primary driver for the 9.9% (2013: 12%) expansion of household loans, while other segments saw a slight taper in growth numbers. Lending to businesses grew by 7.7% (2013: 8.8%), driven mainly by growth in loans to the finance, insurance, real estate and business activities sector; construction sector; as well as the wholesale and retail trade and restaurants and hotels sector.

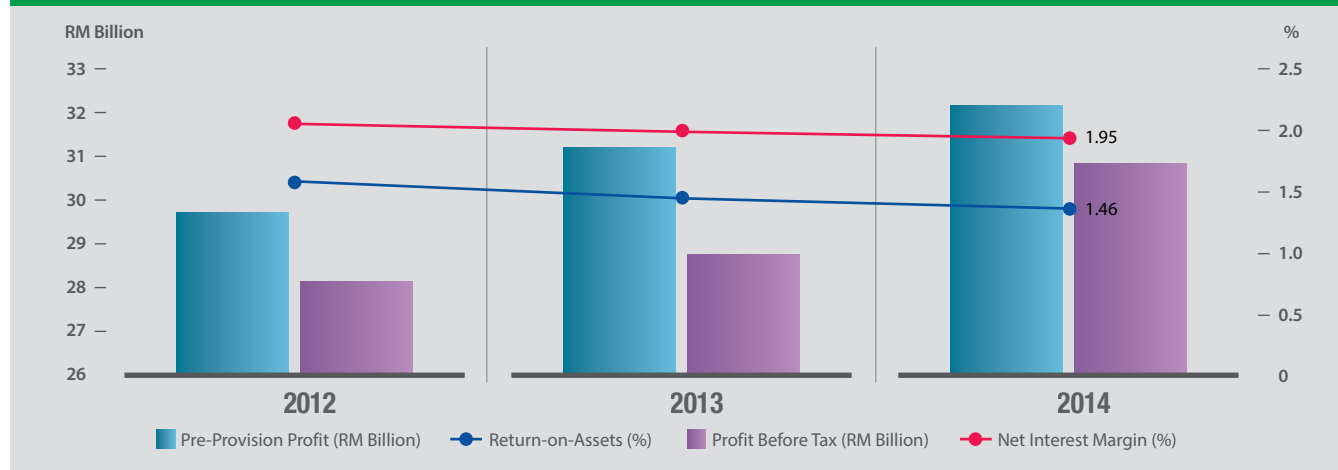
CHART 2: ASSET QUALITY INDICATORS



Stable Earnings Performance

Member banks reported higher profits before tax of RM30.8 billion in 2014, up 6.9% compared to RM28.8 billion in 2013. This was underpinned by healthy loan growth and improvements in credit costs. The cost-to-income ratio was sustained at 44.4% as at December 2014 (2013: 44.4%). Nevertheless, margin preservation remained a challenge in 2014 as net interest margins (NIM) continued to narrow in response to heightened competition for both quality assets and stable funding. NIMs declined marginally from 2.03% in 2013 to 1.95% in 2014, while return-on-assets (ROA) softened to 1.46% (2013: 1.51%).

CHART 3: EARNINGS INDICATORS

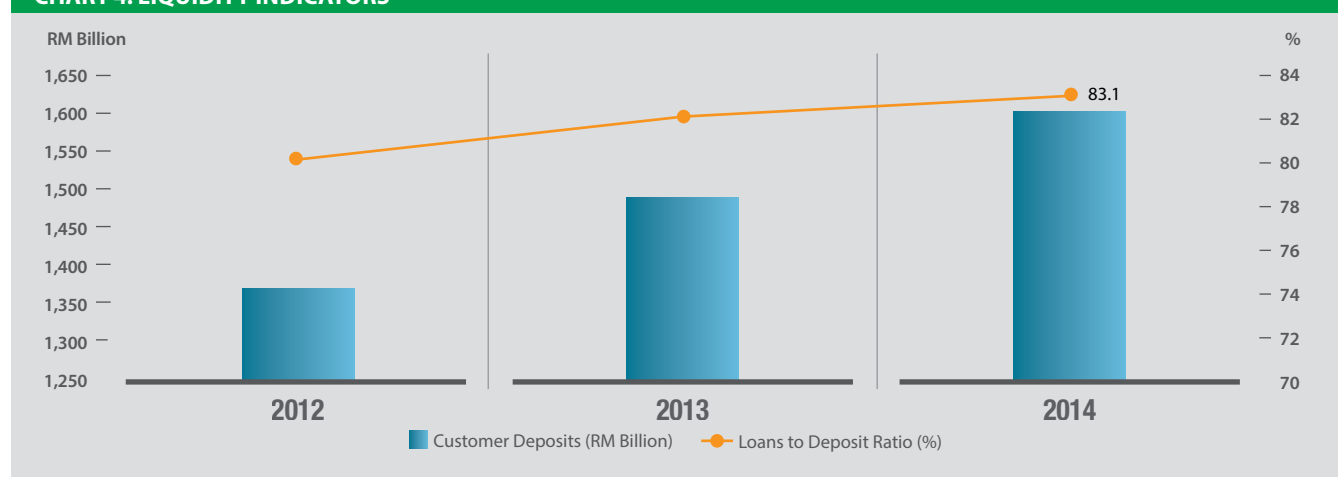


Overview of Membership

Comfortable Liquidity Buffers

The liquidity position of member banks was comfortable as at December 2014. Customer deposits grew by 8.1% year-on-year (2013: 8.3%) to RM1.6 trillion. The loans to deposit ratio stood at 83.1% (2013: 82.1%), providing member banks with flexibility to support further loan expansion. Stable funding from customer deposits continued to make up the bulk of total liabilities of 80.7% at member banks, while reliance on more volatile interbank deposits remained minimal.

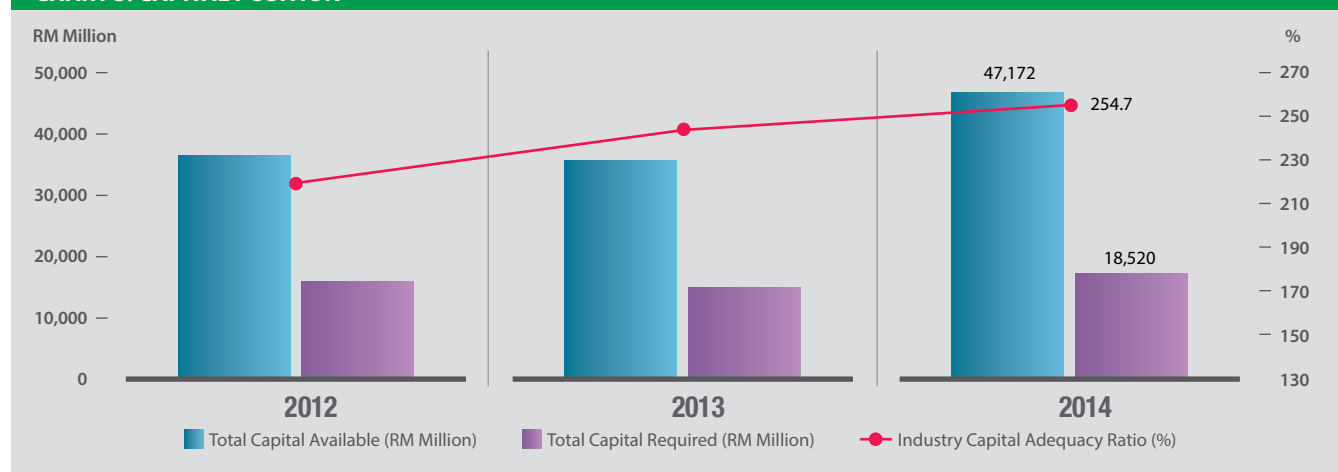
The Corporation will continue to monitor deposit trends and composition, as well as, liquidity buffers. Liquidity is an important area of assessment, especially given the recent economic challenges. Good asset-liability management, together with the more stringent regulatory requirements, will better equip our member banks to manage their funding and liquidity risks.

CHART 4: LIQUIDITY INDICATORS**INSURER MEMBERS****Strengthened Capital Adequacy**

The year 2014 marks the first year of implementation for the Risk-Based Capital Framework for takaful operators, following a year on parallel run of the Framework in 2013. Under the Risk-Based Capital Framework, insurer members are now subject to more prudent capital requirements which further enhances the overall resilience of the insurance sector.

For conventional insurer members, the industry's capital adequacy continued to strengthen as demonstrated by its solid capital adequacy ratio (CAR) of 254.7% in 2014 (2013: 245.7%). A buffer of RM23.1 billion above the supervisory CAR level of 130% further reflects the insurer members' strong resilience towards adverse financial conditions.

Meanwhile, takaful operators reported an aggregate CAR of 187.3% in 2014. The healthy position translated to a comfortable capital buffer over the minimum regulatory CAR of 130%. Takaful operators are working towards establishing their internal capital targets that commensurate with their individual risk profiles. This is a positive move for the industry as it will ultimately strengthen capital levels at takaful operators and bring them on par with conventional insurer members.

CHART 5: CAPITAL POSITION

Note: The above reflects the capital position of conventional insurer members only

Overview of Membership

Stable Asset Growth

Healthy business expansion in both the insurance and takaful industries had supported our insurer members' steady asset base in 2014. Total assets in the insurance and takaful industries expanded by 6.7% to RM219.3 billion and 8.6% to RM22.7 billion respectively in 2014.

High quality liquid assets formed the bulk of assets in the general insurance fund, in line with the need for higher liquidity to support shorter term insurance obligations. The life insurer members assets, on the other hand, remained largely invested in corporate debts and securities that provide for better matching against the longer term liabilities. Meanwhile, the takaful operators' drive to enhance earnings through investment surpluses is reflected in the significant holding of Islamic debt securities in both the general and family takaful funds.

Positive Earnings Performance

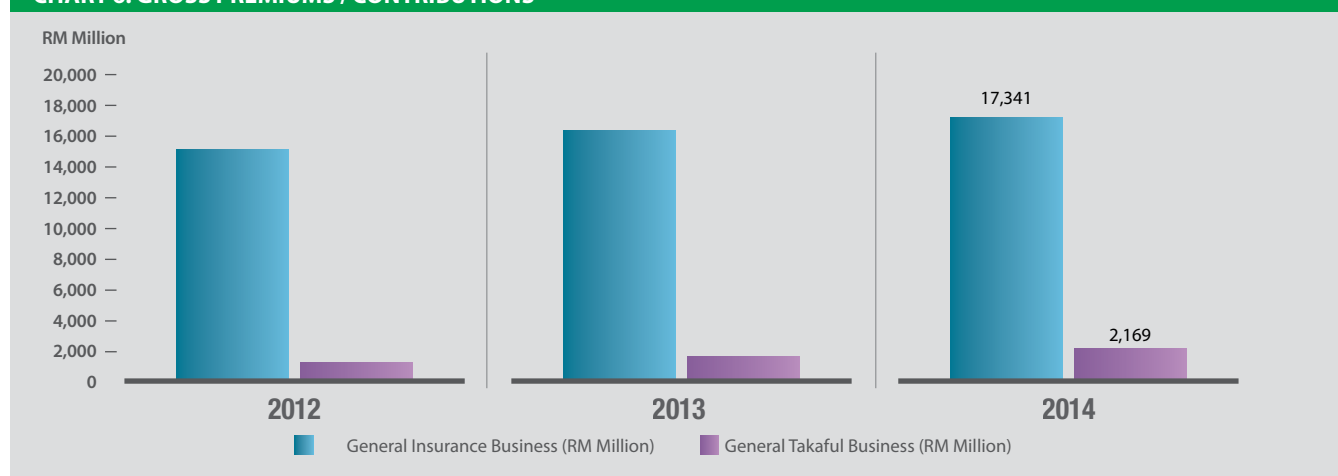
The insurance and takaful industries continued to report good operating performance in 2014. The general insurance industry registered a growth of 6.0% (2013: 6.4%) in gross premiums, mainly contributed by higher growth from the non-motor insurance segment. Nevertheless, the motor insurance is still by far the largest segment of the general insurance business and grew at a moderate pace in 2014. This is in line with the increase in motor vehicle sales during the year, as well as, the higher premiums earned from the gradual upward adjustment of motor premiums under the new motor cover framework introduced by Bank Negara Malaysia in 2012. The general insurance industry continued to produce positive underwriting results with an underwriting margin ratio of 12.6% (2013: 12.5%), supported by improvement in the overall claims experience of 56.5% (2013: 56.7%).

As for the life insurance industry, net premiums grew by 8.9% (2013: 5.6%), driven by higher growth in investment-linked businesses in 2014. New business continued to be dominated by single premium policies. For long-term sustainability of the life insurance industry, higher composition of regular premium policies is desired as it would ensure a steady income stream over the long term.

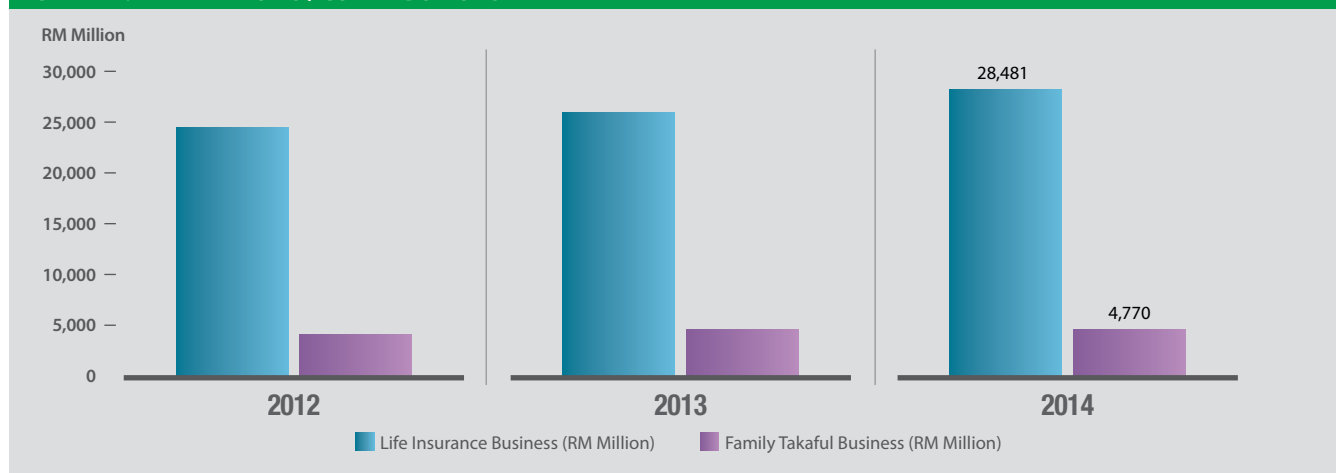
The general takaful industry recorded a double digit growth on gross contribution at 13.1% (2013: 9.8%) with continued expansion in the takaful motor sector, being the dominant business line. As with the general insurance industry, the nation's higher motor vehicle sales had boosted growth of the takaful motor sector. With better claims experience, the underwriting profit in the general takaful industry had further improved to 18.0% in 2014 from 14.9% a year earlier.

In contrast, the family takaful industry saw a contraction in net contribution by 0.4% in 2014 (2013: + 4.7%). Given that the majority of the family takaful operators are highly dependent on the mortgage term family takaful as their main source of business, the reduction of such business had affected the industry's overall net contribution growth. As such, it is important for family takaful operators to diversify and balance their business portfolio to ensure a continuous stream of income.

CHART 6: GROSS PREMIUMS / CONTRIBUTIONS



Overview of Membership

CHART 7: NET PREMIUMS / CONTRIBUTIONS**OUTLOOK AND CONCLUSION**

Despite the challenges faced towards the end of 2014, our member institutions have entered the year on a much stronger footing. Although the anticipation of softer macroeconomic conditions and subdued operating environment for 2015 will likely be a test of resilience, we do not foresee any issues that would affect the viability of our member institutions in the immediate term.

The year 2015 is expected to be a challenging time for the banking industry. The possibility of increasing interest rates and dampened consumer and / or business sentiments may affect growth prospects. Against this backdrop, member banks' earnings may be weighed down by potentially softer loan growth and / or higher credit costs. On a positive note, progressive enhancements to risk management practices over the recent years has considerably improved member banks' fundamentals. Moreover, active capital and liquidity management will ensure that sufficient buffers are available to support business needs and withstand potential stresses.

For the insurance and takaful industries, the outlook is anticipated to remain stable, supported by strong domestic demand and growing consumer awareness for insurance and takaful protection. In order to benefit from the deregulation of motor insurance in 2016, the general insurer members and takaful operators will need to focus on enhancing data management and analytical skills as well as improving operational efficiency.

PIDM will monitor the risks of the financial sector on an ongoing basis and will continue to provide incentives for prudent risk management practices by member institutions.



SECTION SIX

ARTICLE

183

The Differential Premium Systems –
An Evolution to a Matrix Approach

ARTICLE: THE DIFFERENTIAL PREMIUM SYSTEMS – AN EVOLUTION TO A MATRIX APPROACH

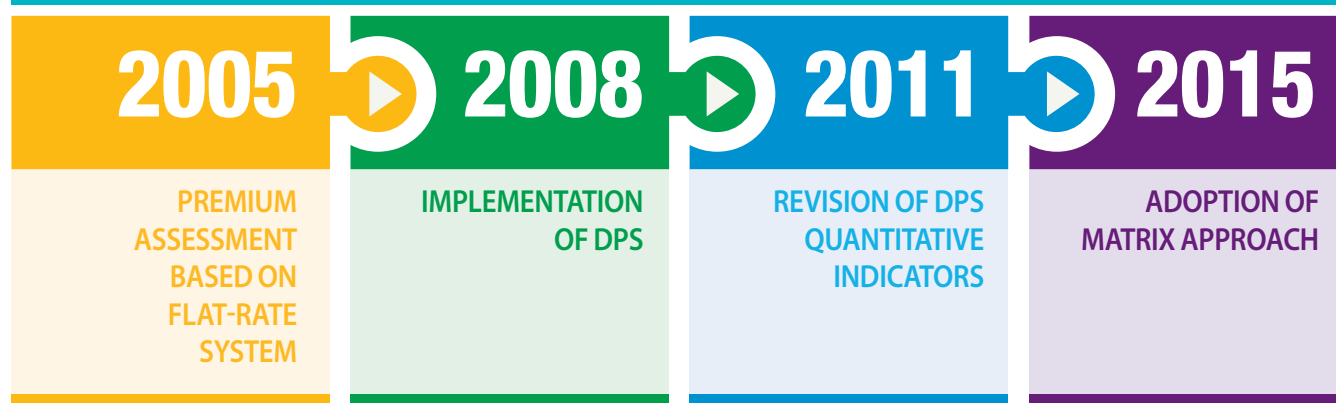
INTRODUCTION

The risk-based premium system or better known as the Differential Premium Systems (DPS), has been instrumental to PIDM in achieving its mandate of administering a deposit insurance system through an incentive-based system to promote financial stability. Since its implementation in 2008, the DPS has been effective in differentiating the risk profiles of member banks and providing strong incentives for them to improve their overall risk profiles.

The DPS framework was revised in 2011 to reflect changes and developments in the regulatory and operating environment, whilst maintaining the objective of providing incentives for member banks to improve their risk profiles. The first revision of the DPS framework saw some of the quantitative indicators being removed or refined, and some of the thresholds for the indicators being revised.

2015 marks another significant milestone in the enhancement of the DPS framework with the introduction of the two-dimensional matrix approach in the assessment of the quantitative criteria. This development is part of PIDM's continuous commitment to ensure that the DPS framework remains effective.

DIAGRAM 1: THE EVOLUTION OF THE DPS FRAMEWORK



THE REVISED DPS FRAMEWORK – A MATRIX APPROACH

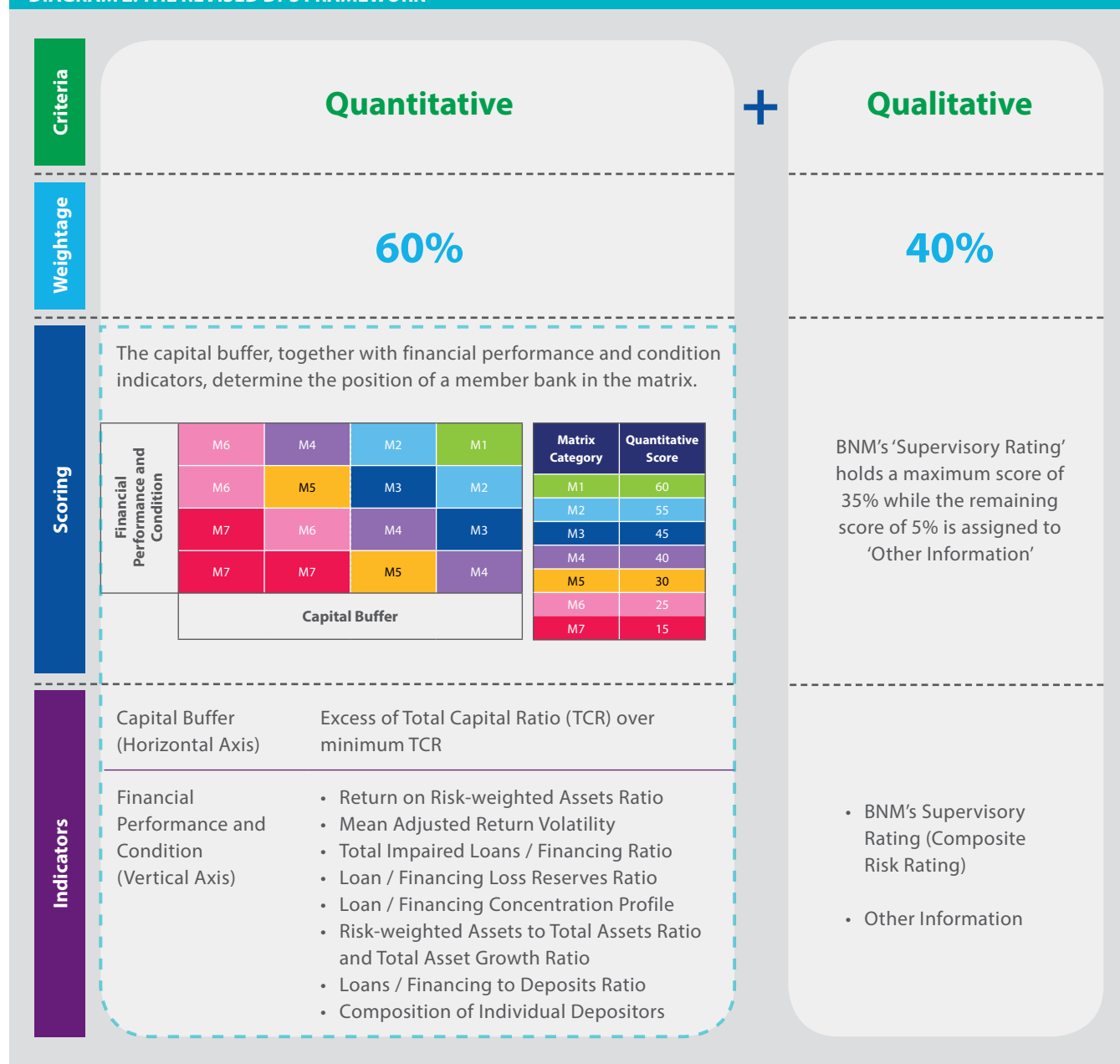
The introduction of the matrix approach will enable the risk profiles of member banks to be better differentiated based on two independent components of assessment.

Under the matrix approach, one of the dimensions of assessment is the member banks' capital buffer levels. The independent assessment of member banks' capital buffer levels reflects the emphasis placed on the importance of having strong capital levels, in tandem with regulatory developments and lessons learnt from the last financial crisis.

The assessment of member banks' overall financial performance and condition is the other dimension of assessment and will be based on eight indicators grouped under three major criteria, which are Profitability, Asset Profile and Funding Profile. The Funding Profile is a new criterion introduced under the revised DPS framework. It is timely to introduce a funding criterion as the global financial crisis has demonstrated the importance of funding and liquidity management and the repercussions for financial institutions when funding and liquidity are not properly managed. The revised DPS framework is summarised in Diagram 2.

Article: The Differential Premium Systems – An Evolution to a Matrix Approach

DIAGRAM 2: THE REVISED DPS FRAMEWORK



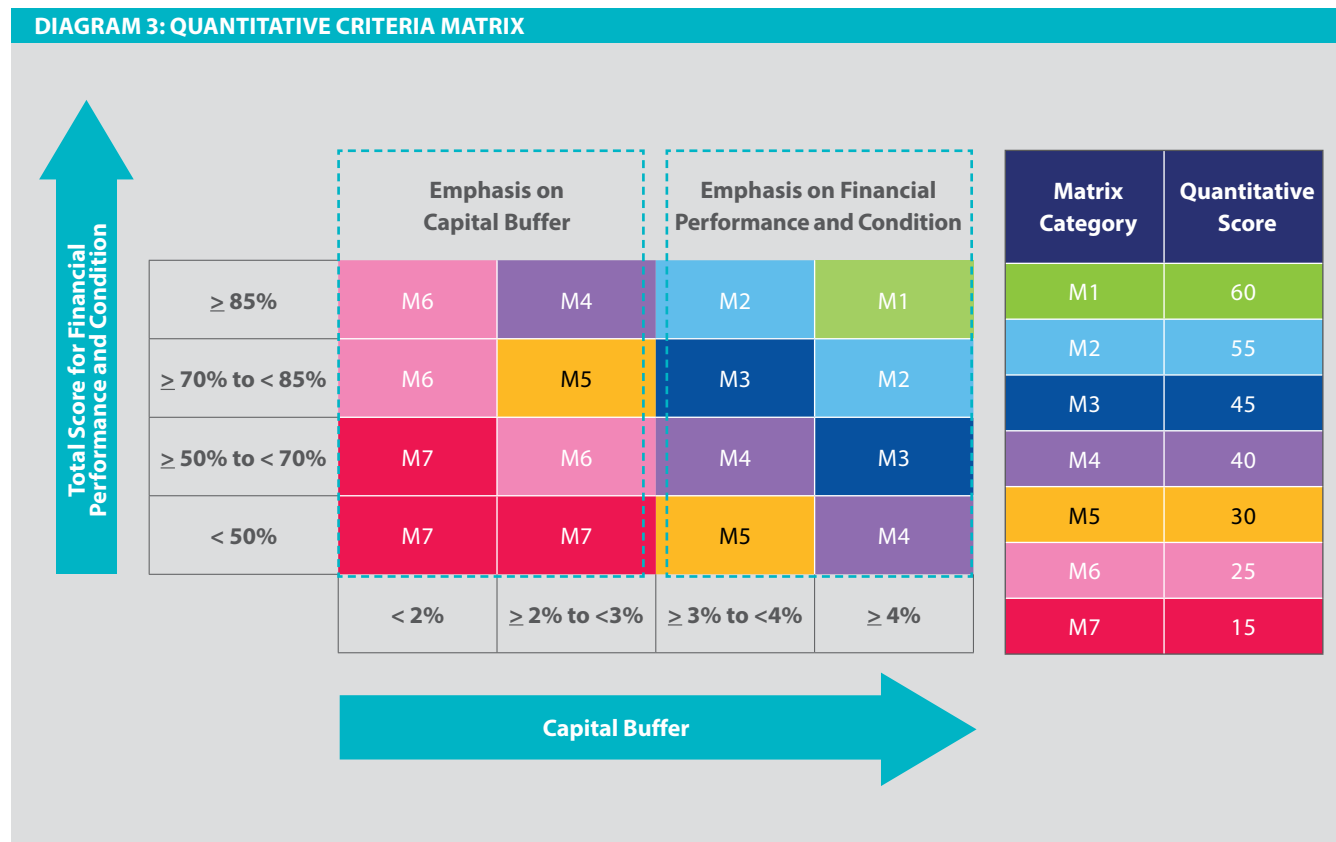
QUANTITATIVE CRITERIA

Under the existing DPS framework, the assessment of the quantitative criteria is based on a linear approach, which is an aggregation of the scores from all the DPS indicators to arrive at a maximum score of 60.

On the other hand, the matrix approach is designed to reflect the inter-linkages between strong capital buffers and sustainable financial performance. The objective is to incentivise member banks to have strong capital buffer levels as well as strong financial performance and condition in order to achieve the maximum score of 60 for the quantitative criteria.

Article: The Differential Premium Systems – An Evolution to a Matrix Approach

DIAGRAM 3: QUANTITATIVE CRITERIA MATRIX



Under the matrix approach, the level of capital buffer is assessed at the horizontal axis of the matrix whilst the assessment of the overall financial performance and condition is considered at the vertical axis of the matrix, differentiated by four levels of threshold scores as shown in Diagram 3.

The mapping of the scores from the financial performance and condition assessment, and the level of capital buffer will determine a member bank's position in the matrix. Each matrix category translates into a fixed quantitative score with a maximum score of 60 at M1 and a minimum score of 15 at M7.

The matrix categories of M1 to M7, and the corresponding quantitative scores, have been designed such that there are different levels of incentives and emphasis placed on member banks. For member banks with capital buffers of 3% and above, the emphasis would be on improvements in their financial performance and condition. As the score for the financial performance and condition improve, so would the matrix category and the quantitative score.

For member banks with less than 3% capital buffer, improvements in the capital buffer levels would have a bigger impact on the matrix category. For example, a member bank has a capital buffer of 2.5% and a score of 49 for the financial performance and condition assessment. This would place the member bank in matrix category M7 with a quantitative score of 15. In the next assessment year, if the member bank improves its capital buffer levels to 3%, the member bank's matrix category would shift to M5, with a quantitative score of 30. On the other hand, if there are no changes to the capital buffer levels but the member bank improves its score for the financial performance and condition assessment to 55, the matrix category for the member bank would only shift to M6, with a quantitative score of 25.

Assessment of Capital Buffer

The capital buffer under the DPS framework is defined as the excess of a member bank's Total Capital Ratio (TCR) over the minimum TCR. Under the capital adequacy framework issued by Bank Negara Malaysia (BNM), the minimum TCR is 8%. Therefore, if a member bank's TCR stands at 14% as at the reporting date, the capital buffer will be 6%.

Article: The Differential Premium Systems – An Evolution to a Matrix Approach

Assessment of Financial Performance and Condition

There are three major criteria used for the assessment of a member bank's financial performance and condition, namely Profitability, Asset Profile and Funding Profile with weightages of 25:50:25 respectively. The indicators under each criteria and their respective scores are described in Table 1.

TABLE 1: CRITERIA AND INDICATORS FOR ASSESSMENT OF FINANCIAL PERFORMANCE AND CONDITION

Criteria	Indicators	Score	Objective
Profitability (25%)	Return on Risk-weighted Assets Ratio	15	To measure the sufficiency and sustainability of member bank's earnings.
	Mean Adjusted Return Volatility	10	
Asset Profile (50%)	Total Impaired Loans / Financing Ratio	15	To measure the level of impaired loans in a member bank's lending / financing portfolio.
	Loan / Financing Loss Reserves Ratio	10	To measure the level of loan loss reserves held against a member bank's impaired loans / financing.
	Loan / Financing Concentration Profile	10	To measure the extent of a member bank's lending / financing portfolio concentration to a particular economic sector.
	Risk-weighted Assets to Total Assets Ratio and Total Asset Growth Ratio	15	To measure the annual growth rate of a member bank's total asset base vis-à-vis the risk profile.
Funding Profile (25%)	Loans / Financing to Deposits Ratio	15	To measure the level of loans / financing that are funded by customer deposits.
	Composition of Individual Depositors	10	To measure the composition of individual depositors in a member bank's deposit base.
Maximum Score		100	

In selecting the criteria and indicators for the assessment of financial performance and condition, PIDM has conducted an extensive analysis to ensure the appropriateness and suitability of the indicators for conventional as well as Islamic member banks. Meanwhile, the thresholds for each of the indicators are determined based on the current and expected developments in the operating environment.

QUALITATIVE CRITERIA

There are no changes made in respect of the qualitative assessment, which is a fundamental component of the DPS framework with a maximum score of 40.

The use of 'Supervisory Rating' as part of the qualitative assessment acts as an incentive for member banks to improve their overall risk management capabilities. As such, the maximum score of 35 allocated to 'Supervisory Rating' remains relevant to reflect the supervisory assessment on the member banks' risk profiles including their risk management control functions by BNM.

'Other Information' was also maintained with a maximum score of 5. This component aims to capture any issues that may have a significant impact on the financial performance and / or reputation of member banks. Among the factors subjected to the assessment are the member banks' compliance with regulations, guidelines and any other regulatory requirements, which may include supervisory concerns and intervention actions.

Article: The Differential Premium Systems – An Evolution to a Matrix Approach

DPS SCORE RANGE, PREMIUM CATEGORIES AND PREMIUM RATES

The summation of the respective scores from the quantitative and qualitative criteria will determine the overall DPS scores and premium category of each member bank.

The existing DPS score range and the four levels of premium categories have been maintained in the revised DPS framework.

Each premium category carries a prescribed premium rate and minimum premium¹ for the purpose of computation of the amount of premium payable to PIDM for the corresponding assessment year, as provided in Table 2.

TABLE 2: DPS SCORE RANGE, PREMIUM CATEGORIES, PREMIUM RATES AND MINIMUM PREMIUM			
Score	Premium Category	Premium Rates	Minimum Premium
≥ 85	1	0.06%	RM100,000
≥ 65 but < 85	2	0.12%	RM200,000
≥ 50 but < 65	3	0.24%	RM400,000
< 50	4	0.48%	RM800,000

The premium rates are designed on a double-up approach from each category to provide incentives for member banks to improve their overall risk profiles.

A CONTINUOUS JOURNEY

Since the implementation of the DPS, notable improvements have been observed in the member banks' risk profiles. Nonetheless, PIDM is committed to continuously reviewing the DPS framework to ensure that it remains current and relevant, given the continuously evolving operating environment and regulatory landscape.

The review process for the DPS framework entails engagement with our stakeholders, particularly our member banks and BNM, to identify the relevant areas for the enhancement of the DPS framework.

The adoption of a matrix approach in the revised DPS framework from assessment year 2015, allows for a more granular differentiation of the member banks' risk profiles and the provision of different incentives, depending on the position of the member banks in the matrix. The introduction of new indicators coupled with enhancements to the existing indicators for the assessment of the quantitative criteria are also expected to incentivise member banks to maintain strong capital buffers and to ensure overall financial soundness.

The Corporation is committed to ensuring that the DPS framework continues to promote sound risk management practices among member banks and ultimately, contribute to the stability of the financial system.

¹ Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in Respect of Deposit-Taking Members) Order 2011 and Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in Respect of Deposit-Taking Members) (Amendment) Order 2012



SECTION SEVEN

COMMUNICATIONS INITIATIVES AND CORPORATE SOCIAL RESPONSIBILITY

189

Communications Initiatives

194

Corporate Social Responsibility

COMMUNICATIONS INITIATIVES

“A successful public awareness program should be designed to build public confidence in the deposit insurance system. Additional programs may be designed to achieve complementary and supportive objectives, including building the credibility and authority of the deposit insurer, building visibility, enhancing public awareness of the benefits and limitations of the deposit insurance system, achieving stakeholder acceptance, and enhancing stakeholder awareness.

A good public awareness program sends the right messages, educates its target audience, changes perceptions and behaviors, and builds a positive and credible brand image for the systems and insurers, thereby enhancing financial stability.

From the beginning, a newly established deposit insurance organization should promote awareness about the deposit insurance system and highlight its benefits and limitations. The public must understand how the system works so there are no expectation gaps.”

The International Association of Deposit Insurers’ Public Awareness Enhanced Guidance (2012), pages 6-7

In 2014, PIDM continued to work on its communications initiatives to ensure public confidence in the financial system, in line with its mandate to promote financial stability and the Public Awareness Enhanced Guidance issued by the International Association of Deposit Insurers (IADI) in 2012.

The Corporation’s second Integrated Communications Plan (ICP) 2012 - 2016 is based on three strategic thrusts – strengthening awareness about PIDM and our protection systems; contributing towards greater financial awareness and literacy; and enhancing engagement with member institutions and relevant strategic partners.

In line with the objectives outlined for the ICP’s third year of implementation, our communications initiatives for 2014 continued to focus on:

- instilling trust in the Corporation’s role as an integral part of the financial safety net;
- enhancing awareness of the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS) amongst the expanded target audiences; and
- promoting better understanding of the features, benefits and limitations of DIS and TIPS, so that there are no expectation gaps.



Communications Initiatives

HIGHLIGHTS OF OUR INITIATIVES IN 2014

Advertising and Publicity

For 2014, our advertising campaign was conducted in two phases. In the first half of the year, we continued with the implementation of our engagement and call-for-action tactical campaign featuring the “Do You Know” series of advertisements. The advertising materials highlight important information about our protection limits, insured products, automatic coverage benefits and member institutions. In the second half of 2014, new tactical campaign materials were produced to introduce the next phase of the “Do You Know” series. This was aimed at encouraging the public to do their part in seeking out further information about DIS and TIPS.

New communications materials were also produced for the print, broadcast and online media for the PIDM MoneySmart 123 advocacy campaign. These emphasise three key campaign messages, namely:

1. Know Your Products - understanding what type of financial product is being offered and to place funds with licensed or authorised financial institutions and financial advisers or planners.
2. Know Your Financial Risks - assessing individual financial goals and risk tolerance, and understanding the risks associated with each financial product.
3. Know Your Financial Rights - awareness of consumer rights and responsibilities as well as the protection available through PIDM.



A public information leaflet was produced in four languages to provide the general public with these messages. This information is also available on a special microsite created for the campaign within our corporate website.

During the year, PIDM expanded its use of social media advertising as a communications channel, as part of its tactics to reach urban young adults. Our YouTube video, “PIDM Alkisah 3 dalam 1”, was launched as a key awareness tool of the PIDM MoneySmart 123 advocacy campaign. This video has attracted close to 180,000 views.



We also introduced a revamped corporate website, which is available in four languages, with enhanced layout and features for greater practicality and user-friendliness. The website is a useful reference point and provides comprehensive information about PIDM, DIS and TIPS as well as publishes our Corporate Plans, Annual Reports, guidelines, policies and consultation papers for public comments and feedback. In 2014, visits to the website increased by 3% to 161,523 from 156,825 in 2013. About 82% of the visits were by new visitors to the website.

Financial Awareness and Literacy

We also continued with our PIDM Project MoneySmart education programme, which is aimed at the younger generation.

PIDM Project MoneySmart reached a significant milestone in 2014, whereby during the year, the programme completed coverage for all national secondary schools in Malaysia and 150 institutions of higher learning since it was launched in 2010. We worked in close collaboration with the Ministry of Education, State Education Departments, District Education Offices and Department of Higher Education in implementing this programme. The PIDM Project MoneySmart is now available as a co-curriculum option for secondary schools.

Communications Initiatives

In 2014, the achievements of the PIDM Project MoneySmart education programme included the following:

- the recognition of PIDM as “Partner in Co-curriculum” by the Ministry of Education;
- programme coverage in schools in remote and interior areas, particularly in East Malaysia;
- central briefings to 578 secondary schools administrators and teachers;
- briefings in 650 secondary schools involving 450,000 students;
- 30 roadshows in 20 institutions of higher learning involving some 10,000 students;
- participation by 95 secondary schools in the PIDM Project MoneySmart School Challenge 2014. This included a special education school, SMPK Vokasional Indahpura, Johor, which won the third prize in the competition;
- the newly-introduced quiz competition received a total of 15,000 entries from secondary school students nationwide;
- about 8.7 million students and teachers visited the PIDM Project MoneySmart Facebook page;
- the PIDM Project MoneySmart Online Game Competition saw participation of close to 1,000 students with invitations sent by students to 44,000 friends to play the Online Game;
- the “Snap or Draw, Upload and Win” Competition received almost 60 entries; and
- the PIDM Project MoneySmart Campus Challenge received 11 entries for Best Song Category and 17 entries for Best Video Category.

In November, the PIDM Education Programme 2014 Awards and Recognition Ceremony was held and officiated by Puan Hajah Rozainum Binti Ahmad, Director, Co-curricular and Arts Division, Ministry of Education. Prizes were presented to the five finalist teams of the PIDM Project MoneySmart School Challenge 2014 as well as the winners of the PIDM Project MoneySmart Campus Challenge 2014. 16 teachers who had made significant contribution towards enhancing financial literacy and awareness in their respective schools were recognised as “Best PIDM Ambassadors for 2014” with one teacher awarded the “Most Outstanding PIDM Ambassador”.



Community Relations

Corporate Outreach

Since the establishment of PIDM in 2005, PIDM's Board of Directors and Senior Management have reached out to Government officials, community leaders as well as the general public in nine states across Malaysia through its annual Corporate Outreach programme. This year, the programme was held in Kuala Terengganu, Terengganu.

As part of the outreach activities, PIDM organised a Special Luncheon Talk for representatives from the State Government and the banking and insurance sectors on 16 June 2014, with 60 participants in attendance. A public talk on “Effective Financial Consumer Protection” was held the following day and attended by some 170 participants. The talk was organised to educate the local community about the role of PIDM in the financial system and enhance awareness of other organisations that provide financial consumer protection and education, namely Bank Negara Malaysia (BNM), Agensi Kaunseling dan Pengurusan Kredit (AKPK) and the Financial Mediation Bureau (FMB).



Communications Initiatives

Exhibitions and Roadshows

PIDM participated in a total of 11 exhibitions during the year, out of which six exhibitions were organised by Money Compass (a financial planning magazine in the Chinese language) as part of its "Save and Invest" roadshow.

Other exhibitions included the event organised by the Federation of Malaysian Consumers Associations (FOMCA) in conjunction with the Closing Ceremony of Malaysian Consumer Day (*Hari Pengguna Malaysia*), Investor Education Weekend organised by the Securities Commission (SC) and the Education, Careers and Innovation Carnival (*Karnival Kerjaya, Pendidikan dan Inovasi*) organised by the State Education Department of Melaka.

The Corporation also participated in the exhibition at the "Every Pensioner is a VIP" Interaction Programme with prospective retirees organised by the Post-Service Division, Public Services Department and the "Karnival Maal Hijrah" organised by Universiti Sains Islam Malaysia (USIM).

For a complete listing of our participation in exhibitions and roadshows, refer to our Calendar of Events for 2014 in Section 8.

Stakeholder Engagement

The Corporation's stakeholder engagement programmes in 2014 focused on collaborative arrangements with member institutions through their training departments, the Malaysian Insurance Institute (MII), FOMCA and Money Compass.

A total of 100 briefings were conducted nationwide during the year, reaching out to over 10,000 participants comprising bank officers and frontliners, takaful and insurance agents, company employees, corporate and Government officers, community groups as well as students. These briefings were organised in collaboration with strategic partners including MII, FOMCA, Money Compass, and training centres of banks, takaful operators and insurance companies.

In addition to internal subject matter experts, PIDM trains independent trainers from MII and FOMCA to conduct briefings on DIS and TIPS. The Corporation continued to conduct training for employees of member institutions as a key stakeholder in enhancing public awareness, as well as briefings to the general public. In 2014, we also engaged with more member banks to participate in our "Train-the-Trainer" accreditation programme.



At the beginning of each year, PIDM conducts an annual meeting with Liaison Officers (LOs) of our member institutions to provide updates on new corporate initiatives and guidance on regulatory and compliance matters. The meetings were held on 19 and 20 February 2014 with LOs of member banks and insurer members respectively.

For a complete listing of our briefings and stakeholder engagement programmes, refer to our Calendar of Events for 2014 in Section 8.

Communications Initiatives

Media Relations

The Corporation conducted three media education sessions in 2014, covering editors and journalists in the Klang Valley, Sabah and Sarawak. These events are knowledge sharing sessions to educate the media about PIDM, its role and functions.

During the year, PIDM Senior Management held various interview sessions with the mass media, including a live interview during the "Berita Nasional" (Business Segment) programme on the RTM1 television channel and "Sembang Petang" programme on the Nasional FM radio channel. Interviews conducted by the print media included Bernama and Kosmo. PIDM also issued six press releases and held press conferences in conjunction with the release of the PIDM Annual Report 2013 and the PIDM Education Programme 2014 Awards and Recognition Ceremony.

In an ongoing effort to enhance our working relationships with members of the media, regular networking sessions with editors of the print, online and electronic media, as well as representatives of the East Malaysian media, continued throughout the year. Among these was the annual media *Buka Puasa* event held on 1 July 2014, attended by senior editors and journalists.



NATIONWIDE CONSUMER SURVEY RESULTS

As recommended in IADI's Enhanced Guidance on Public Awareness, PIDM carries out a nationwide consumer survey annually through an independent research agency. This is to assess the levels of public awareness about PIDM and the protection systems, in particular, perceptions, attitudes, issues and brand image related to the subject. This also allows PIDM to assess the effectiveness of its communications tools and use the results as an input for PIDM's communications strategies and initiatives.

A key finding for 2014 is that there is still a high level of awareness that deposits are protected in a failure of a member bank. This level had increased from 48% in 2012, to 52% in 2013, to 56% in 2014.

However, the depth of understanding was found to be lacking. Overall awareness about PIDM decreased to 47% from 53% in 2013, and awareness about DIS dipped to 38% from 46% during the same period. Public awareness of TIPS remained fairly stagnant at around 30%.

The decline at the granular level was generally attributable to the lower household income group, those above the age of 25 and the Malay target audience, to whom the informative approach and social media channel adopted in 2014 had less appeal. Despite the overall decline, awareness levels about PIDM, DIS and TIPS increased among the more affluent population. The survey findings show that, among those who are aware of PIDM, DIS and TIPS, there was better comprehension of the key messages and the benefits and limitations of DIS and TIPS.

The survey findings inform us that traditional media remains a strong channel to convey messages as well as the display of PIDM's decals and logos at bank branches. In addition, among certain target audiences, the emotive approach works best. Further, those who have seen PIDM's advertisements achieved a good understanding of the details about PIDM, DIS and TIPS.

MOVING FORWARD

Going forward, and based on our research findings, the Corporation will continue to review and enhance its communications strategies and initiatives, in order to ensure that our public awareness efforts remain effective and meet its key objectives and priorities.

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

"Goodness is the only investment that never fails" - Henry David Thoreau

At PIDM, we believe in doing well and doing good. Corporate Social Responsibility (CSR) is an integral part of our business operations. Every employee is encouraged to actively participate in our CSR initiatives, which are focused on activities that contribute towards community development as well as environmental conservation and sustainability.

SCHOLARSHIP PROGRAMME

The PIDM Undergraduate Scholarship Programme was introduced in 2010. In 2014, scholarships were awarded to another 10 deserving individuals originating from different parts of Malaysia. Their courses of discipline vary from Statistics, Business Administration, Accounting, Economics, and Commerce to Software Engineering.

To date, the PIDM Undergraduate Scholarship Programme which is now in its fifth year has nurtured and developed 45 scholars, out of which six have graduated and are now working with established organisations. The scholars' academic achievements have been commendable, with 22 scholars attaining the Dean's list for one semester or more. Additionally, four scholars have been selected for exchange programmes in Australia, Taiwan, the United Kingdom and the United States. The selection criteria for these exchange programmes are usually based on stringent requirements, such as consistent excellent academic achievement as well as active and dynamic involvement in co-curricular activities, e.g. one of the scholars, who secured his participation in the exchange programme with only four other successful applicants, was selected from a pool of more than 200 applicants.

PIDM is committed to developing a future generation of young Malaysians who are not just successful academically but also in all other areas. The PIDM scholarship provides not just financial support but also internship opportunities at PIDM, enabling them to get first-hand experience of the working world. Many of our current scholars have found the internship useful in preparing them for work life after graduation. This year, a total of three scholars successfully pursued internship programmes in the Finance Department, Legal Division, as well as Policy and International Division respectively, for a duration of two to six months.

PIDM aims to make a difference to the scholars' journeys with its support. This Scholarship Programme will continue to identify deserving individuals, who will be selected strictly on the basis of meritocracy and financial need.

OTHER CSR ACTIVITIES

Continuing Our Financial Literacy Programme

We have continued our efforts to contribute towards financial literacy for the deaf and the hearing-impaired. This initiative started following a study we commissioned which revealed that there is a need to increase financial literacy amongst the visually, hearing and motor impaired.

In 2014, we extended our education programme, the PIDM Project MoneySmart, to selected schools for the deaf in the Klang Valley. The students were able to learn about PIDM's financial consumer protection in a fun and interesting way.

PIDM was also invited by the St Nicholas' Home, an organisation serving the visually disabled, to conduct a briefing about PIDM and its financial consumer protection systems. This was well-received by the participants.



Corporate Social Responsibility



Employee Engagement

PIDM supports its employees' participation in activities that are in line with its CSR Policy, be it volunteering their time or raising funds for charitable or community organisations, where necessary.

Wisma Harapan, a school for the mentally handicapped, has been receiving financial assistance from a few of our employees since 2013. In 2014, a collection drive was organised on a corporate-wide basis where employees donated cash and sundry items to the school. With the cash donation, we supplied a year's worth of groceries and paid for its utility bills over a period of four months. Some of our employees continued to support the school after the collection drive ended.

The Pusat Kebajikan Good Shepherd (PKGS) is a not-for-profit organisation, which provides support to those who are marginalised and from broken homes, especially women, girls and their families. Their Teenage Centre in Jalan Hulu Kelang, Selangor provides residential refuge for teenage girls who come from dysfunctional families and have experienced abuse and neglect. In support of their appeal for funds for the partial re-roofing of the Teenage Centre, PIDM rolled out an internal "Dare to Bare" programme, where employees were challenged to obtain pledges of cash donations for PKGS in exchange for removing hair. A number of employees including our Chief Executive Officer and Executive General Managers took up the challenge and managed to raise a total of RM53,178 for PKGS.



Going Green

PIDM is committed to ensuring that its business operations and practices are environmentally friendly to protect the environment and sustain its natural resources for current and future generations. We aim to minimise usage and wastage and continue to separate our office waste. Proceeds from the sale of recyclable items are added to the CSR fund and the monies will be matched ringgit for ringgit by the Corporation. The fund is held in trust for charitable causes that the Corporation will choose to contribute to from time to time. Employees are also encouraged to separate their domestic waste and bring similar recyclable items from their homes to the Corporation for this purpose.

Another green initiative in 2014 was the collection of used Tetra Pak cartons, which will be recycled by Tetra Pak under its CARETON Project to help build homes for the Orang Asli community. The plastic and aluminium layers of the Tetra Pak cartons will be extracted and recycled into roofing tiles. An inter-divisional competition was held from April to December 2014 and a total of 205 kilogrammes of Tetra Pak cartons was successfully collected. The winning divisions were presented with a RM1,000 voucher, to be donated to a charitable fund of their choice.

CONCLUSION

We believe that everyone has a role, irrespective of whether big or small, to play in making a difference. What is important is that our CSR activities, although modest, are executed with passion and sincerity. We will continue with our efforts to give back to the community. To quote Nobel Peace Prize winner, Mother Teresa, "It's not how much we give but how much love we put into giving".



SECTION EIGHT **CALENDAR OF EVENTS**

CALENDAR OF EVENTS

JAN

7 JAN : PIDM, KUALA LUMPUR

Participated in the International Forum of Insurance Guarantee Schemes (IFIGS) Executive Council Meeting

11 JAN : SIBU, SARAWAK

Briefing on PIDM Financial Consumer Protection for members of the public

20 JAN : PIDM, KUALA LUMPUR

Special Audit Committee Meeting

21 JAN : PUTRAJAYA

Recognition of PIDM as "Partner in Co-curriculum" at the Ministry of Education Clients Appreciation Ceremony 2014

22 JAN : PIDM, KUALA LUMPUR

Audit Committee Meeting

22-23 JAN : OAXACA, MEXICO

Participated in the 1st Joint Working Group (JWG) meeting on the International Association of Deposit Insurers (IADI) - Basel Committee on Banking Supervision (BCBS) Core Principles for Effective Deposit Insurance Systems

23 JAN : PIDM, KUALA LUMPUR

Governance Committee Meeting

24 JAN : PIDM, KUALA LUMPUR

Succession Planning Committee Meeting



FEB

11-13 FEB : PIDM, KUALA LUMPUR

Briefing on the Guidelines on Validation Programme: Differential Levy System and Premiums Calculation for insurer members and external auditors

13 FEB : PIDM, KUALA LUMPUR

PIDM Safety and Health Initiative - Talk on Dengue Awareness

13 FEB : KUALA LUMPUR

PIDM Project MoneySmart education programme - Campus Challenge 2013 Prize-Giving Ceremony

14 FEB : PIDM, KUALA LUMPUR

Special Board of Directors Meeting

14 FEB : PIDM, KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for students and academic staff of Politeknik Nilai, Negeri Sembilan

17 FEB : PIDM, KUALA LUMPUR

Train-the-Trainer session for Federation of Malaysian Consumers Associations (FOMCA) facilitators

17 FEB : PIDM, KUALA LUMPUR

Audit Committee Meeting

19 FEB : KUALA LUMPUR

Annual Meeting with Liaison Officers of Member Banks

20 FEB : KUALA LUMPUR

Annual Meeting with Liaison Officers of Insurer Members

24 FEB : PIDM, KUALA LUMPUR

Board of Directors Meeting

24 FEB : PIDM, KUALA LUMPUR

Special Remuneration Committee Meeting

24-25 FEB : BASEL, SWITZERLAND

Participated in the 41st IADI Executive Council Meeting



Calendar of Events

MAR

4-6 MAR : HONG KONG

Participated in the Crisis Management Group meeting of Hongkong and Shanghai Banking Corporation (HSBC) Asia

6 MAR : PIDM, KUALA LUMPUR

Certificate Presentation Ceremony for certified trainers under the PIDM Train-the-Trainer Programme 2013

10-12 MAR : BALI, INDONESIA

5th Tripartite Meeting between PIDM, Indonesia Deposit Insurance Corporation (IDIC) and Deposit Protection Agency (DPA), Thailand

13 MAR : KUALA LUMPUR

Briefing on Enhancements to the Guidelines on Validation Programme: Deposit Information Systems and Submission for member banks

13 MAR : BANGI, SELANGOR

Briefing on PIDM Financial Consumer Protection for employees of Malayan Banking Berhad

13-14 MAR : KUALA LUMPUR

Study Visit by Taiwan Academy of Banking and Finance

13-15 MAR : BALI, INDONESIA

Presentation by PIDM on Country Experiences: Overview and Future Challenges at the International Workshop on Integrated Protection Schemes

14-16 MAR : SHAH ALAM, SELANGOR

Train-the-Trainer session on PIDM Project MoneySmart 2014 education programme for PIDM Ambassadors

16 MAR : KUALA LUMPUR

PIDM Community Talk organised by FOMCA

17-19 MAR : PIDM, KUALA LUMPUR

Study Visit by Depositor's Insurance Fund of Libya

20 MAR : PIDM, KUALA LUMPUR

Study Visit by DPA, Thailand

21 MAR : PIDM, KUALA LUMPUR

Special Remuneration Committee Meeting

23 MAR : TAIPING, PERAK

PIDM Community Talk organised by FOMCA

31 MAR-1 APR : WASHINGTON, USA

Participated in the 2nd JWG meeting on the IADI-BCBS Core Principles for Effective Deposit Insurance Systems



APR

2 APR : JERANTUT, PAHANG

PIDM Community Talk organised by FOMCA

3 APR : PIDM, KUALA LUMPUR

Launch of PIDM "Get Fit!" Wellness Programme

3-6 APR : AYER KEROH, MELAKA

Exhibition and Briefing at the Education, Careers and Innovation Carnival 2014

7-10 APR : WASHINGTON, USA

Study Visit to the Federal Deposit Insurance Corporation, the United States of America (USA)

11 APR : KOTA BHARU, KELANTAN

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

12 APR : KUANTAN, PAHANG

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad



Calendar of Events

APR

13 APR : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

14 APR : LABUAN

Briefing on PIDM Financial Consumer Protection for members of the public

14 APR : LABUAN

Briefing on PIDM Financial Consumer Protection for employees of Labuan Financial Services Authority

14 APR : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Khazanah Nasional Berhad

16 APR : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for participants of the 11th Banking Supervision Course organised by Bank Negara Malaysia (BNM)

17 APR : SEREMBAN, NEGERI SEMBILAN

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

17 APR : IPOH, PERAK

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

18 APR : PIDM, KUALA LUMPUR

Succession Planning Committee Meeting

18 APR : KUALA TERENGGANU, TERENGGANU

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

19 APR : SUNGAI PETANI, KEDAH

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

19 APR : MELAKA

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

20 APR : KUCHING, SARAWAK

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

20 APR : BUKIT MERTAJAM, PULAU PINANG

PIDM Community Talk organised by FOMCA

21 APR : GEORGETOWN, PULAU PINANG

PIDM Corporate Social Responsibility (CSR) Initiative - Briefing on PIDM Financial Consumer Protection at St Nicholas' Home

23 APR : KUALA LUMPUR

Participated in the Forum on Integrated Reporting: Revolutionising Corporate Transparency in Malaysia

23-24 APR : CEBU, PHILIPPINES

Presentation by PIDM on Cross-Border Cooperation in Resolution and Recovery Planning at the Financial Stability Board (FSB) Regional Consultative Group Workshop on Recovery and Resolution Planning

23-25 APR : KYOTO, JAPAN

Presentation by PIDM on Contingency Planning and IT Infrastructure: How to Design an Efficient IT Infrastructure at the 12th Annual IADI Asia-Pacific Regional Committee (APRC) Meeting and International Conference

24 APR : JOHOR BAHRU, JOHOR

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

24 APR : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

24 APR : ALOR SETAR, KEDAH

PIDM Community Talk organised by FOMCA

25 APR : BUTTERWORTH, PULAU PINANG

PIDM Community Talk organised by FOMCA

26 APR : KOTA KINABALU, SABAH

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

26 APR : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

27 APR : BATU PAHAT, JOHOR

Briefing on PIDM Financial Consumer Protection for agents of Takaful Ikhlas Berhad

28 APR : PIDM, KUALA LUMPUR

Remuneration Committee Meeting



Calendar of Events

MAY

4 MAY : RAWANG, SELANGOR

PIDM Community Talk organised by FOMCA

6 MAY : KUALA LUMPUR

Launch of PIDM Annual Report 2013 Annual Dialogue with Member Institutions

7-9 MAY : KUALA LUMPUR

IADI APRC's Technical Seminar on Navigating Too Big to Fail: Strengthening Cross-Border Cooperation and Implementing Effective Recovery and Resolution Plans hosted by PIDM

8 MAY : MELAKA

Briefing on PIDM Financial Consumer Protection for member institutions

8 MAY : PIDM, KUALA LUMPUR

Train-the-Trainer session for PIDM Project MoneySmart 2014 education programme trainers

9 MAY : PIDM, KUALA LUMPUR

Board Education Session

9 MAY : PULAU PINANG

Exhibition and Briefing at "Every Pensioner is a VIP" programme organised by the Public Services Division, Office of the Prime Minister of Malaysia

11 MAY : TAIPING, PERAK

PIDM Community Talk organised by FOMCA

12 MAY : PIDM, KUALA LUMPUR

Board Education Session

12 MAY : PIDM, KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for students and academic staff of Universiti Sains Islam Malaysia (USIM)

13 MAY : PARIS, FRANCE

Presentation by PIDM on Integrated Protected Scheme at the European IFIGS Executive Council Meeting

14 MAY : PIDM, KUALA LUMPUR

Study Visit by Central Bank of Laos

15 MAY : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for member institutions

15 MAY : KUALA LUMPUR

2014 Corporate-wide Enterprise Risk Management (ERM) Risk Assessment Workshop

17 MAY : KUALA TERENGGANU, TERENGGANU

PIDM Community Talk organised by FOMCA

19 MAY : PIDM, KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for students and academic staff of Politeknik Nilai, Negeri Sembilan

19 MAY : PIDM, KUALA LUMPUR

Audit Committee Meeting

20 MAY : IPOH, PERAK

Briefing on PIDM Financial Consumer Protection for member institutions

21-22 MAY : PIDM, KUALA LUMPUR

Train-the-Trainer session for member institutions' employees

22 MAY : PIDM, KUALA LUMPUR

Board of Directors Meeting

23 MAY : BACHOK, KELANTAN

PIDM Community Talk organised by FOMCA

24 MAY : KOTA BHARU, KELANTAN

PIDM Community Talk organised by FOMCA

24 MAY : SEREMBAN, NEGERI SEMBILAN

PIDM Community Talk organised by FOMCA

27 MAY : PIDM, KUALA LUMPUR

Knowledge Sharing Session on Enterprise Risk Management and Business Continuity Management with the Inland Revenue Board of Malaysia

28 MAY : PIDM, KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for students and academic staff of USIM



Calendar of Events

JUN

4-5 JUN : WASHINGTON, USA

Participated in the 3rd JWG meeting on the IADI-BCBS Core Principles for Effective Deposit Insurance Systems

6 JUN : SEREMBAN, NEGERI SEMBILAN

Briefing on PIDM Financial Consumer Protection for members of the public

14 JUN : ALOR GAJAH, MELAKA

PIDM Community Talk organised by FOMCA

16-17 JUN : KUALA TERENGGANU, TERENGGANU

PIDM Corporate Outreach 2014

17 JUN : PIDM, KUALA LUMPUR

Succession Planning Committee Meeting

18 JUN : PIDM, KUALA LUMPUR

Study Visit by IDIC

18 JUN : KUCHING, SARAWAK

Briefing on PIDM Financial Consumer Protection for member institutions

19 JUN : BANGI, SELANGOR

Briefing on PIDM Financial Consumer Protection for employees of Public Bank Group

19-20 JUN : KUALA LUMPUR

Strategic Planning Workshop for PIDM Senior Management

21 JUN : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Bangkok Bank Berhad

21 JUN : ALOR SETAR, KEDAH

Briefing on PIDM Financial Consumer Protection for members of the public

23-26 JUN : WARSAW, POLAND

Presentation by PIDM on Basic Challenges for Deposit Insurance Systems In Case of Bail-in Application at the 42nd IADI Executive Council Meeting and High Level Seminar

28 JUN : BINTULU, SARAWAK

Briefing on PIDM Financial Consumer Protection for members of the public

JUL

1 JUL : KUALA LUMPUR

Buka Puasa with members of the media

1-3 JUL : WASHINGTON, USA

Presentation by PIDM on Overview of Enhanced Guidance Paper on Funding at the IADI Executive Training Seminar on Deposit Insurance Funding: Key Questions, Diverse Approaches

5 JUL : BATU PAHAT, JOHOR

Briefing on PIDM Financial Consumer Protection for members of the public

11 JUL : KUALA LUMPUR

Buka Puasa for PIDM employees and families

16-18 JUL : PIDM, KUALA LUMPUR

Study Visit by Central Bank of Namibia

17 JUL : PIDM, KUALA LUMPUR

PIDM Media Education Session

19 JUL : SANDAKAN, SABAH

Briefing on PIDM Financial Consumer Protection for members of the public

21 JUL : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Bangkok Bank Berhad



Calendar of Events

AUG

5-7 AUG : SINGAPORE

Presentation by PIDM on Achieving Effective Cross-Border, Cross-Sectoral Information Sharing and Coordination in Crisis Management and Resolution as well as Deposit Insurance – The Role of Deposit Insurance in Crisis Prevention and Management at the SEACEN Signature Course on Crisis Management and Resolution

6 AUG : ALOR SETAR, KEDAH

Briefing on PIDM Financial Consumer Protection for member institutions

6-8 AUG : BAKU, AZERBAIJAN

Presentation by PIDM on Risk-based Premium System and Early Warning System and Establishing a Risk-based Premium System for Islamic banks at the IADI APRC Seminar

9 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for members of the public

11 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees and agents of Etiqa Group of Companies

12-14 AUG : KUALA LUMPUR

Study Visit by IDIC and the Centre for Islamic Business and Economic Studies, Indonesia

14 AUG : KUANTAN, PAHANG

Briefing on PIDM Financial Consumer Protection for member institutions

16 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for members of the public

16 AUG : KUALA LUMPUR

PIDM Community Talk organised by FOMCA

18 AUG : PIDM, KUALA LUMPUR

Succession Planning Committee Meeting

18-22 AUG : KUALA LUMPUR

Presentation by PIDM on Communication in Times of Crisis at the Workshop on Crisis Preparedness, Dealing with Problem Banks and Resolution Options organised by PIDM and BNM

19-22 AUG : KUALA LUMPUR

Presentation by PIDM on the Importance of Deposit Insurance as a Safety Net for Financial Stability at BNM's capacity building programme entitled Financial Stability, Financial Surveillance and Macro-prudential Policy

21-22 AUG : PIDM, KUALA LUMPUR

PIDM Scholarship Induction and Training Programme

22 AUG : KUALA LUMPUR

PIDM Hari Raya Celebration for employees

23 AUG : PIDM, KUALA LUMPUR

PIDM Scholarship Award Ceremony

23 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees and agents of Great Eastern Takaful Berhad

23-28 AUG : DHAKA, BANGLADESH

Presentation by PIDM on Deposit Insurance System - A Critical Foundation to Financial System Stability at the 29th South East Asia, New Zealand, Australia (SEANZA)'s Central Banking Course

24 AUG : BAHAU, NEGERI SEMBILAN

PIDM Community Talk organised by FOMCA

26 AUG : BANGKOK, THAILAND

Chaired the Asia-Pacific Economic Cooperation (APEC)-Financial Regulators Training Initiative (FRTI) 19th Advisory Group Meeting and participated in the APEC Conference for Financial Regulators

26 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees and agents of Tokio Marine Insurans (Malaysia) Berhad

26-27 AUG : KUALA LUMPUR

Train-the-Trainer session for member banks' employees

27 AUG : PIDM, KUALA LUMPUR

Board Education Session

28 AUG : PIDM, KUALA LUMPUR

Audit Committee Meeting

28 AUG : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Affin Bank Group



Calendar of Events

SEP

2-4 SEP : PIDM, KUALA LUMPUR

Hosted the 3rd PIDM Open House for the African Region

5 SEP : PETALING JAYA, SELANGOR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

6 SEP : KUALA LUMPUR

Exhibition and Community Talk at Malaysian Consumers Day 2014

8 SEP : PIDM, KUALA LUMPUR

Succession Planning Committee Meeting

9 SEP : KUALA LUMPUR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

9-11 SEP : BASEL, SWITZERLAND

Presentation by PIDM on Information Sharing in Cross-Border Bank Resolution at the Financial Stability Institute (FSI)-IADI Seminar on Bank Resolution, Crisis Management and Deposit Insurance Issues

9-14 SEP : PETALING JAYA, SELANGOR

Exhibition at InvestSmart Fest 2014 organised by Securities Commission Malaysia

10 SEP : KOTA KINABALU, SABAH

Briefing on PIDM Financial Consumer Protection for member institutions

10 SEP : PIDM, KUALA LUMPUR

Governance Committee Meeting

11-13 SEP : COLOMBO, SRI LANKA

Presentation by PIDM on Crisis Preparedness Infrastructure at the 5th Annual SEACEN Deputy Governors Financial Stability Forum and SEACEN High Level Seminar for Deputy Governors

19 SEP : PIDM, KUALA LUMPUR

Board Education Session

19 SEP : MUKAH, SARAWAK

PIDM Community Talk organised by FOMCA

21 SEP : KUALA LUMPUR

PIDM Community Talk organised by FOMCA

22 SEP : KAJANG, SELANGOR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

22-30 SEP : KUALA LUMPUR

Presentation by PIDM on Deposit Insurance System: A Critical Foundation to Financial System Stability at the 36th BNM Intermediate Central Banking Course

23 SEP : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Standard Chartered Bank Malaysia Berhad

24 SEP : PIDM, KUALA LUMPUR

Board Education Session

24 SEP : KUALA LUMPUR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

25 SEP : SUNGAI BULOH, SELANGOR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

25-27 SEP : LABUAN

Presentation by PIDM on Good Corporate Governance: Wither Without It at The Labuan International Finance Lecture Series 2014

26 SEP : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for employees of Agensi Kaunseling dan Pengurusan Kredit (AKPK)

28 SEP : JASIN, MELAKA

PIDM Community Talk organised by FOMCA

30 SEP : PIDM, KUALA LUMPUR

Board of Directors Meeting



Calendar of Events

OCT

2 OCT : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for member institutions

9 OCT : GEORGETOWN, PULAU PINANG

Briefing on PIDM Financial Consumer Protection for agents of Hong Leong Assurance Berhad

14 OCT : SEBERANG JAYA, PULAU PINANG

Briefing on PIDM Financial Consumer Protection for member institutions

14 OCT : KOTA KINABALU, SABAH

PIDM Community Talk organised by FOMCA

15 OCT : TAMPARULI, SABAH

PIDM Community Talk organised by FOMCA

16 OCT : DONGGONGON, SABAH

PIDM Community Talk organised by FOMCA

17 OCT : MENGGATAL, SABAH

PIDM Community Talk organised by FOMCA

18 OCT : KOTA KINABALU, SABAH

PIDM Community Talk organised by FOMCA

19 OCT : PORT OF SPAIN, TRINIDAD & TOBAGO

Participated in the IADI Core Principles Steering Committee Meeting

20-23 OCT : PORT OF SPAIN, TRINIDAD & TOBAGO

Participated in the 13th IADI Annual General Meeting and Conference

21 OCT : PORT OF SPAIN, TRINIDAD & TOBAGO

Participated in the 43rd Executive Council Meeting

23-24 OCT : AMSTERDAM, NETHERLANDS

Participated in the 21st International Association of Insurance Supervisors (IAIS) Annual Conference

24-26 OCT : SETIAWANGSA, KUALA LUMPUR

Exhibition and Briefing at *Karnival Maal Hijrah* 2014 organised by USIM

28-29 OCT : PIDM, KUALA LUMPUR

Train-the-Trainer session for member banks' employees

28-30 OCT : SEOUL, KOREA

Study Visit to Korea Deposit Insurance Corporation (KDIC)

29 OCT : KUALA LUMPUR

Presentation by PIDM on Strengthening Safety Net through Deposit Insurance at BNM's Financial Sector Development in Malaysia Programme

NOV

5 NOV : JOHOR BAHRU, JOHOR

Briefing on PIDM Financial Consumer Protection for member institutions

5 NOV : KUALA LUMPUR

Briefing on PIDM Financial Consumer Protection for students and academic staff of the Financial Sector Talent Enrichment Programme (FSTEP)

10 NOV : BANGI, SELANGOR

Briefing on PIDM Financial Consumer Protection for employees of Public Bank Group

11 NOV : PIDM, KUALA LUMPUR

Audit Committee Meeting

11 NOV : PIDM, KUALA LUMPUR

Remuneration Committee Meeting

13 NOV : KUALA LUMPUR

Participated in the Roundtable Meeting on the National Financial Literacy Strategy organised by FOMCA

14 NOV : IPOH, PERAK

Briefing on PIDM Financial Consumer Protection for agents of Hong Leong Assurance Berhad

18 NOV : KLANG, SELANGOR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability



Calendar of Events

NOV

18 NOV : SABAK BERNAM, SELANGOR

PIDM CSR Initiative – Briefing on PIDM Project MoneySmart 2014 education programme for students with hearing disability

19-20 NOV : PIDM, KUALA LUMPUR

Payout System Walkthrough Workshop

20 NOV : KUALA LUMPUR

National Annual Corporate Report Awards (NACRA) 2014 Award Presentation Ceremony

25 NOV : KUALA LUMPUR

Business Continuity Simulation Exercise

25 NOV : PIDM, KUALA LUMPUR

PIDM “Get Fit!” Wellness Programme Closing Ceremony

25-26 NOV : KUALA LUMPUR

PIDM Project MoneySmart School Challenge 2014 Finale

27 NOV : KUALA LUMPUR

PIDM Project MoneySmart Education Programme 2014 Awards and Recognition Ceremony

27 NOV : SEGAMAT, JOHOR

Briefing on PIDM Financial Consumer Protection for students and academic staff of Universiti Teknologi MARA (UiTM) Kampus Segamat



DEC

2-4 DEC : SEOUL, KOREA

Presentation by PIDM on Capacity Building Programmes for IADI Member Organisations at the IADI-KDIC International Seminar for Expertise Sharing on Deposit Insurance

4 DEC : PIDM, KUALA LUMPUR

Board of Directors Meeting

5 DEC : KUALA LUMPUR

Presentation by PIDM on Crisis Management and Resolution at the SEACEN-Bank of Japan Financial System Stability Analysis and Surveillance Course

6 DEC : KUALA LUMPUR

PIDM Annual Dinner 2014

9-11 DEC : TIRANA, ALBANIA

Presentation by PIDM on Deposit Insurance Funding: Key Questions, Diverse Approaches at IADI's Executive Training Seminar

10 DEC : KOTA KINABALU, SABAH

PIDM Media Education Session

11 DEC : KUCHING, SARAWAK

PIDM Media Education Session

15 DEC : PASIR GUDANG, JOHOR

Briefing on PIDM Financial Consumer Protection for employees of Idemitsu SM (Malaysia) Sdn. Bhd.

23 DEC : MERLIMAU, MELAKA

PIDM Community Talk organised by FOMCA

30 DEC : PIDM, KUALA LUMPUR

PIDM Safety and Health Initiative - Defensive Driving





APPENDIX

207
Charter of
Governance Committee

210
Charter of
Remuneration Committee

212
Charter of
Audit Committee

217
Charter of Succession
Planning Committee

220
Corporate Scorecard
2015 - 2017

222
List of Member
Institutions

223
Glossary of Terms

226
Contact Details

CHARTER OF GOVERNANCE COMMITTEE

1.0 MANDATE

Pursuant to section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has considered it necessary to establish a Governance Committee.

2.0 OBJECTIVE

The Governance Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is responsible to direct the implementation of, and compliance with, sound corporate governance principles in the Corporation. In this regard, the principal objectives of the Committee are to assist with Board oversight of: maintaining effective corporate governance principles and practices; evaluating and assessing the functioning of the Board, Board Committees and Management; nominating individuals qualified to become Directors consistent with criteria approved by the Corporation; and succession planning.

3.0 OPERATING PRINCIPLES

3.1 Functions and Composition

- (a) The Committee shall comprise at least three members of the Board, as named by the Board.
- (b) Members of the Committee shall each be independent of Management.
- (c) The Committee shall carry out such functions as are assigned or delegated to it by the Board and any incidental activities consistent with this Charter as the Committee or the Board deems necessary or appropriate.

3.2 Chair – The Committee shall be chaired by the Chairman of the Board. In the absence of the Chairman of the Committee for any meeting or part of the meeting, the remaining members present shall elect one of the members present to chair the meeting.

3.3 Quorum – The presence of two members constitutes a quorum for a meeting of the Committee.

3.4 Voting – A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast, and in the event of an equality of votes its Chair has a second vote.

3.5 Procedure and Conduct – Subject to this Charter and any resolution of the Board respecting a specific matter, the Chair shall determine the procedures and conduct of meetings of the Committee.

3.6 Secretary and Minutes – The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes of the proceedings of the Committee shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.

3.7 Frequency of Meetings – The Committee will meet at the discretion of its Chair, but not less frequently than twice each year. The Chair shall call a meeting if asked to do so by the Chairman of the Board, and decide if a meeting is required if requested by another member of the Committee.

3.8 Notice of Meetings – The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.

3.9 Meeting Agenda – A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.

3.10 Supplemental Attendees – Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.

3.11 Term of Appointment / Rotation / Re-appointment of Members – Membership of the Committee should be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire membership of the Committee is not changed at any one time. The advice of the Chair on a Committee member's performance shall be considered where an extension of that member's tenure or re-appointment is being considered.

3.12 Reporting – The Committee will, where appropriate, provide a written or verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.

3.13 Review of Charter – The Committee shall review and assess the adequacy of this Charter biennially. If the Committee recommends any amendments, the Committee shall submit a revised Charter to the Board for its approval.

Charter Of Governance Committee

- 3.14 **Self-assessment** – An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.
- 3.15 **Disclosure** – The Committee shall ensure that this Charter and its membership composition are publicly disclosed.
- 3.16 **Independent Counsel or Other Advisors** – The Committee has the authority to engage outside advisors, including but not limited to counsel, independent consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.
- 3.17 **Conflict of Interest** – In the event that the matter being considered is the re-appointment of the Chairman or the re-appointment of a non-ex officio Director of the Board who is a member of the Committee, the Chairman or the non-ex officio Director (as the case may be) shall not participate in the meeting whilst the Committee discusses, deliberates or decides on the matter. During such time, the Chairman or the non-ex officio Director (as the case may be) will absent himself or herself from the meeting.

4.0 PRINCIPAL DUTIES AND RESPONSIBILITIES

4.1 Corporate Governance Oversight

- (a) The Committee shall review periodically the Corporation's approach to governance issues and shall make recommendations to the Board respecting revisions to the Corporation's governance policies, including codes of business conduct and conflict of interest for Directors and employees. The Committee shall make recommendations to the Board on policies with regard to director tenure, retirement and succession.
- (b) The Committee shall ensure the ongoing administration of the policies and procedures that enable a Board Committee or member of the Board to engage separate independent counsel or other advisors in appropriate circumstances and at the Corporation's expense.
- (c) On a periodic basis, the Committee shall review the Corporation's mandate as set out in the Malaysia Deposit Insurance Corporation Act and make any recommendation it sees fit to the Board.

- (d) The Committee shall keep up to date on corporate governance developments so as to ensure the Corporation's governance practices are in line with best practices.
- (e) The Committee shall undertake such other governance initiatives as may be necessary or desirable to ensure that the appropriate processes, structures and information necessary for effective direction and oversight are in place to contribute to the sound governance and management of the Corporation.

4.2 Evaluation of Board Operations and Board Committees

- (a) In consultation with the Chief Executive Officer (CEO), the Committee shall assess the needs of the Board in terms of the frequency and location of Board and Committee meetings, meeting agendas, documents and information, and the conduct of meetings, and make recommendations to the Board as required.
- (b) The Committee shall periodically review, for Board approval, the mandates and responsibilities of the Board, the Chairman of the Board, the CEO, a member of the Board and the Board Committees.
- (c) The Committee shall annually implement, and regularly review, the process to assist the Board in determining whether the Board is satisfied with the manner, frequency and timeliness with which significant issues are brought to its attention, as well as the appropriateness of that information.
- (d) The Committee shall annually implement, and regularly review, the method for regularly evaluating and assessing the effectiveness of the Board and of individual members of the Board and Board Committees and recommend any appropriate action plans to address any significant findings.
- (e) The Committee shall, after the affected Committees have conducted their review of their respective Charters, review each of the Board Committee Charters together and recommend proposed amendments (if any) to the Board Committee Charters to the Board.
- (f) The Committee shall review and recommend to the Board the types and structures of Board Committees to be created by the Board.

Charter of Governance Committee

4.3 Board Nominations

- (a) The Committee shall periodically review both a Board profile and a Board member profile of qualifications and skills and characteristics for individual directors, taking into consideration the current strengths, skills and experience on the Board, terms, retirement dates and the strategic direction of the Corporation.
- (b) The Committee shall identify a list of potential Board nominees who possess the skills, experience, knowledge and characteristics which fit the profiles and update such list on a regular basis.
- (c) When a vacancy or vacancies on the Board occurs or are anticipated, the Committee shall prepare and recommend to the Board a list of potential nominees.
- (d) Develop and implement a strategy to communicate the profiles and potential candidate or candidates to the Minister.
- (e) The Committee shall review periodically the compensation programme of members of the Board and make recommendations to the Board.
- (f) The Committee shall make recommendations regarding the orientation programme, training and ongoing development of members of the Board.

4.4 **Succession Planning** – The Committee shall review Management's succession plans for the corporate officers and make recommendations in respect of the same, to the Board for approval.

4.5 **Leadership Needs** – The Committee shall keep under review the leadership needs of the Corporation, both executive and non-executive, with a view to ensure the continued ability of the Corporation to efficiently and effectively meet its mandate.

4.6 **Reporting and Disclosure** – Recommend to the Board the content of such governance reports as may be required or considered advisable for public disclosure.

4.7 **Stakeholder Awareness and Engagement** – The Committee shall:

- (a) review and recommend for Board approval, any amendments to the Corporation's Communications Policy;
- (b) review and recommend for Board approval, the Corporation's long-term public awareness strategies and receive the public awareness plan of activities for the next fiscal year; and
- (c) regularly receive and review the results of such plan.

CHARTER OF REMUNERATION COMMITTEE

1.0 MANDATE

Pursuant to section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has deemed it necessary to establish a Remuneration Committee.

2.0 OBJECTIVE

The Remuneration Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is responsible to ensure that the Corporation has fair and equitable human resource policies that profile for the hiring and retention of people with the appropriate expertise and qualifications. In this regard, the principal objectives of the Committee are to assist with Board oversight of human resources and compensation matters and management succession plans generally.

3.0 OPERATING PRINCIPLES

3.1 Functions and Composition

- (a) The Committee shall comprise at least three members of the Board, as named by the Board.
- (b) Members of the Committee shall each be independent of Management.
- (c) The Committee shall carry out such functions as are assigned or delegated to it by the Board and any incidental activities consistent with this Charter as the Committee or the Board deems necessary or appropriate.

3.2 Chair – The Committee shall be chaired by one of its members, as named by the Board. In the absence of the Chairman of the Committee for any meeting or part of the meeting, the remaining members present shall elect one of the members present to chair the meeting.

3.3 Quorum – The presence of two members constitutes a quorum for a meeting of the Committee.

3.4 Voting – A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast, and in the event of an equality of votes its Chair has a second vote.

3.5 Procedure and Conduct – Subject to this Charter and any resolution of the Board respecting a specific matter, the Chair shall determine the procedures and conduct of meetings of the Committee.

3.6 Secretary and Minutes – The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes of the proceedings of the Committee shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.

3.7 Frequency of Meetings – The Committee will meet at the discretion of its Chair, but not less frequently than twice each year. The Chair shall call a meeting if asked to do so by the Chairman of the Board, and decide if a meeting is required if requested by another member of the Committee.

3.8 Notice of Meetings – The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.

3.9 Meeting Agenda – A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.

3.10 Supplemental Attendees – Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.

3.11 Term of Appointment / Rotation / Re-appointment of Members – Members of the Committee should be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time. The Chair shall provide advice to the Chairman of the Board on a Committee member's performance where an extension of that member's tenure or re-appointment is being considered.

3.12 Reporting – The Committee will, where appropriate, provide a written or verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.

3.13 Review of Charter – The Committee shall review and assess the adequacy of this Charter biennially. Any proposed amendments to the Charter will be considered by the Governance Committee for recommendation to the Board.

3.14 Self-assessment – An evaluation of the Committee shall be conducted regularly, during which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.

Charter of Remuneration Committee

- 3.15 **Disclosure** – The Committee shall ensure that this Charter and its composition are publicly disclosed.
- 3.16 **Independent Counsel or Other Advisors** – The Committee has the authority to engage outside advisors, including but not limited to counsel, independent consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.
- 4.0 PRINCIPAL DUTIES AND RESPONSIBILITIES**
- 4.1 **Policies and Strategies**
- (a) The Committee shall review key human resource policies and strategies and propose such changes as seem desirable.
 - (b) The Committee shall review the Corporation's compensation philosophy and its related policies, and make recommendations, if any, to the Board for approval.
 - (c) The Committee shall ensure that the Corporation develops on an ongoing basis, adequate, appropriate and effective policies, strategies, controls, processes and procedures within the Corporation to maintain an organisational climate that fosters ethical employee business conduct and behaviour, employee commitment to the operations of the Corporation and a high degree of employee satisfaction and shall review policies and codes in respect of the same and make recommendations, if any, to the Board for approval.
- 4.2 **Compliance and Reports** – The Committee shall review reports with respect to:
- (a) compliance with legal requirements and major corporate policies pertaining to human resource matters on an annual basis; and
 - (b) compliance with policies on employee business conduct and ethical behaviour on an annual basis or immediately where circumstances dictate. When required, the Committee shall request of Management that it provides a report to the Audit Committee in the event a breach occurs or a concern is raised that is of a nature that warrants such a report.
- 4.3 **Matters Referred by Chief Executive Officer (CEO)** – The Committee shall review any matter concerning human resource and compensation matters that may be referred to it by the CEO.
- 4.4 **Reports to Board** – The Committee shall report to the Board as it deems appropriate regarding human resource and compensation matters and Management performance in this area.
- 4.5 **Bonus Policy, Bonus Range and Awards** – The Committee will review and make recommendations to the Board with regard to the annual bonus range and the individual employee bonus awards as recommended by the CEO. The Committee shall also conduct a review of the Corporation's policy on bonus awards, and make recommendations to the Board as required.
- 4.6 **Complaints** – Save and except as expressly provided in any other Board Charter or policy, the Committee shall serve as the initial point of contact at the Board level for any complaints concerning the CEO that may reach the Board, on the understanding that the normal resolution mechanisms must be followed and complaints would only be brought forward when every other appeal process had been exhausted.

CHARTER OF AUDIT COMMITTEE

1.0 MANDATE

Pursuant to section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has deemed it necessary to establish an Audit Committee.

2.0 OBJECTIVE

The Audit Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is responsible to ensure that the auditing, accounting principles and practices are in line with international and Malaysian best practices and conform to all legislative requirements. In this regard, the principal objectives of the Committee are to assist the Board with oversight of: the integrity of the Corporation's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Corporation's internal audit function; the identification and management of the Corporation's significant risks; and the Corporation's compliance with ethics-related policies and legal and regulatory requirements.

3.0 OPERATING PRINCIPLES

- 3.1 (a) **Functions and Composition** – The Committee shall comprise at least three members of the Board of Directors, as named by the Board. Committee members shall each be independent of Management. The Committee will carry out such functions as are assigned or delegated to it by the Board.
- (b) **Competencies** – All Committee members appointed to the Committee shall either:
- (i) be financially literate, upon appointment, that is, having a basic understanding of finance and accounting and being able to read and understand fundamental financial statements, including a balance sheet, income statement and statement of cash flows; or
 - (ii) undertake to be financially literate within a reasonable period of time after their appointment to the Committee.

The Chair and the Vice-Chair (if appointed) shall have financial expertise. "Financial expertise" means a person who has professional qualifications as an accountant and who has had extensive experience in auditing.

Where appropriate, Committee members will enhance their familiarity with financial and accounting practices for audit committees and other areas relevant to their responsibilities by keeping abreast of trends and best practices in these areas including considering topical issues and their application to the Corporation and by participating in educational sessions or other opportunities for development.

- 3.2 **Chair** – The Chair is a non-ex officio Director, as named by the Board.
- 3.3 **Vice-Chair** – The Vice-Chair may, if the Board considers appropriate, for the purposes of succession planning be appointed from among the non-ex officio Directors, as named by the Board. In the absence of the Chair, if there is a Vice-Chair, the Vice-Chair shall preside at the meeting of the Committee, and while so presiding, shall have all the powers of the Chair. If the Chair or the Vice-Chair is absent or there is no Vice-Chair, a chair shall be appointed by the members present, who shall preside at the said meeting, or until the arrival of the Chair or the Vice-Chair, as the case may be. The Vice-Chair (if appointed) is the Chair's deputy, and shall perform on his behalf such duties as may be delegated by the Chair.
- 3.4 **Quorum** – The presence of two members constitutes a quorum for a meeting of the Committee. A quorum shall only be constituted where the Chair or Vice-Chair is present at the meeting.
- 3.5 **Voting** – A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast and in the event of an equality of votes its Chair has a second vote.
- 3.6 **Procedure and Conduct** – Subject to any resolution of the Board in respect of a specific matter, the Chair shall determine the procedure at and conduct of meetings of the Committee.
- 3.7 **Secretary and Minutes** – The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.
- 3.8 **Frequency and Calling of Meetings** – The Committee will meet at the discretion of the Chair of the Committee, but not less frequently than four times each year. The Chair shall call a meeting if asked to do so by the Chairman of the Board, and decide if a meeting is required if requested by another member of the Committee.

Charter of Audit Committee

- 3.9 **Notice of Meetings** – The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.
- 3.10 **Auditor General (AG)** – The Auditor General, as referred to in the Audit Act 1957 (Revised 1972) (Act 62), is:
- (a) entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at each meeting and the AG shall be invited to attend any or every meeting of the Committee; and
 - (b) may call a meeting of the Committee.
- 3.11 **Private Meetings** – The Committee may meet privately as a committee, and periodically with Management, the AG and the head of enterprise risk management and the internal audit function in separate private sessions.
- 3.12 **Meeting Agenda** – A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.
- 3.13 **Supplemental Attendees** – Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee.
- 3.14 **Term of Appointment / Rotation / Re-appointment of Members** – Members of the Committee shall be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time. The Chair shall provide advice to the Chairman of the Board on a Committee member's performance where an extension of that member's tenure or re-appointment is being considered.
- 3.15 **Reporting** – The Committee will, where appropriate, provide a written or a verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.
- 3.16 **Review of Charter** – The Committee shall review and assess the adequacy of this Charter biennially. Any proposed amendments to the Charter will be considered by the Governance Committee for recommendation to the Board.
- 3.17 **Self-assessment** – An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.
- 3.18 **Disclosure** – The Committee shall ensure that this Charter and the composition of the Committee are publicly disclosed.
- 3.19 **Independent Counsel or Other Advisors** – The Committee has the authority to engage outside advisors, including but not limited to counsel, independent audit consultants and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board resolution or policy.
- ### 4.0 PRINCIPAL DUTIES AND RESPONSIBILITIES
- 4.1 **Advice and Recommendations to Board** – In discharging its duties and responsibilities, the Committee relies on the expertise of Management, the Corporation's internal audit function and the AG. Although it does not carry out internal audits, the Committee shall monitor the audit and review the reports, and make reasonable inquiries, to allow it to provide sound advice and recommendations to the Board.
- 4.2 **Investigation** – In assisting the Board in discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, AG and personnel of the Corporation. The Committee shall recommend to the Board that special investigations be conducted into such matters as the Committee may deem appropriate based on information supplied to it.
- 4.3 **Financial Reporting** – The Committee shall assist the Board in discharging its oversight role of reliable, accurate and clear financial reporting, including by reviewing the Corporation's annual financial statements and Management's Discussion and Analysis (MD&A) prior to approval by the Board, and reviewing, as appropriate, releases to the public of significant non-public financial information. Such review shall include, where appropriate but at least annually, discussion with Management, the internal audit function, and the AG, of significant issues regarding accounting principles, the Corporation's accounting policies, and significant management estimates and judgments, including the quality and acceptability of Generally Accepted Accounting Principles (GAAP).
- The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure in the Corporation's annual financial statements and MD&A, and must periodically assess the adequacy of those procedures.

Charter of Audit Committee

- 4.4 Financial Reporting Processes, Accounting Policies and Internal Control Structure** – Management is responsible for the preparation, presentation, and integrity of the Corporation's financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The Committee shall seek Management's and the AG's views on opportunities to improve the quality of the Corporation's accounting principles as applied in its financial reporting, inquire into alternative treatments that may have been considered but rejected, review the aggressiveness or conservatism of the Corporation's accounting principles and estimates, and review instances where the AG's advice on accounting or disclosure matters has not been followed.

Specifically, the Committee shall assist the Board in its oversight of the financial reporting process of the Corporation including:

- (a) reviewing and advising the Board with respect to the Corporation's annual financial statements;
- (b) reviewing and advising the Board with respect to the AG's annual audit report;
- (c) reviewing major changes to the Corporation's auditing and accounting principles and practices as suggested by the AG, the internal audit function or Management;
- (d) ensuring that Management has the necessary policies and procedures in place related to internal controls, in accordance with applicable laws, regulations and guidance, to provide reasonable assurance on the adequacy and effectiveness of the Corporation's internal control systems; and reviewing the related reporting by Management and the internal audit function on such internal controls;
- (e) reviewing the integrity of the Corporation's financial reporting processes and the internal control structure;
- (f) reviewing the process relating to and the certifications of the Chief Executive Officer (CEO) and the Chief Financial Officer on the integrity of the Corporation's financial statements;
- (g) reviewing the plan for the annual audit by assessing the reasonableness of the audit scope and plan and determining whether the Corporation is receiving appropriate audit coverage and overall effort; satisfying itself that the AG has considered the work of the internal audit function in developing its overall audit strategy; and, assessing the degree of assurance that the Board will be able to take from the AG's work. Accordingly, the Committee should satisfy itself that the audit scope will not be restricted in any way and that key areas of interest to the Board are adequately covered;
- (h) reviewing and monitoring the implementation of recommendations made through the annual audit by the AG and any management letter provided by the AG and Management's responses to such reports and any such letter;
- (i) establishing systems of reporting to the Committee by each of Management, the AG and the internal audit function regarding any significant judgments made in Management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to required information; and
- (j) through its oversight of the internal audit function, satisfying itself that the Corporation is maintaining its books of account, records in relation thereto, financial and management control and information systems and management practices in such manner as will provide reasonable assurance that:
 - (i) the assets of the Corporation are safeguarded and controlled;
 - (ii) the transactions of the Corporation are in accordance with the requirements of the Statutory Bodies (Accounts and Annual Reports) Act 1980 (Act 240), other legislative requirements, directives, circulars or guidelines issued by the Ministry of Finance or the Prime Minister's Department (if applicable); and
 - (iii) the financial, human and physical resources of the Corporation are managed economically and efficiently and the operations of the Corporation are carried out effectively.

Charter of Audit Committee

4.5 Strategic and Financial Management Oversight

- (a) Corporate Plan and Operating Capital Budgets – review and recommend to the Board with respect to the Corporation's Corporate Plan and monitor and advise the Board with respect to Management's performance against said plan.
- (b) Financing – review and advise the Board with respect to the policies and procedures of the Corporation relating to and the terms and conditions of any external financing to be incurred or assumed by the Corporation, through the Corporation's debt or otherwise.
- (c) Investments – review and advise the Board with respect to the policies and procedures of the Corporation relating to and the terms and conditions of the investment of the Corporation's cash assets in short-term and long-term securities.
- (d) Chairman's and Officers' Expenses – receive reports from Management, and review reports thereon from the internal audit function and /or AG on their review of the expense accounts of the Chairman of the Board and Officers of the Corporation.

4.6 The Internal Audit Function – The internal audit function investigates and provides information and assurance to the Committee and Management on the Corporation's books of account and records and on the effectiveness and performance of financial and management control and information systems and management practices and that the operations of the Corporation are carried out effectively pursuant to the relevant legislation.

In order to fulfil its responsibilities, the internal audit function requires independent status and therefore, functionally reports to the Board directly through the Committee and, administratively reports to the CEO. This relationship requires that the Committee and the internal audit function have unrestricted access to each other directly.

The Audit Committee is responsible for the oversight of the work of the internal audit function and for the compensation and oversight of the Chief Internal Auditor (CIA). The Chair of the Committee shall be consulted before the appointment or termination of the CIA and shall conduct entry and exit interviews with the same. The appointment of the CIA must be approved by the Board.

The Committee shall oversee any internal audit of the Corporation. The Committee's specific responsibilities include:

- (a) reviewing the internal audit function's mandate on an annual basis;
- (b) assessing the internal audit function's capabilities;
- (c) reviewing the internal audit function's independence and reporting relationships;
- (d) reviewing the internal audit function's audit plans, budgets, quality and quantity of staff and other resources it needs to do its job well;
- (e) reviewing the internal audit function's performance including performance against its audit plans and budgets;
- (f) reviewing the internal audit function's reports;
- (g) monitoring the implementation of the internal audit function's reports and recommendations;
- (h) ensuring coordination of the internal audit function with annual AG audits and special examinations; and
- (i) reviewing the overall operations of the internal audit function having regard to its mandate and taking into account current internal audit standards.

4.7 Risk Management – The enterprise risk management function provides independent advice, monitors and maintains the enterprise risk management framework of the Corporation, promotes effective management of all risk categories and fosters the establishment and maintenance of an effective risk culture throughout the Corporation.

The Chief Risk Officer (CRO), as the head of the enterprise risk management function, is responsible for the implementation and maintenance of the enterprise risk management framework for the Corporation. The enterprise risk management function assists and provides information to the Committee regarding all enterprise risk management activities and outcomes of the enterprise risk management process, that is, the identification, assessment, evaluation, treatment, monitoring and communication of the significant risks affecting the Corporation. The enterprise risk management function also provides independent assessments in respect of the Corporation's risk management capabilities, and provides recommendations to improve these capabilities, where appropriate. The CRO shall have regular reporting duties to the Board through the Committee.

Charter of Audit Committee

In order to fulfil its responsibilities effectively, the CRO requires independent status and therefore, functionally reports directly to the Committee and, administratively reports to the CEO. This relationship requires that the Committee and the CRO have unrestricted access to each other directly.

The Committee shall be responsible for the oversight of the work of the enterprise risk management function and for the performance and oversight of the CRO, and shall ensure that the enterprise risk management function has a sufficient amount, and quality of resources to fulfil its roles. The Chair of the Committee shall be consulted before the appointment of the CRO or the termination of his or her employment and shall conduct entry and exit interviews with the same. The appointment of the CRO must be approved by the Board.

The Committee shall:

- (a) ensure that sound policies, guidelines and practices are implemented for the management of key corporate risks;
- (b) receive sufficient information to understand the nature and magnitude of significant risks to which the Corporation is exposed;
- (c) review with Management and advise the Board on the Corporation's policies and guidelines implemented to manage the Corporation's risk exposures, and review such policies and guidelines at least once a year to ensure that they remain appropriate and prudent;
- (d) on a regular basis, obtain reasonable assurance that the Corporation's risk management policies and guidelines for significant risks are being adhered to;
- (e) report to the Board on: the significant risk profile; the mitigation plans and controls in place to manage these significant risks; and the overall effectiveness of the risk management process;
- (f) periodically consider the respective roles of the AG and internal audit function concerning risk management at the Corporation and annually evaluate the AG's and internal audit function's respective performance in relation to such roles;
- (g) request reports from the internal audit function validating Management's risk assessments; and
- (h) review with Management and advise the Board on whether a sound and effective approach has been followed in establishing the Corporation's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

4.8 Ethical and Legal Compliance – The Committee shall:

- (a) review with the Corporation's counsel any legal matter that could have a significant impact on the Corporation's financial statements;
- (b) ensure oversight for ethics and integrity and preservation of the Corporation's reputation by receiving from Management, reports on compliance with the Corporation's policies or codes of business conduct and ethical behaviour and any other matter of conduct or behaviour that may give rise to a liability to the Corporation; and by reviewing any report that is received from the internal audit function, the AG and / or other Committee Chairs on their review of compliance with same;
- (c) ensure there is a system for monitoring the Corporation's compliance with laws and regulations, and obtain reports, on an annual basis, that the Corporation is in conformity with applicable legal requirements;
- (d) review the results of Management's investigation of, and actions taken in connection with, any internal control or accounting matters that may be questionable;
- (e) establish and review from time to time the process for (i) the receipt, retention and treatment of complaints or concerns regarding accounting, internal controls or auditing matters; (ii) the confidential and anonymous submission, in accordance with established corporate policies, by the Corporation's employees of concerns regarding questionable accounting or auditing matters and (iii) the receipt, retention and treatment of complaints regarding the CEO and senior officers of the Corporation. Establish and review from time to time a process for the evaluation, investigation and resolution of concerns relating to accounting, internal controls or auditing matters that may be questionable; and
- (f) investigate any allegations that any officer or Director of the Corporation, or any other person acting under the direction of such a person, took any action to influence, coerce, manipulate or mislead any person engaged in the performance of an audit of the financial statements of the Corporation for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board appropriate disciplinary action.

CHARTER OF SUCCESSION PLANNING COMMITTEE

1.0 MANDATE

Pursuant to section 7 of the Malaysia Deposit Insurance Corporation Act, the Corporation may establish any committee as it considers necessary or expedient for the performance of its functions. The Board has deemed it necessary to establish a Succession Planning Committee.

2.0 OBJECTIVE

The Succession Planning Committee (Committee) of the Board of Directors (the Board) of the Malaysia Deposit Insurance Corporation (Corporation) is responsible for advising and making recommendations to the Board on Chief Executive Officer (CEO) Succession Planning. In particular, the Committee is:

- (a) to review the current Board-approved long-term CEO succession plan to ensure the identification of a suitable candidate for CEO on retirement of an incumbent CEO;
- (b) to review the current short-term plan for any unplanned vacancy in the position of the CEO; and
- (c) to identify a suitable candidate for the office of the CEO of PIDM to take office when the term of the incumbent CEO expires.

CEO succession planning is a key responsibility of the Board, including overseeing the programme structure, setting selection criteria, evaluating candidates, and making the final choice of a CEO. The Committee will assist the Board by providing focus and due diligence on succession planning and the detailed practical work. The Committee will coordinate with other Committees and Management to ensure effective implementation of the plans.

3.0 COORDINATION WITH OTHER COMMITTEES

- 3.1 Under the Governance Committee Charter, the Governance Committee is to review Management's succession plans for the corporate officers and make recommendations in respect of the same to the Board for approval¹ and keep under review the leadership needs of the Corporation, both executive and non-executive, with a view to ensure the continued ability of the Corporation to efficiently and effectively meet its mandate. The Remuneration Committee assists the Board with oversight of succession management policies generally.²

- 3.2 Under the Audit Committee Charter, the Audit Committee shall ensure that sound policies, guidelines and practices are implemented for the management of key corporate risks; that it receives sufficient information to understand the nature and magnitude of significant risks to which the Corporation is exposed; that it reviews with Management and advises the Board on the Corporation's policies and guidelines implemented to manage the Corporation's risk exposures, and reviews such policies and guidelines at least once a year to ensure that they remain appropriate and prudent.³

- 3.3 Subject to paragraph 3.4, to ensure that the respective Committees can continue to perform their functions, the Committee shall provide reports to the Board as a whole on the outcome of its work in such a manner that:

- (a) the Governance and Remuneration Committees will have sufficient information to perform their oversight roles in relation to succession planning including talent development; and
- (b) the Audit Committee will have sufficient information to perform its oversight role with respect to risk matters related to succession planning including talent development.

- 3.4 As and when required, the Committee will coordinate its work with that of the respective Committees by communicating key issues or proposed plans through the Chairpersons of the respective Committees as needed or through meetings.

- 3.5 The Governance Committee's responsibilities under paragraph 4.4 of the Governance Committee Charter will be deemed to be fulfilled.

4.0 OPERATING PRINCIPLES

- 4.1 (a) **Functions and Composition** – The Committee shall comprise at least three members of the Board of Directors, as named by the Board. Membership shall include the Chairman of the Board. Committee members shall each be independent of Management. The Committee will carry out such functions as are assigned or delegated to it by the Board.
- (b) **Competencies** – At least one of the Committee members appointed to the Committee must have the relevant experience or expertise on CEO Succession Planning.

¹ Paragraph 4.4 of the Governance Committee Charter

² Paragraph 2 of the Remuneration Committee Charter

³ Paragraph 4.7 of the Audit Committee Charter

Charter of Succession Planning Committee

- 4.2 **Chair** – The Committee shall be chaired by the Chairman of the Board. In the absence of the Chairman of the Committee for any meeting or part of the meeting, the remaining members present shall elect one of the members present to chair the meeting.
- 4.3 **Quorum** – The presence of two members constitutes a quorum for a meeting of the Committee and at least one of the two members shall be the Chair.
- 4.4 **Voting** – A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast and in the event of an equality of votes its Chair has a second vote.
- 4.5 **Procedure and Conduct** – Subject to any resolution of the Board in respect of a specific matter, the Chair shall determine the procedure at and conduct of meetings of the Committee.
- 4.6 **Secretary and Minutes** – The Corporate Secretary shall be the secretary of the Committee. Copies of the minutes shall be sent by the Corporate Secretary to all members of the Board once they have been approved by the Committee.
- 4.7 **Frequency and Calling of Meetings** – The Committee will meet at the discretion of the Chair of the Committee, but not less frequently than two times in a year. The Chair of the Committee shall decide if a meeting is required if requested to do so by another member of the Committee.
- 4.8 **Notice of Meetings** – The proper notice period for calling a meeting of the Committee shall be a minimum of 14 days or such shorter notice as agreed by the Committee.
- 4.9 **Private Meetings** – The Committee may meet privately as a committee.
- 4.10 **Meeting Agenda** – A written agenda for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date, together with any related materials, if available.
- 4.11 **Supplemental Attendees** – Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair to attend any meeting of the Committee. In addition, other individuals such as the other Directors, the CEO and the Head of the Human Capital (HC) Division may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 4.12 **Term of Appointment / Rotation of Members** – Unless otherwise decided by the Board, members of the Committee will not be changed.
- 4.13 **Reporting** – The Committee will, where appropriate, provide a written or a verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.
- 4.14 **Meetings with Other Committees** – The Committee may, as appropriate, request for meetings with other relevant Board Committees to clarify the co-ordination of work in this area or to discuss any issues or plans before bringing forward recommendations to the Board. Save for paragraph 4.3, these operating principles will apply. The presence of the Chairman of the Board and at least one other member of each Committee will constitute a quorum.
- 4.15 **Review of Charter** – The Committee shall review and assess the adequacy of this Charter biennially. Any proposed amendments to the Charter will be considered by the Governance Committee for recommendation to the Board.
- 4.16 **Self-assessment** – An evaluation of the Committee shall be conducted at the end of its term, which the Committee shall review its performance for the purpose, among other things, of assessing whether the Committee fulfilled the responsibilities and duties stated in this Charter.
- 4.17 **Disclosure** – The Committee shall ensure that this Charter and the composition of the Committee are publicly disclosed.
- 4.18 **Access to information** – The Committee shall have direct access to, and complete and open communication with Management, and may obtain advice and assistance from internal human capital experts or other advisors.
- 4.19 **Independent Counsel or Other Advisors** – The Committee has the authority to engage outside advisors, including but not limited to counsel, and / or other experts, as needed, to review any matter under its responsibility, in accordance with the relevant Board policy.⁴ For the purposes of carrying out its role and responsibilities under this Charter, the prior approval of the Board for the appointment of outside advisors shall be deemed to have been obtained.

⁴ Paragraph 2.2 of the Policy and Procedures for Engagement of Separate Independent Legal and Other Counsel provides that “Committees, other than the Audit Committee, or any individual Director shall obtain the prior approval of the Chairperson of the Board of Directors or the Board to engage independent counsel or other advisors to fulfil its or his or her responsibilities.”

Charter of Succession Planning Committee

5.0 PRINCIPAL DUTIES AND RESPONSIBILITIES

5.1 **Advice and Recommendations to Board** – In discharging its duties and responsibilities, the Committee relies on the expertise of Management including the Head of the HC Division. The Committee shall review the long-term Board-approved CEO Succession Management Plan and recommend, if needed, changes to the same to the Board for review and approval.

5.2 **CEO Succession Management Plan** – In particular, the Committee shall make recommendations to the Board regarding the CEO Succession Management Plan and its work in relation to the following:

- (a) in collaboration with the CEO, develop a well-defined candidate profile and qualifications (including experience, competencies and personal characteristics) for the CEO successor, so that the leadership needs of the Corporation can be met. This should take into account the vision of the organisation, its long-term strategy, and any developments in the sector;
- (b) in collaboration with the CEO, identify and evaluate internal candidates against the candidate profile, including the state of readiness to assume a larger role;
- (c) agree with the CEO and / or the Head of the HC Division on development opportunities to be provided to identified candidates to overcome deficiencies in experience and / or education, as well as opportunities to increase exposure to the Board in business and social settings;
- (d) identify and evaluate potential external candidates identified and benchmark against internal candidates; and
- (e) identify and recommend to the Board a permanent CEO replacement.

5.3 **Emergency Plan** – In view of the existence of a Board-approved emergency succession plan (Emergency Plan), the Committee shall also make recommendations to the Board regarding its work in relation to the following:

- (a) its review of the existing Emergency Plan; and
- (b) carrying out the detailed process for implementing the Emergency Plan if needed.


5.4 The Emergency Plan is a plan for an unplanned vacancy, so that the Board can either decide on a successor, or, if there is no obvious choice, designate an interim CEO, and if needed, implement a temporary reassignment of duties among Management. The plan would include, among others, communications plans, and document and confirm the authorities so that there is clarity about the reassignment of duties and who has the authority to oversee the implementation of the tasks assigned. If the Board plans to embark on an exercise to source external candidates, the plan should address how to manage the communications with the incumbent, so that his or her talents can be retained within the Corporation.

5.5 Unless the Board otherwise decides, the Committee will perform the functions of the Governance Committee (instead of the Governance Committee) that are contemplated under the CEO Succession Management Plan and the Emergency Plan. This will include working with the CEO, any executive search firm, and the Head of the HC Division to identify or interview any candidates and on internal and external communications regarding the CEO Succession Management Plan, and the Emergency Plan, or its execution.

5.6 **Other Duties and Responsibilities of the Committee** – The Committee shall:

- (a) if an external candidate is selected and appointed, recommend how to ensure that a Board Committee can assist the Board in monitoring and assessing the CEO's performance on an ongoing basis, how to determine the CEO's fit with the culture, future needs of the Corporation, as well as his or her understanding of the Corporation's business and affairs;
- (b) consider how the Board would communicate with the Minister of Finance to secure the approval for the appointment of any replacement for the CEO; and
- (c) make recommendations on the role of the outgoing CEO, for a transitional period, if thought appropriate.

CORPORATE SCORECARD 2015 - 2017

Corporate Objectives		Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
			2015	2016	2017
 STAKEHOLDERS	A Educated and informed stakeholders	1. Public awareness index:			
		a. General awareness of PIDM	53%	58%	63%
		b. General awareness of Deposit Insurance System (DIS)	42%	46%	50%
		c. General awareness of Takaful and Insurance Benefits Protection System (TIPS)	33%	36%	40%
		2. Successful completion of key initiative:			
		a. Integrated Communications Plan	Implement and review	Implement and review	Implement and review
	B Effective partnerships	3. PIDM's relationship with:			
		a. Bank Negara Malaysia (BNM)	Strong	Strong	Strong
		b. Member institutions	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
		f. Other key stakeholders	Satisfactory	Satisfactory	Satisfactory
		4. Other international fora	Active participation	Active participation	Active participation
 GOVERNANCE AND INTERNAL PROCESSES	C Well-governed and well-managed organisation	5. Board assessment on:			
		a. Best practices of governance adopted and maintained	High satisfaction	High satisfaction	High satisfaction
		b. Significant policies and practices complied with and kept current and relevant	High satisfaction	High satisfaction	High satisfaction
		c. Quality of management support to the Board	High satisfaction	High satisfaction	High satisfaction
		6. Successful completion of key initiative:			
		a. PIDM legislation	Maintain	Maintain	Maintain
	D Robust risk assessment, monitoring, intervention and resolution capabilities	7. Successful completion of key initiative(s):			
		a. Differential Levy System (DLS) framework for Takaful	Complete	Implement	Review
		b. Early Warning System (EWS) for TIPS	Develop	Develop and validate	Implement
		c. Evaluation Model for DIS and TIPS	Develop	Develop and complete	Simulate
		d. Intervention and resolution plans for complex financial institutions	Develop	Develop	Develop

Corporate Scorecard 2015 - 2017

Corporate Objectives	Key Performance Indicators (KPIs) / Corporate Initiatives	Targets		
		2015	2016	2017
 D Robust risk assessment, monitoring, intervention and resolution capabilities	e. Claims management system, policies and procedures for insurer members:			
	i. Premium Reimbursement and Claims Management System	Develop	Complete	Implement
	ii. Policy Holders Support Management System	-	Develop	Implement
	iii. Payment Management System	-	Develop	Implement
	f. Regulations:			
	i. TIPS Information Regulations	Implement	Monitor	Monitor
	ii. Terms and Conditions of Membership Regulations - DIS and TIPS	Implement	Monitor	Monitor
	g. Member institutions' compliance programme with the PIDM legislation for insurer members	-	Develop	Implement
	8. The Financial Institutions Directors' Education (FIDE) Programme and the FIDE FORUM	Active participation and support	Active participation and support	Active participation and support
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 key initiative(s):			
	a(i). Target Fund for TIPS:			
	i(1). General Fund	Implement	Review	Review
	i(2). Life Fund	Develop	Implement	Review
	i(3). Takaful Funds	Research	Develop	Complete
	a(ii). Alternative funding arrangements	Complete	Review	Review
	b. Annual Information Technology Strategic Plan	Complete	Complete	Complete
	c. Disaster Recovery Centre (DRC) and infrastructure	Construct	Complete	Maintain
 F Competent and knowledgeable workforce	13. Annual Human Capital Strategic Plan	Complete	Complete	Complete
	14. Employee Engagement Index (survey conducted once every two years to gauge level of employee engagement)	80%	-	80%
G Conducive corporate environment				

LIST OF MEMBER INSTITUTIONS

As at 31 December 2014, 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. 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 (formerly known as AmLife Insurance Berhad)
8. AXA Affin General Insurance Berhad
9. AXA Affin Life Insurance Berhad
10. Berjaya Sompo Insurance Berhad
11. Etiqa Insurance Berhad
12. Gibraltar BSN Life Berhad (formerly known as Uni.Asia Life Assurance Berhad)
13. Great Eastern Life Assurance (Malaysia) Berhad
14. Hong Leong Assurance Berhad
15. Lonpac Insurance Bhd
16. Manulife Insurance Berhad
17. MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad)
18. MSIG Insurance (Malaysia) Bhd.
19. Multi-Purpose Insurans Bhd
20. Overseas Assurance Corporation (Malaysia) Berhad
21. Pacific & Orient Insurance Co. Berhad
22. Progressive Insurance Bhd
23. Prudential Assurance Malaysia Berhad
24. QBE Insurance (Malaysia) Berhad
25. RHB Insurance Berhad
26. The Pacific Insurance Berhad
27. Sun Life Malaysia Assurance Berhad
28. Tokio Marine Insurans (Malaysia) Berhad
29. Tokio Marine Life Insurance Malaysia Bhd.
30. Tune Insurance Malaysia Berhad
31. Uni.Asia General Insurance Berhad
32. Zurich Insurance Malaysia Berhad

Takaful Operators

1. AIA Public Takaful Bhd (formerly known as ING Public Takaful Ehsan Berhad)
2. AmMetLife Takaful Berhad (formerly known as AmFamily 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 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.

GLOSSARY OF TERMS

Bridge institution

An institution which is a subsidiary of PIDM that would assume and operate part or all of the business, assets and liabilities of a failing member institution, and continue to service depositors, certificate owners or policy owners, until a purchaser for the business, assets and liabilities can be found to acquire the bridge institution. In other jurisdictions, the bridge institution is often used as a resolution option to preserve the franchise value of the troubled institution, and to allow for more time to address the problems of the troubled institution and find a purchaser.

Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio is the ratio of a financial institution's regulatory capital position relative to its risk exposures i.e. capital required. Bank Negara Malaysia (BNM) has set a Supervisory Target Capital Level at 130% CAR for insurance companies, below which supervisory actions of increasing intensity will be taken to resolve the financial position of the insurance company. For banks, beginning 2013, capital components are reported based on Basel III Capital Adequacy Framework. The framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. Regulatory capital requirement seek to ensure banks have an adequate amount of high quality capital which absorb losses on a going-concern basis. BNM requires banks to maintain a minimum Total Capital Ratio (TCR) of 8% at all times.

Certificate owner

The person who has the legal title to a takaful certificate and includes the assignee, the personal representative of a deceased certificate owner and the annuitant.

Conventional Deposit Insurance Fund

All premiums received by PIDM from member banks providing conventional banking services and interest earned minus the direct cost of operating the conventional Deposit Insurance System (DIS).

Deposit Liability Information Management System (DLIMS)

An internal PIDM system used to process depositors' details and deposit accounts, so as to compute the total insured deposits by entity. The system carries out processes that include the aggregation of deposit accounts for the same entity, making payment adjustments, holding back payments and generating payment files for further processing by payment management.

Differential Levy System (DLS)

A differential premium system where insurer members are charged levies at differential rates, based on their risk profiles.

Differential Premium Systems (DPS)

A system where member banks are charged premiums at differential rates, based on their risk profiles.

Early Warning System (EWS)

The Early Warning System is a tool used to monitor the first signs of emerging risks facing member institutions in order to facilitate an early trigger of prompt corrective measures. The system utilises statistical models to detect, measure and flag out existing or potential vulnerabilities facing member institutions. It also serves as a surveillance system that complements the existing risk assessment framework.

Enterprise Risk Management (ERM)

The framework applied on an organisation-wide basis to ensure and demonstrate that an entity's significant risks are being consistently and continuously identified, assessed, managed, monitored and reported on.

Family Solidarity Takaful Protection Fund

All premiums received by PIDM from insurer members conducting family takaful business and returns made minus the direct costs of operating the Takaful and Insurance Benefits Protection System (TIPS).

Financial safety net

Usually comprises the deposit insurance function, prudential regulation and supervision, and the lender of last resort function.

Foreign currency

Any currency other than Ringgit Malaysia, the Malaysian currency.

General Insurance Protection Fund

All premiums received by PIDM from insurer members conducting general insurance business and interest earned minus the direct costs of operating TIPS.

General Takaful Protection Fund

All premiums received by PIDM from insurer members conducting general takaful business and returns made minus the direct costs of operating TIPS.

Government Deposit Guarantee (GDG)

The GDG announced by the Government of Malaysia on 16 October 2008 was a temporary deposit guarantee that covered the full amount of guaranteed deposits and instruments held in member banks and other guaranteed financial institutions. The GDG was a pre-emptive and precautionary measure, consistent with measures taken by neighbouring jurisdictions, to preserve confidence in the financial system. It was in effect until 31 December 2010.

Glossary of Terms

Impairment

A loan / financing asset is considered impaired if there is objective evidence of impairment as a result of: (i) a loss event that occurred after the initial recognition of the asset; (ii) the loss event had an impact on its estimated future cash flows; and that (iii) a reliable estimate of the loss amount can be made.

Insurance benefits

The aggregate of insurance benefits for which an insurance company is liable to any person in the usual course of the insurance business of the insurance company.

Insurer members

All insurance companies (including locally incorporated subsidiaries of foreign insurance companies operating in Malaysia) licensed under the Financial Services Act 2013 to conduct life and / or general insurance business in Malaysia, as well as takaful operators licensed under the Islamic Financial Services Act 2013 to conduct family and / or general takaful business in Malaysia. Membership is compulsory under the Malaysia Deposit Insurance Corporation Act (PIDM Act) 2011. A full list of these insurer members is available on page 222.

Integrated Communications Plan

This five-year plan identifies the strategies and initiatives to enhance understanding and awareness of the protection systems.

Intervention and failure resolution

Intervention refers to actions taken on a member institution by PIDM in order to address certain concerns with the member institution. These actions are usually taken prior to any failure resolution option being taken against the member institution. Failure resolution refers to actions in dealing with a failed member institution that has been determined by BNM as non-viable.

Islamic Deposit Insurance Fund

All premiums received by PIDM from Islamic member banks or commercial member banks providing Islamic banking services and returns made minus the direct costs of operating the Islamic DIS.

Islamic Protection Funds

Islamic Protection Funds refer to Islamic Deposit Insurance Fund; General Takaful Protection Fund; and Family Solidarity Takaful Protection Fund.

Levy

Premiums payable by insurer members to PIDM. "Levy" or "levies" shall be read as having the same meaning as "premium" or "premiums" in the PIDM Act.

Life Insurance Protection Fund

All premiums received by PIDM from insurer members conducting life insurance business and interest earned minus the direct costs of operating TIPS.

Member banks

All commercial banks (including locally incorporated subsidiaries of foreign banks operating in Malaysia) licensed under the Financial Services Act 2013 and all Islamic banks licensed under the Islamic Financial Services Act 2013. Membership is compulsory under the PIDM Act. A full list of these member banks is available on page 222.

Member institutions

Members of PIDM comprising member banks and insurer members.

Moral hazard

The incentive for additional risk taking by financial institutions that might arise as a result of the provision of deposit insurance or deposit guarantee on the basis that financial institutions would not suffer the adverse consequences of risk taking.

Payment management

A process for handling payments to insured depositors, takaful beneficiaries and insured persons, including generating payment statements, keeping payment files and monitoring the payment status.

Payout

A process undertaken by PIDM to reimburse insured deposits to eligible depositors, or protected benefits to eligible takaful beneficiaries or insured persons of a non-viable member institution in accordance with sections 56 and 57, and sections 80 and 81 of the PIDM Act.

Policy owner

The person who has the legal title to an insurance policy and includes the assignee, the personal representative of a deceased policy owner and the annuitant.

Product Registry System

An internal PIDM system to rate the insurability status of deposit products based on the deposit product information submitted by the member banks to PIDM.

Rating Prediction Model

The Rating Prediction Model is a model under EWS that is designed to forecast changes in member institutions' risk ratings, estimate the probability of rating downgrades and to highlight specific areas contributing to the rating movements.

Glossary of Terms

Risk-Based Capital Framework for Takaful Operators (RBCT)

Risk-Based Capital Framework for Takaful Operators refers to the framework introduced by BNM, which amongst others is to govern the capital adequacy computation of takaful operators. It also sets the expectation of BNM for takaful operators' maintenance of capital adequacy levels to commensurate with the risk profiles of the takaful operators, and act as a financial buffer for takaful exposure.

Shariah principles

The law of Islam, based upon the Quran, *Sunnah* (sayings and deeds of the Prophet Muhammad s.a.w.), *Ijma'* (consensus among Islamic scholars) and *Qiyas* (analogy).

Standard File Format (SFF)

A text file of relevant deposit information that is prepared by member banks in accordance with the format set out in the Guidelines on Deposit Information Systems and Submission issued by the Corporation. The SFF has dual purposes namely, to assist the Corporation to validate member banks' annual computation of total insured deposits as well as to facilitate the Corporation in undertaking its mandate of reimbursing insured depositors.

Takaful benefits

The aggregate of takaful benefits for which a takaful operator is liable to any person in the usual course of business of the takaful operator.

Takaful Protection Funds

Takaful Protection Funds refer to General Takaful Protection Fund; and Family Solidarity Takaful Protection Fund.

Target fund

A target fund, in general, is the level of accumulated funds required to adequately cover expected losses arising from intervention and failure resolution activities.

Total Capital Ratio (TCR)

The Total Capital Ratio is computed as a percentage of a member bank's capital to its risk-weighted assets. Capital comprised Tier-1 Capital and Tier-2 Capital whereas the risk-weighted assets are calculated based on the aggregation of the bank's assets weighted by factors relating to its riskiness.

Total Insured Deposits

The sum of deposits insured by PIDM and held in a member bank.

CONTACT DETAILS



Call PIDM's Toll Free Information Line 1-800-88-1266,
available Mondays to Fridays from 8.30 am to 5.30 pm
PIDM General Line : **603 - 2173 7436 / 2265 6565**
PIDM Fax : **603 - 2173 7527 / 2260 7432**



Visit our website at: www.pidm.gov.my
FAQs on PIDM, DIS and TIPS are available on our website



Email to: info@pidm.gov.my



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