PIDM

Perbadanan Insurans Deposit Malaysia

Protecting Your Insurance And Deposits In Malaysia

ANNUAL REPORT 2023

COMING TOGETHER TO REALISE READINESS

The cover illustration depicts cubes in diverse colours, representing PIDM, our stakeholders and other components essential in undertaking a resolution, with the green cubes symbolising our commitment to sustainability. The cubes are converging into a unified structure, signifying PIDM's efforts in bringing these components together to realise resolution readiness.

The interactive PDF allows you to access information easily, search for a specific item, view website or navigate between pages, sections and links.

Content List   Link   Search   Previous Page   Next Page

GOVERNING REGULATIONS AND GUIDELINES

The financial statements as at 31 December 2023 have been prepared in accordance with the Malaysia Deposit Insurance Corporation Act 2011 and the Malaysian Financial Reporting Standards (MFRS). They also comply with the International Financial Reporting Standards (IFRS). When developing this Annual Report, we referred to the International Integrated Reporting Framework, published by the International Integrated Reporting Council. The Board has reviewed and approved the Annual Report and financial statements. It has obtained management representations as well as internal control and risk assurances to ensure that the Annual Report and financial statements accurately represent the performance and the state of affairs of PIDM. The Board has also provided oversight to ensure the identification and evaluation of material matters for value creation by PIDM.

Provide your feedback on our Annual Report at info@pidm.gov.my

INSIDE THIS REPORT

Refer to www.pidm.gov.my for the Technical Reference

FROM OUR LEADERSHIP

DATO SRI (DR) ZUKRI BIN SAMAT
Chairman

RAFIZ AZUAN ABDULLAH
Chief Executive Officer

2023 witnessed devastating floods in Libya, deadly wildfires in Maui and debilitating heatwaves that swept across the globe, culminating in the hottest year in recorded history. In fact, in some parts of the world, the heatwave started as early as spring, and it was also in the springtime of 2023 that the financial world felt the heat from the collapse of banks in the United States and Switzerland. From unpredictable weather patterns to unexpected financial failures, it is apparent that we are dealing with volatile, uncertain, complex and ambiguous (VUCA) events that are happening more quickly, frequently, and suddenly, giving us less time to respond. This is the so-called new reality that has been termed as "business unusual". It begs the question, as a regulator with the mandate of contributing to the financial system stability of our nation, what is PIDM's response to this business unusual scenario?

RESPONDING TO UNCERTAINTIES

There is a saying that goes, "When the winds of change blow, some people build walls and others build windmills." This adage aptly guides us on how we should tackle the unpredictable, quick and sudden VUCA world. Instead of being resistant to change, we need to be adaptable and leverage the external forces coming our way to our advantage. In fact, as a financial consumer protection and resolution authority, we are going beyond that; we are building "protective walls" alongside "productive windmills", and we believe that these structures should be built well in advance.

As a regulator, rather than having a "just-in-time" attitude, we actually need to adopt a "just-in-case" mindset – we cannot start building walls or windmills only when the wind starts blowing – by that time, it would be too little, too late. We need to have the systems and infrastructure in place to prepare for any sudden storm, or a change in its direction for that matter. It is with this approach that we navigated the challenges and uncertainties of 2023.

REALISING READINESS

In response to the ever-evolving financial landscape, we sharpened our focus on resolution readiness and crisis management. The issuance of resolution planning guidelines for our member banks in September 2023 required them to develop the necessary capabilities to support an orderly resolution when the need arises. The inaugural National Resolution Symposium, themed "Empowering Resilience Through Resolution Planning," facilitated collaboration and knowledge exchange among regulatory experts and industry players. We plan to organise this symposium on an annual basis to continue fostering greater collaboration among stakeholders towards enhancing Malaysia's financial system resilience. Additionally, the Resolution Case Studies booklet, which was unveiled during the symposium, offers insights and perspective from past global experiences to better prepare us for future challenges.

We continued our practice of conducting simulation exercises and interagency collaboration efforts to enhance our readiness for crisis and revised our Differential Premium Systems Regulations to, among others, provide meaningful incentives towards the orderly resolution of member institutions. We have also executed Memoranda of Understanding (MOU) with regulatory authorities from other jurisdictions to further enhance cross-border collaboration and promote the exchange of best practices and expertise in resolution.

ENHANCING CONFIDENCE

Amidst uncertainties in the global financial landscape, it is increasingly important to enhance the public's trust and confidence in our protection systems, as well as our ability to carry out our mandate. In 2023, we increased our leverage on digital and social media platforms and intensified our engagements and collaborations with targeted stakeholder groups. We are happy to share that based on the results of our annual nationwide public awareness survey, we managed to achieve a public awareness level of 86%, marking the third consecutive year we have achieved a level of 80% and above. Our communication and engagement efforts have also improved the public's level of familiarity and understanding of PIDM's role in the financial system.

PIDM also supports the national financial literacy agenda through our financial literacy programme, which includes our #SediaPayungKewangan campaign, as well as through our association with the Financial Education Network (FEN) and collaborations with other FEN members. We also conducted a behavioural research study which has provided valuable insights into financial consumer behaviours during times of crisis, allowing us to refine our communication strategies, stakeholder engagement practices and relevant public policies, for more effective results in the future.

BUILDING FOR THE FUTURE

Our focus on organisational effectiveness and digital transformation saw substantial progress. We rolled out the learning and development framework in our efforts to build a future-ready and resolution-ready workforce through upskilling and reskilling.

The graduation and absorption into our work force of the pilot batch of Resolution Trainees and the commencement of the second batch, underscore our dedication to developing a strong resolution talent pipeline. At the same time, we continued to reinforce our corporate values via various employee engagement programmes.

We continued to make strides in our digital transformation journey and modernised our infrastructure towards being future-ready. Amidst the complexities of the digital landscape, we fortified our cybersecurity posture to ensure its resilience by testing the effectiveness of our systems and the awareness of our employees in this area. We also maintained our commitment towards sustainability and corporate social responsibility by carrying out recycling-related initiatives and incorporating environmental sustainability elements in our corporate activities.

As we reflect on the achievements and challenges of 2023, let us remain steadfast in our commitment to realising readiness. We have positioned ourselves to transform challenges into opportunities, as we integrate business unusual into our business-as-usual operations. For all our accomplishments, we wish to record our heartfelt gratitude to our supportive Board and dedicated employees. We would also like to thank Tan Sri Dr. Rahamat Bivi Yusoff, our former Chairman, for her astute leadership and guidance, as well as Tan Sri Nor Shamsiah Mohd Yunus and Puan Suhara Husni, our former directors, for their insights and expertise.

We also wish to record our appreciation to our fellow regulators, stakeholders and strategic partners. In the face of growing uncertainty, we will all need to continue working together and support one another. Indeed, greater and collective resilience is a strong defence against any future risks that we may not yet fully appreciate today.

The winds of change may continue to blow and the heat of challenges may be relentless, but so is our determination to protect financial consumers and contribute to the financial system stability of our nation. We have a noble and meaningful mandate, one that is bigger than us, and because of that we should not take anything for granted. Indeed, in this business unusual reality, we simply cannot afford to do so.

DATO SRI (DR) ZUKRI BIN SAMAT

RAFIZ AZUAN ABDULLAH

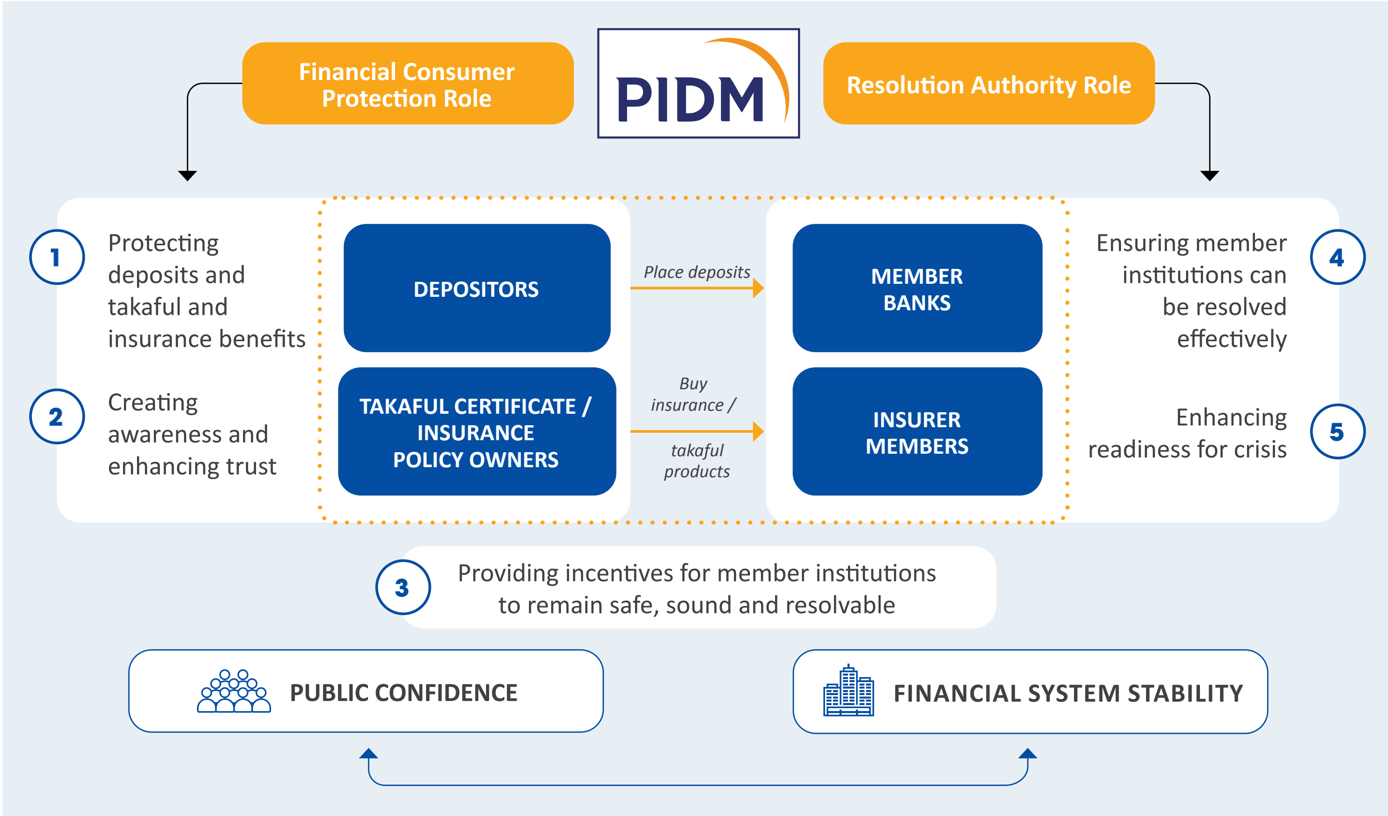
PART I

HOW PIDM PROTECTS FINANCIAL CONSUMERS

HOW PIDM PROTECTS FINANCIAL CONSUMERS

PIDM is a statutory body established in 2005 under the Malaysia Deposit Insurance Corporation Act[1] (PIDM Act).[2] PIDM, the Ministry of Finance and Bank Negara Malaysia (BNM) are members of Malaysia's financial safety net.

In fulfilling our mandate, PIDM performs two main roles – financial consumer protection authority and resolution authority.



1 PIDM PROTECTS DEPOSITS AND TAKAFUL AND INSURANCE BENEFITS

PIDM protects deposits as well as takaful and insurance benefits of ***financial consumers*** in the event of a member institution failure. This protection is automatic, and financial consumers do not need to pay for it. PIDM has 45 member banks[3] and 48 insurer members.

PIDM Protection for Depositors in Member Banks

PIDM protects up to RM250,000 per depositor per member bank. PIDM separately protects conventional and Islamic deposits held by individuals, joint owners, sole proprietorships, trustees, partnerships and companies.

PIDM's deposit coverage protects 97% of depositors in full. PIDM's coverage remains high and is above the recommended coverage level in the ***International Association of Deposit Insurers' (IADI)*** Core Principles for Effective Deposit Insurance Systems.[4] IADI recommends that the deposit insurance coverage level be at least 80% of total depositors (person) and at 20% – 30% of total deposits (value).

WHO ARE FINANCIAL CONSUMERS?

They are customers of member institutions:

- *who place their monies in banks; and*
- *who hold takaful certificates or insurance policies issued by insurer members.*

WHAT IS IADI?

***IADI** is a global standard-setting body comprising more than 120 institutions from deposit insurers, other financial safety net participants and international organisations that work together to promote best practices in the areas of depositor protection, bank resolution and financial stability. IADI has published Core Principles for Effective Deposit Insurance Systems, setting an important benchmark for jurisdictions to use in establishing or reforming deposit insurance systems.*

*PIDM is an active member of **IADI**.*

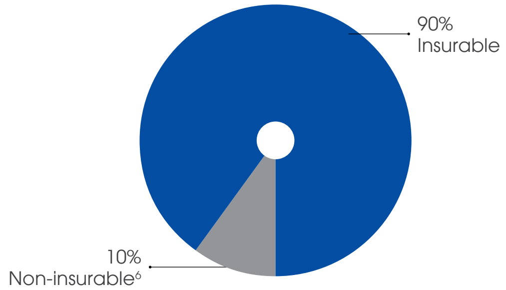
[1] *The Malaysia Deposit Insurance Corporation Act 2005*
[2] *The latest Act following various amendments is the Malaysia Deposit Insurance Corporation Act 2011*
[3] *Data as at 27 February 2024. This includes digital banks licensed by BNM to commence operations*
[4] *Refer to the IADI website www.iadi.org*

97%

of depositors protected in full[5]

98% Individuals	93% Joint owners	99% Trustees
98% Sole proprietorships	96% Partnerships	84% Companies

Total Deposits



30% deposits fully protected

90% insurable deposits

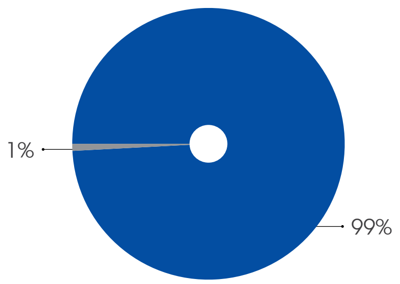
Source: PIDM

PIDM Protection for Takaful Certificate and Insurance Policy Owners of Insurer Members

PIDM protects almost all types of benefits under eligible certificates and policies (subject to conditions and limits specified in the respective takaful and policy contracts).[7] PIDM protects eligible takaful or insurance benefits up to RM500,000.

PIDM's protection covers 96% of owners of general takaful certificates or general insurance policies, and 99% of owners of family takaful certificates or life insurance policies, in full. PIDM separately protects conventional and takaful certificates held by individuals and groups as well as takaful and insurance claims payable to policy owners (own damage) and third party.

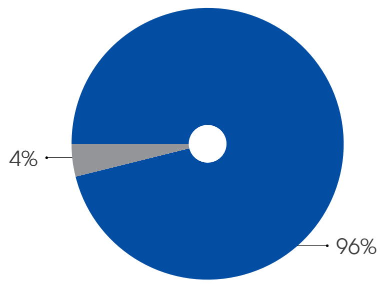
Family Takaful and Life Insurance



99% takaful certificate and insurance policy owners are protected in full

● Protected in full ● Partially protected

General Takaful and General Insurance



96% takaful certificate and insurance policy owners are protected in full

● Protected in full ● Partially protected

Source: PIDM

[5] *Basis of calculation takes into account "deposit" definition in the latest PIDM Act*
[6] *Non-insurable deposits include interbank money market placements and negotiable instrument of deposits or Islamic negotiable instruments. Refer to www.pidm.gov.my for more details*
[7] *Takaful and insurance benefits not eligible for protection include benefits under takaful certificates and insurance policies denominated in foreign currencies. Refer to www.pidm.gov.my for more details on protected benefits and limits of protection*

HOW PIDM PROTECTS FINANCIAL CONSUMERS

2 PIDM CREATES AWARENESS AND ENHANCES TRUST

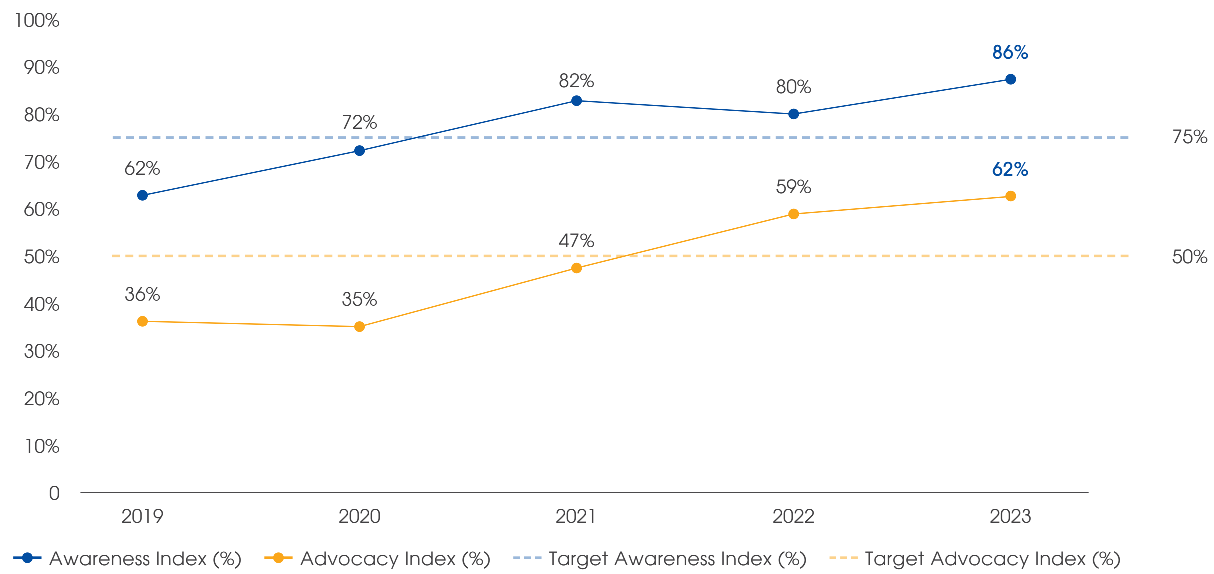
Elevating Awareness and Trust

The trust and confidence of the public, as well as our key stakeholders, are crucial for PIDM's protection systems to be effective and for us to carry out our role effectively. Since our establishment, PIDM has been focusing on building a strong level of awareness and understanding of PIDM, our role, and the protection systems we administer. Over the years, PIDM has used multiple communication channels and media as well as engagement programmes to convey to the public the narratives and content of our protection systems and supplemented this with financial literacy content and programmes to enable active engagement with the mass public. We have also focused on conveying more narratives on PIDM's role, including as the resolution authority for our member institutions.

Awareness of PIDM and Our Protection Systems

PIDM achieved a public awareness level of 86% in 2023, marking the third consecutive year we have achieved a level of 80% and above. We accomplished this by increasing our leverage on digital and social media platforms, as well as through engagements and collaborations with targeted stakeholder groups including media partners and online publishers. These communication and engagement efforts have also improved the level of familiarity and understanding of our role and how our protection systems work.

PIDM's Public Awareness and Advocacy Levels



Financial Literacy to Enhance Financial Consumer Resilience

As part of our efforts to elevate the level of awareness and trust on PIDM and our protection systems, PIDM also supports the national financial literacy agenda through our financial literacy programmes, as well as our association with the Financial Education Network (FEN). Since 2021, PIDM has been running our flagship #SediaPayungKewangan financial resilience campaign, which obtained an overall reach of 18.9 million in 2023. This achievement can be attributed to the engaging content and activities which were delivered fully via digital and social media platforms. Our financial literacy programmes, together with other communication efforts and engagements, have led to a notable increase in our advocacy level, which has reached 62% (2022: 59%).

Enhance Understanding on PIDM and our Role

PIDM will continue to intensify our communication and engagement efforts, leveraging more on the digital and social media platforms as well as more targeted engagements with various stakeholder groups. This will not only maintain the high level of awareness achieved but will also further enhance the level of understanding and appreciation of the role of PIDM, as part of our resolution readiness objectives.

3 PIDM PROVIDES INCENTIVES FOR MEMBER INSTITUTIONS TO REMAIN SAFE, SOUND AND RESOLVABLE

PIDM supports overall financial system stability by promoting the safety and soundness of our member institutions. PIDM provides incentives for sound risk management through the Differential Premium System framework for member banks (DPS), the Differential Levy System framework for insurance companies (DLS) and the Differential Levy System framework for takaful operators (DLST).

PIDM collects premiums from member banks and levies from insurer members annually, based on their risk profiles under the DPS, DLS and DLST frameworks. The premiums and levies collected are on an ex-ante funding mechanism.

WHAT IS EX-ANTE FUNDING MECHANISM?

It is where a deposit insurer collects funds in the form of premiums and levies from member institutions in advance, during business as usual.

Better Incentives to Promote Resilience

The DPS, DLS and DLST have gone through various stages of maturity and are enhanced progressively to remain effective and relevant. The introduction of the DPS for member banks in 2008, the DLS for insurer members in 2013 and the DLST in 2016 for takaful members, enabled the collection of premiums and levies to be differentiated according to the risk profile of each member institution.

Member institutions with a higher risk profile are required to pay higher premiums or levies than those with a lower risk profile. These frameworks incentivise member institutions to enhance their risk management practices, thereby increasing their resilience, while at the same time promoting stability in the financial system.

Enhancements to Incentivise Orderly Resolution

In line with the changes in the operating environment and the regulatory landscape, PIDM enhanced the DPS framework, which will take effect in Assessment Year 2025.[8] The enhancements are envisaged to continue to promote sound risk management practices across the financial system, while at the same time provide meaningful incentives towards the orderly resolution of member institutions. A similar review of the DLS and DLST is in progress. Ultimately, future enhancements look to contribute to the overall stability of the financial system.

Enhancement to the DPS Framework

1 RISK DIFFERENTIATION
Safety and Soundness Criteria

- Consider safety and soundness by leveraging on Bank Negara Malaysia's supervisory assessment
- Recognise successful measures taken to address weaknesses in risk management practices and other supervisory concerns
- Minimise duplication within the assessment framework

+

2 RESOLUTION-BASED INCENTIVE MECHANISM
Resolution-Centric Criteria

- Incentivise with resolvability in mind
- Provide incentives for reducing impediments to resolution

Synchronise with resolution planning requirements (2023 onwards)

[8] *Refer to the Consultation Paper on the Revised Differential Premium Systems Framework, Response to the Consultation Paper, and Guidance Note on Transition Period Reporting at www.pidm.gov.my for more details*

4 PIDM ENSURES MEMBER INSTITUTIONS CAN BE RESOLVED EFFECTIVELY

> *"Continuous improvement is better than delayed perfection – Mark Twain"*

As a resolution authority, the role of PIDM is to resolve a member institution when it is no longer able to continue its business and operations. Such resolution is to be undertaken in a prompt and effective manner, while minimising costs and disruptions to the financial system and preserving financial system stability. In this regard, PIDM has a three-pronged strategy[9] that outlines three key readiness components – PIDM-ready, industry-ready and financial safety net-ready. The aim is for all three components to be "resolution-ready" by identifying and addressing any impediments to resolution in advance and putting in place the necessary capabilities to carry out a prompt and effective resolution should such need arise.

PIDM's Three-Pronged Strategy
in realising readiness for Resolution and Crisis Management

PIDM-Ready

Under the PIDM Act, PIDM has a range of tools available to facilitate the effective and orderly resolution of our member institutions. These tools can be used to carry out resolution based on a going-concern and gone-concern approach.

PIDM has achieved considerable progress towards a higher level of internal resolution preparedness. This includes putting in place the necessary policies and procedures, infrastructures, funding, as well as other operational capacity and capability to execute a resolution promptly and effectively.

For gone-concern approach involving reimbursement of insured deposits, PIDM has an integrated reimbursement system in place to enable efficient processing, accurate computation, and prompt payment of insured deposits. The reimbursement system includes a user-friendly customer interface and robust request management functionalities to provide depositors with status updates on their deposit reimbursement and facilitate effective communication on reimbursement-related matters. Moving forward, PIDM will continually test and enhance the reimbursement system taking into consideration the prevailing operating environment including depositors' changing needs and expectations, as well as technological advancements in payments.

In relation to PIDM's readiness for the going-concern approach, PIDM will continue our existing initiatives including engaging the industry, namely our member banks, and work with them to build resolution capabilities through resolution planning (refer to "Industry-Ready" in the following page).

WHAT IS GONE-CONCERN RESOLUTION?

Gone-concern resolution approach contemplates the closure of a member bank upon resolution by way of winding up and liquidation. The primary aims are to ensure a prompt and effective reimbursement of insured deposits to depositors and an orderly dissolution of the member bank.

WHAT IS GOING-CONCERN RESOLUTION?

Going-concern resolution approach ensures that a member bank can continue to remain open in resolution, for example, by way of transfer to a private sector purchaser, or in the event there is no private sector purchaser at point of resolution, to transfer to a bridge institution owned by PIDM pending an onward sale at a later stage. The primary aims are to ensure continuity of important banking services (such as critical functions) to the depositors and customers, preserve franchise value as compared to fire-sale, and minimise disruptions and impact to financial system.

[9] *Refer to PIDM's "Summary of the Corporate Plan 2023 – 2025" at www.pidm.gov.my for more details*

HOW PIDM PROTECTS FINANCIAL CONSUMERS

Industry-Ready

Resolution readiness of member institutions is a key element under industry-ready, and this will be achieved through resolution planning. Resolution planning is essentially a pre-emptive planning tool to create a tailor-made roadmap or resolution plan for each member institution that sets out the strategy and execution plan of how a member institution will be managed in the event of failure.

In September 2023, PIDM issued the Guidelines to Resolution Planning for Deposit-Taking Members (RSP Guidelines). The RSP Guidelines reflect the outcomes from the resolution planning pilot exercise in 2020 and feedback received from the industry consultation process undertaken by PIDM in 2022. Commencing from 2024, PIDM will engage member banks in phases sequentially to BNM's implementation of recovery planning.

2022	2023	2024 onwards
Industry Consultation on RSP Framework Refined RSP Framework Developed RSP Guidelines	Issued RSP Guidelines for industry-wide implementation	Implement RSP in phases in line with BNM's phased implementation of recovery planning Develop resolution plans

PIDM, in collaboration with our member banks, will develop the resolution plan via a three-stage approach in the resolution planning process:

i) **Stage 1: Understand member bank's interlinkages to the financial system.** PIDM will identify, amongst others, the important functions or services offered by the bank, as well as those it depends on, alongside other vital details that are essential to its operations. This understanding supports PIDM in deciding the best way to manage a failure swiftly and effectively.

ii) **Stage 2: Identify gaps, improve operational resilience, and ensure the resolution plan can be executed.** PIDM will identify and address issues that could impede an effective resolution. Where relevant, member banks may put in place measures and capabilities to mitigate potential risks to ensure that the resolution plan can be executed. Collectively, these works constitute the resolvability assessment.

iii) **Stage 3: Maintain readiness by continually testing and improving the resolution plan.** PIDM, together with the member bank, will ensure the resolution plan is executable by continually testing and improving the plan.

A key outcome of resolution planning is for all member banks to be "transfer-ready", to support effective resolution by PIDM. A transfer strategy is preferred as it ensures the continuity of critical functions, minimises disruptions and facilitates better preservation of the franchise value of the member bank.

Resolution planning enhances operational resilience of member banks and should not be seen as just a compliance checkbox. It encourages member banks to take a fresh look at their operations, business structures and dependencies and assess whether they have the capabilities to support an effective resolution. For example, resolution planning can help member banks clarify roles and responsibilities, leading to enhanced governance, better risk monitoring and better management information systems to facilitate decision-making, not just in crisis, but also during good times.

WHAT IS "TRANSFER-READY"?

A member bank is considered to be "transfer-ready" when it has developed the necessary financial, legal and operational capabilities to support the implementation of a prompt and effective transfer of all or parts of the bank's business, affairs, assets, liabilities or shares.

Examples of the key development areas that would contribute to the bank's readiness to support a transfer may include robustness of the bank's Management Information System to support the provision of data for due diligence and valuation in a timely manner, resolution-proof legal and contractual arrangements, as well as people and other resources arrangements in place to support operational continuity in resolution.

Moving forward, PIDM will intensify our engagement with member banks to ensure that they understand the requirements and outcomes intended for resolution planning. We also expect to develop a resolvability assessment framework in 2024 to guide the resolution planning process. Similarly, PIDM will also continue to engage service providers (such as professional services firms, legal firms, valuers and others) to improve their awareness and understanding of PIDM's resolution approach so that they are ready to support PIDM or our member banks during a resolution.

While PIDM has issued the RSP Guidelines for member banks in 2023, the implementation of resolution planning for insurers will be informed by international developments, driven by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS). PIDM will continue to monitor these developments closely. In any event, PIDM has wide-ranging powers under the PIDM Act to resolve our insurer members, in the event of a failure.

5 PIDM ENHANCES READINESS FOR CRISIS

Financial Safety Net-Ready

The readiness of financial safety net players forms the third key component towards realising readiness. Interagency arrangements with the other financial safety net players, namely BNM and the Ministry of Finance, are important to ensure that crises are managed effectively. As such, these arrangements are continually reinforced and tested via joint interagency simulation exercises. In addition to domestic arrangements, PIDM will also work with foreign authorities to put in place arrangements to facilitate cross-border cooperation and coordination in crisis management and resolution.

The first interagency crisis simulation exercise was held in 2021 and since then, critical milestones have been achieved, setting the foundation for joint work to continue in strengthening interagency crisis preparedness. In 2023, two crisis simulation exercises were conducted, which covered the events leading to early intervention actions, grounds for non-viability decision and resolution options.

- Firstly, an internal simulation was conducted involving PIDM's Board of Directors which focused on information flow and interaction points.
- Secondly, a simulation was conducted with BNM to test interagency coordination and collaboration in undertaking intervention or resolution actions during a crisis.

Through these exercises, PIDM attained higher level of operational readiness and strengthened the efficacy of the resolution framework. Moving forward, PIDM will continue to be steadfast in advancing interagency crisis preparedness by jointly working on lessons from simulations and planning for future areas of testing.

In addition, we have completed the design phase of the interagency crisis preparedness binder, which commenced development in 2022. The interagency crisis preparedness binder provides a comprehensive overview of the actions to take during a crisis. The design phase included conducting an interagency workshop between PIDM and BNM in 2023 that facilitated convergence between both agencies on the coordination and collaboration in the event of intervention and resolution, which contributed to the content of the binder. The development of the binder will continue in 2024 and will incorporate learnings from the simulation conducted with BNM this year. It will also require further internal and interagency deliberation on key policy matters.

THE OPERATING ENVIRONMENT CONTINUES TO BE CONDUCIVE FOR RESOLUTION PLANNING AND CRISIS PREPAREDNESS AS MEMBER INSTITUTIONS REMAIN RESILIENT

Our member institutions remain resilient to support financial intermediation activities even during periods of heightened banking stress in the US and Switzerland.[10]

MEMBER BANKS

Common Equity Tier 1 (CET1) Capital Ratio 14.6% *(2022:15.2%)*	**Net Impaired Loans Ratio** 1.1% *(2022:1.1%)*
Liquidity Coverage Ratio 161% *(2022:151%)*	**Loan Loss Reserves Coverage Ratio** 128.3% *(2022: 126.9%)*
Net Stable Funding Ratio 118% *(2022:118.1%)*	**Return on Risk-Weighted Assets** 2.47% *(2022:2.72%)*

- Loans continued to grow at a moderated pace
- Asset quality preserved and proactively managed with conservative provisioning against potential rise in credit risk
- Healthy funding positions to support financial intermediation
- Manageable market risk during periods of heightened financial market volatility
- Moderation in earnings on narrowing net interest margins, offset by higher trading and investment income
- Strong capital and liquidity position support member banks' loss-absorbing capacity

Source: PIDM, BNM

INSURER MEMBERS

	Insurers	Takaful Operators
Capital Adequacy Ratio	220.4% *(2022: 225.2%)*	224.4% *(2022: 229.8%)*
Total Asset Growth	6.2% *(2022: 1.1%)*	11.6% *(2022: 8.9%)*
Net Premium Growth	Life Insurance and Family Takaful 3.5% *(2022: 4.0%)*	
Gross Premium Growth	General Insurance and General Takaful 9.6% *(2022: 11.7%)*	

- Moderate gross premiums / contributions growth for general insurers and takaful operators
- Net premiums / contributions growth for life insurers and family takaful operators tapered due to slower new business growth
- Better excess income over outgo for life insurers and family takaful operators while normalisation of claims brought underwriting performance for general insurers and takaful operators back to pre-pandemic level
- Higher asset growth amid more volatile financial markets
- Sound capital position to sustain new business growth and withstand potential shocks

Source: PIDM, BNM

Looking ahead, the Malaysian economy is expected to continue growing – enabling a conducive environment for our member institutions. The growth outlook, however, remains exposed to global headwinds that pose potential downside risks. Heightened volatility in the financial markets may pressure member institutions' investment yield and treasury income. Other key challenges on our radar for member banks include credit risk from vulnerable borrowers and funding cost pressure from deposit competition. For insurer members, we are keeping tabs on business growth prospects amid changes in consumer expectations and affordability.

Nevertheless, member institutions are well-positioned to withstand potential challenges, given their solid fundamentals and ample buffers. Our stress tests conclude that member institutions remain resilient under the simulated severe macroeconomic, credit, market, and liquidity shocks. The resolution planning and crisis preparedness initiatives aim to further enhance operational resolution readiness in preparation for any eventuality or a financial crisis.

[10] *Refer to the "Key Reflections From Spring 2023 Bank Failures" article in this Part*

KEY REFLECTIONS FROM SPRING 2023 BANK FAILURES

In March 2023, Silicon Valley Bank (SVB) collapsed within a mere 48 hours after four decades in operation in the United States (US). Across the Atlantic, Credit Suisse (CS), a 167-year-old global systemically important bank (G-SIB), was acquired by another G-SIB following long-standing difficulties and extreme episodes of liquidity stress.

These failures, known as "Spring 2023 Bank Failures", unleashed shockwaves that reverberated across the global financial landscape. However, on the home front, our member banks remain unscathed amid the banking stress in the US and Europe. Their resilience was anchored by sound fundamentals and strong buffers.[1]

The Spring 2023 Bank Failures have shown that failures can be unexpected, costly, fast-paced and contagious (i.e. can spread across the financial system to other banks).

- **Unexpected nature of failures**
  Failure can happen anytime, regardless of how strong the numbers seem to show. The unfolding of trouble in SVB and CS showed that even banks with seemingly strong financials can yield to a confidence crisis, where runs can happen quickly and overnight.
- **Costly ramifications**
  When bank failures morph into a crisis, massive resources and support are often required to stabilise the financial system. These resources could include deposit insurance or resolution funds, government backstops, and provision of market-wide support to stabilise the system during a crisis.
- **Fast-paced dynamics**
  In the current age of digital access, social media and herd behaviour bias, bank runs happen at an unprecedented rate. In the case of SVB, 25% of its deposits were withdrawn overnight and 62% expected to be withdrawn by the next day. This was in contrast with the total deposit outflow of 10% in the two weeks leading up to the largest failure of Washington Mutual during the 2008 Global Financial Crisis.
- **Contagion impact**
  The case in the US showed the spread of contagion from SVB to other regional banks which were performing well. One of the key aspects of contagion was the flight to safety for deposits from other healthy mid-sized banks to bigger banks, causing liquidity problems in these mid-sized banks which required immediate intervention by the US authorities. Some even viewed that this contagion could have also triggered the series of events at CS.

Why did SVB fail?

- *Rapid growth and poor risk management of business model and balance sheet strategies.*
- *Deposit run due to loss of confidence among depositors, resulting in the sale of SVB's available-for-sale securities at a loss.*

How was SVB resolved?

- *The Federal Deposit Insurance Corporation (FDIC) initially set up the Deposit Insurance National Bank of Santa Clara to assume and reimburse SVB's insured deposits.*
- *Due to an escalated confidence crisis, the FDIC invoked the 'systemic risk exception' and transferred substantially all of SVB's assets and some liabilities, including all deposits, to a bridge bank, before selling these to First Citizens Bank & Trust Company on 26 March 2023.*

For more details on the SVB failure and other case studies, please refer to the PIDM Resolution Case Studies booklet at www.pidm.gov.my.

[1] *Refer to "The operating environment continues to be conducive for resolution planning and crisis preparedness as member institutions remain resilient" article in this Part*

Why was CS failing?

CS was weakened by a series of events over the last two decades, including allegations of money laundering, corruption, and tax evasion. The failure of SVB, the delayed publication of CS's financial statements and a widely publicised statement by a large shareholder created additional concerns about CS's franchise and triggered a confidence crisis. CS experienced serious liquidity outflows from mid-March 2023.

How was CS dealt with?

CS was acquired by another G-SIB, UBS Group AG under a private contractual transaction, facilitated by the Swiss authorities (including a public liquidity backstop and loss guarantee from the Swiss government). Additional Tier 1 bondholders of CS experienced write-offs as part of the transaction.

KEY REFLECTIONS

The Spring 2023 Bank Failures have sparked discussions at the international standard-setting bodies on its implications and areas for further review in enhancing the design of the deposit insurance system and resolution regime. These failure cases also demonstrated that regulatory discipline from prudential regulation and supervision, an appropriate level of deposit insurance protection and an effective resolution regime are crucial elements to promote depositor protection and financial system stability.

Broadly, the lessons learnt upheld the importance of an effective deposit insurance and resolution regime as well as crisis preparedness – which always remain as key focuses for PIDM. In PIDM's context, there are a few key takeaways arising from the reflections of these failure cases.

1. Early preparation through resolution planning for all member banks contributes to crisis preparedness and resolution readiness.

As a resolution authority, PIDM has a comprehensive toolkit that enables it to take pre-emptive measures and resolution actions. However, recent cases have shown us that a bank failure can happen very quickly and undertaking preparatory actions only during times of crises may not be adequate. Undertaking preparation in advance through resolution planning could help to minimise disruption and preserve financial system stability in a bank failure. Through resolution planning, resolution authorities will be able to: (i) understand banks better (e.g. their different components and interconnectedness to the financial system) to ensure critical banking services can continue during resolution; and (ii) work with banks to develop resolution capabilities during good times (e.g. ability to generate information for valuation and maintain other operational continuity capabilities in resolution).

In the case of CS, resolution planning equipped the authorities with an in-depth knowledge of the bank as well as provided them with flexibilities and options to deal with the bank, such as facilitating a transfer strategy that was better suited for the bank during crisis instead of the bail-in strategy as planned. In the aftermath of SVB, it was noted that if resolution planning had been properly and adequately implemented for SVB prior to the crisis, the bidding and sale process for SVB could have been completed more expeditiously by FDIC.[2] Hence, this shows that applying resolution planning for each bank, regardless of asset thresholds, brings great value. This has substantiated PIDM's resolution planning approach for Malaysia, where it will be rolled out to all PIDM's member banks. Resolution planning will enhance feasibility and credibility of resolution actions and provide optionality to deal with crisis in a technologically-driven and fast-paced operating environment.

2. Adopting the "transfer-ready" approach as the preferred resolution strategy.

In Malaysia, the preferred resolution strategy contemplated for all member banks is the transfer strategy. The transfer strategy is preferred as it seeks to achieve the resolution objectives of PIDM, namely to: (i) ensure the continuity of a bank's important functions in resolution; (ii) minimise loss and disruption to the financial system; (iii) protect depositors (e.g. by ensuring continued access to deposits, both insured and uninsured); (iv) maintain public confidence; and (v) preserve financial system stability. It also serves as a private sector solution where the failed bank will be acquired by another healthy bank or institution. This will minimise the risk of moral hazard by avoiding the possibility of using public funds to manage and save the failed bank. Moving forward, PIDM will work closely with member banks through resolution planning to ensure that they are "transfer-ready". In order to be "transfer-ready", banks should possess the operational capabilities to support PIDM in executing a prompt and effective transfer in a resolution.

Enhanced Differential Premium Systems (DPS) framework paves the way for effective resolution of member banks

In 2025, PIDM will implement the enhanced DPS framework that incorporates resolvability criteria to incentivise orderly resolution of member banks. Particularly, the enhanced DPS framework has included a new "composition of core funds" (CCF) criterion which aims to capture the risks associated with deposit base that are less sticky arising from a high proportion of uninsured deposits. These failure cases provided opportunity for PIDM to back test the reasonableness of the criterion, with encouraging observations where a swift private sector solution could be achieved in an institution with significantly higher sticky funds.

3. Fostering interagency readiness to ensure crisis preparedness.

As we have learnt from the failure cases, strengthening crisis preparedness is of the essence and has emerged as an area for continuous enhancement internationally to achieve an effective interplay of all safety net components. In PIDM's context, this encompasses having optimum preparedness, processes and infrastructure in place that will allow PIDM to manage the crisis effectively, including strengthening of financial safety net collaboration and readiness.

In our efforts to continuously improve PIDM's readiness, we have conducted various internal and interagency simulations to test decision-making and coordination with safety net players. Simulations provide us a safe environment to practise, make mistakes and identify gaps for further improvement. In addition to simulations, we are jointly developing an interagency crisis preparedness binder that aims to document the interagency collaboration and guide us in making decisions during a crisis. The binder will also be tested and refined as we progress.

CONCLUSION

A bank failure can be unexpected, and it is very hard to tackle once things begin to unravel. With fast-paced failure, the time-to-act is significantly shortened. Things can spiral out of control leading to failures, if not dealt with quickly. The dynamics of contagion impact should not be overlooked. The good news is that substantial work can be done during good times to reduce the scrambling for solutions in a crisis. By intervening early enough and tackling the problem decisively, some of the costs associated with failures can be avoided. Preparation for worst-case scenarios is key, regardless of how strong the institutions are – **a mantra of "just-in-case" for PIDM**.

[2] *Remarks by FDIC's Vice Chairman, Travis Hill, at the Bipartisan Policy Center on the Recent Bank Failures and the Path Ahead, 12 April 2023*

PART II

PIDM@WORK

GOVERNANCE

OVERVIEW OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

PIDM is committed to good governance practices, which seek to promote transparency and accountability. This will further enhance our ability to create value to our stakeholders. PIDM's statutory objects are clearly set out in section 4 of the Malaysia Deposit Insurance Corporation Act 2011 (PIDM Act).

MANDATE

Administer two financial consumer protection systems	Provide protection against the loss of	Provide incentives to	Promote or contribute to
A Deposit Insurance System	A deposits in member banks	member institutions for sound risk management in the financial system	the stability of the financial system
B Takaful and Insurance Benefits Protection System	B takaful or insurance benefits in respect of insurer members		

The protection is provided automatically – no application is required

Board of Directors

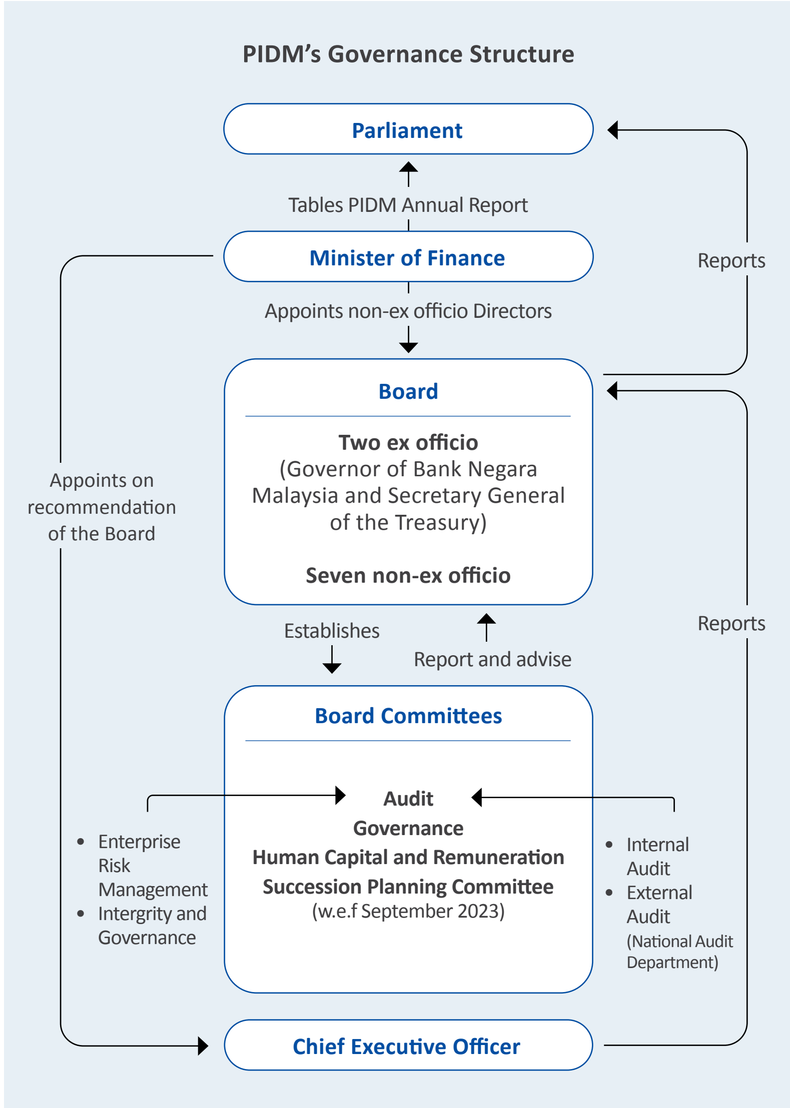
Our Board plays an important role with respect to ensuring a sound system of risk management and internal control, particularly with regard to ethics, culture and standards of behaviour.

Governed by a nine-member Board, PIDM reports to Parliament through the Minister of Finance. Out of PIDM's nine directors, two are ex officio directors, namely, the Governor of Bank Negara Malaysia (BNM) and the Secretary General of the Treasury. The rest of the Board members, drawn from public and private sectors, are appointed by the Minister of Finance.

Dato Sri (Dr) Zukri Samat is the Chairman of PIDM having been appointed in November 2023. He succeeded Tan Sri Dr. Rahamat Bivi Yusoff who retired in August 2023 after having served six years as the Board Chairman.

The current Secretary General of Treasury, Datuk Johan Mahmood Merican and the Governor of BNM, Datuk Shaik Abdul Rasheed Ghaffour became ex officio directors in February 2023 and July 2023 respectively. In September 2023, Dato' Nor Eni Ismail was appointed as the public sector director.

Ex officio directors are allowed to appoint an alternate director from within their organisation, i.e. from BNM and from the Ministry of Finance, who will attend Board meetings when the ex officio directors are unable to. The Secretary General of Treasury and the Governor of BNM have appointed their alternate directors, details of which can be found in the Governance section in this Part.



GOVERNANCE

Governance Framework

PIDM voluntarily benchmarks our governance practices against best practices. These include practices recommended in the International Federation of Accountants' Good Governance in the Public Sector and the International Association of Deposit Insurers' Core Principles for Effective Deposit Insurance Systems.

PIDM reports against our Board Governance Policy, which sets out the roles and responsibilities of the Board and Management with regard to corporate governance. The Board Governance Policy is benchmarked against applicable best practices and serves to articulate the Board's expectations of Management, and the Board's role in setting the direction and control of PIDM.

BOARD GOVERNANCE POLICY

- A statement of commitment to sound corporate governance and outline of responsibilities
- Captures best practices in corporate governance in the context of PIDM's statutory objectives, business and affairs
- A key accountability document for the Board to report against its governance standards

In 2023, PIDM reviewed our Board Governance Policy to ensure that it remains responsive to the circumstances and needs of PIDM. The report on the performance against the standards in the Board Governance Policy is made annually and can be found in the Statement on Governance at www.pidm.gov.my.

Board Attendance

In 2023, a total of seven Board meetings were held. The meeting attendances of Board members at the Board and Board Committees were as follows:

Board Member	Meeting attendances				
	Board[1]	Audit Committee	Governance Committee	Human Capital and Remuneration Committee	Succession Planning Committee
Dato Sri (Dr) Zukri Samat[2]	1/1	-	-	-	-
Tan Sri Dr. Rahamat Bivi Yusoff[3]	4/4	-	2/2	-	-
Datuk Shaik Abdul Rasheed Ghaffour[4]	3/3[5]	-	-	-	-
Tan Sri Nor Shamsiah Mohd Yunus[6]	4/4[7]	-	-	-	-
Datuk Johan Mahmood Merican[8]	5/5[9]	-	-	-	-
Datuk Dr. Yacob Mustafa	7/7	5/6	-	-	-
Puan Suhara Husni[10]	4/4	-	1/1	-	-
Dato' Nor Eni Ismail[11]	1/2	-	-	-	-
Dato Dr. Nik Ramlah Mahmood	6/7	-	2/2	2/2	1/1
Dato' Dr. Gan Wee Beng	7/7	6/6	-	2/2	1/1
Ms. Gloria Goh Ewe Gim	7/7	5/6	2/2	-	1/1
Mr. Lee Kong Eng	7/7	6/6	-	2/2	-

[1] Seven Board meetings were held in total in 2023. Dato Sri (Dr) Zukri Samat attended one of the Board meetings (after his appointment in November 2023) and Tan Sri Dr. Rahamat Bivi Yusoff attended four of the Board meetings (prior to her retirement in August 2023). A private sector Director chaired two of the Board meetings, which were held in September 2023, prior to the appointment of Dato Sri (Dr) Zukri Samat
[2] Dato Sri (Dr) Zukri Samat was appointed to the Board on 1 November 2023
[3] Tan Sri Dr. Rahamat Bivi Yusoff retired from the Board on 14 August 2023
[4] Datuk Shaik Abdul Rasheed Ghaffour was appointed to the Board on 1 July 2023. His alternate is Datuk Jessica Chew Cheng Lian
[5] Datuk Jessica Chew Cheng Lian attended two of the Board meetings as the alternate Director
[6] Tan Sri Nor Shamsiah Mohd Yunus retired from the Board on 30 June 2023. Her alternate was Datuk Jessica Chew Cheng Lian
[7] Datuk Jessica Chew Cheng Lian attended two of the Board meetings as the alternate Director
[8] Datuk Johan Mahmood Merican was appointed to the Board on 27 February 2023
[9] Encik Ashadi Ramly, appointed on 1 March 2023 and Encik Abdillah Azizudin, appointed on 15 September 2023 attended three and two of the Board meetings respectively as alternate Directors

Board Committees

The composition of the Board Committees in 2023 was as follows:

Audit Committee

No. of meetings **6**

Chair
Ms. Gloria Goh Ewe Gim

Members
- Mr. Lee Kong Eng (Vice Chair)
- Datuk Dr. Yacob Mustafa
- Dato' Dr. Gan Wee Beng

Governance Committee

No. of meetings **2**

Chair
Dato Dr. Nik Ramlah Mahmood

Members
- Tan Sri Dr. Rahamat Bivi Yusoff[12]
- Ms. Gloria Goh Ewe Gim
- Puan Suhara Husni[13]
- Dato' Nor Eni Ismail[14]

Human Capital and Remuneration Committee

No. of meetings **2**

Chair
Dato' Dr. Gan Wee Beng

Members
- Dato Dr. Nik Ramlah Mahmood
- Mr. Lee Kong Eng

Succession Planning Committee

No. of meetings **1**

Chair
Dato Dr. Nik Ramlah Mahmood

Members
- Ms. Gloria Goh Ewe Gim
- Dato' Dr. Gan Wee Beng

[10] Puan Suhara Husni retired from the Board on 31 July 2023
[11] Dato' Nor Eni Ismail was appointed to the Board on 15 September 2023
[12] Tan Sri Dr. Rahamat Bivi Yusoff retired on 14 August 2023
[13] Puan Suhara Husni retired on 31 July 2023
[14] Dato' Nor Eni Ismail was appointed to the Governance Committee on 13 December 2023

GOVERNANCE

GOVERNANCE

The key matters considered and recommended by the respective Board Committees to the Board in 2023 were as follows:

AUDIT COMMITTEE	
Recommended for Board approval: • Financial Statements 2022 and Annual Report 2022 • Corporate Plan 2024 • Enhancements to Investment Policy • Exit policy for holdings of private debt securities • Operational Cash Management Policy • Board Risk Report – Enterprise Risk Management Assessment • Audit and Consulting Services (ACS) Department's Plan 2024 – 2025 • Audit Committee Charter	**Considered by the Audit Committee:** • Compliance with laws • Internal audit plans and internal audit reports • Reports on expenses, investments and cash management • Resolution Accounting Framework • Updates on the corporate plan and financial plan as well as reports on procurements

GOVERNANCE COMMITTEE	
Recommended for Board approval: • Corporate governance disclosures • Board Governance Policy and Board Committee Charters • Chairman succession planning • Chief Executive Officer (CEO) succession planning	**Considered by the Governance Committee:** • Conflict of Interest Code for Directors • PIDM's governance approach • Report on the results of the Board's and Board Committees' performance • Undergraduate scholarship programme • Board education programme

HUMAN CAPITAL AND REMUNERATION COMMITTEE	
Recommended for Board approval: • Human Capital and Remuneration Committee Charter • Compensation and Benefits Policy • Employee remuneration matters • CEO's key performance indicators for 2024	**Considered by the Human Capital and Remuneration Committee:** • Key human capital initiatives including the Human Capital, Training and Capability Development Strategic Priorities 2024 – 2026 • Compliance with human capital policies and legal requirements • Report on PIDM's scholarship programme

SUCCESSION PLANNING COMMITTEE	
Recommended for Board approval: • Succession Planning Committee Charter • CEO position description • CEO candidate profile	**Approved by the Succession Planning Committee:** • Assessment and appointment of a consultant in respect of CEO succession planning

Risk Management

PIDM recognises that effective risk management and a sound system of internal control are an integral part of our day-to-day operations and our strategic and operational decision-making process. The Board and Management ensure that the risk management framework, through PIDM's Enterprise Risk Management (ERM) Framework and practices, is embedded into PIDM's culture, processes and structures. PIDM has established comprehensive policies and procedures, and internal controls to mitigate key risk areas that could prevent us from achieving our mandate and objectives. Risk management drives the identification and implementation of PIDM's corporate strategies.

The Board, in discharging its responsibilities, is fully committed to PIDM maintaining a sound system of risk management and internal control, as well as to review their adequacy, integrity and effectiveness. PIDM's Management, led by the CEO, has established processes and controls to ensure a high level of governance within the organisation.

PIDM's ERM Framework assists PIDM to manage risks on an integrated, enterprise-wide basis and supports the proactive identification and management of risks that could prevent or distract PIDM from achieving our mission, goals and objectives. This ensures that the risk management activities remain appropriate and prudent, and that significant risks are managed and monitored continuously within PIDM's Board-approved risk appetite.

PIDM's ERM Framework is benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission's ERM – Integrated Framework and the International Organization for Standardization 31000:2018 (Risk Management – Guidelines). In implementing our ERM Framework, PIDM adopts the three lines of defence model in the management and monitoring of our risks.

Management forms the first line of defence and is responsible for maintaining effective internal controls and for executing risk management and control procedures on a day-to-day basis. PIDM's Enterprise Risk Management Department, the Information Management and Security Department and the Integrity and Governance Department form the second line of defence to provide oversight and to build and monitor the first line of defence controls. PIDM's internal audit function forms the third line of defence by providing assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

PIDM acknowledges that we are unable to fully eliminate all risks. In managing our risks, PIDM operates within the boundaries of our Board-approved risk appetite levels and carefully considers the cost, benefits and other trade-offs in managing our key risks relating to the following broad areas:

(a) preparing for and carrying out an intervention or failure resolution;
(b) maintaining a credible image and reputation; and
(c) ensuring a high level of operational capability and effectiveness.

PIDM's risks are identified through both bottom-up and top-down approaches. An annual Board Risk Report that contains a detailed annual assessment of PIDM's risks and action plans is deliberated and discussed at a special risk-focused Audit Committee meeting, prior to being presented to the Board.

Risk factors are considered across various risk categories and the more significant risks are scrutinised to ensure action plans are focused in addressing the risks and are aligned with the corporate strategies and initiatives. These are discussed under the Material Matters section in this Part.

Internal Control

The Board ensures that there is a strong control environment to support PIDM's operations and manage key risks.

The Chief Internal Auditor reports to the Board through the Audit Committee. The independent internal audit function provides reasonable assurance that internal control and risk management systems are effective. In order to ensure that the internal audit function and activities continue to conform to the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, an external and internal Quality Assessment Review (QAR) is carried out periodically to assess the effectiveness of the internal audit activities performed. This helps PIDM to enhance the effectiveness, quality and value received from the internal audit function. For 2023, an internal QAR was conducted in the area relating to internal audit management.

The Board, through the Audit Committee, considers the internal audit reports from the Audit and Consulting Services (ACS) Department on a regular basis. These reports provide the Audit Committee with reasonable assurance regarding the monitoring of and compliance with internal controls, the integrity of the systems and that appropriate actions are taken to address any significant identified weaknesses or breakdowns.

PIDM's internal controls are embedded in all activities related to PIDM's management of the protection systems we administer. These include a code of ethics, requirements for declarations of conflicts of interest and assets, a whistleblowing policy, as well as policies and procedures for key processes.

In terms of information management and cybersecurity, PIDM's cybersecurity posture was assessed via the Cybersecurity Maturity Assessment (CMA). Based on the assessment, PIDM met our target maturity level and is rated at a Defined level (level 3).[15] This has improved from the last assessment conducted in 2020. PIDM continued to maintain the Information Security Management System (ISMS) ISO/IEC 27001[16] certification, which demonstrated our commitment to maintain the highest standards of information security, ensure the confidentiality and integrity of sensitive data, and proactively address potential cyber threats.

Overall, there were no reported incidents of significant weaknesses or deficiencies in the adequacy and integrity of risk management and internal controls embedded in PIDM's systems, policies, practices, and processes. For the work performed in relation to internal controls, refer to the summary report of the Audit Committee's key areas of work in the Statement on Governance at www.pidm.gov.my.

Related Party Transactions

PIDM has an internal process which identifies our related parties and monitors related party transactions. We maintain a list of individuals and entities regarded as related parties to identify related party transactions. As a rule, related party transactions must be part of PIDM's ordinary course of business and must be carried out on arms-length terms. Related party transactions that are not part of PIDM's ordinary course of business and/or that are not carried out in accordance with arms-length terms will be brought to the Audit Committee and the Board for deliberation and decision. Board members cannot participate in the approval of a decision if they or their related parties are party to any related party transaction. We comply with the requirements under MFRS in respect of specific reporting and disclosure obligations on related party transactions. PIDM's internal audit function reviews all related party transactions, and our audit report is considered by the Audit Committee and the Board. Refer to Note 20(a) to the Financial Statements for details.

External Audit

PIDM's financial statements are audited by the Auditor General in accordance with the Audit Act 1957. The Board approves the release of the unaudited financial statements to the National Audit Department, which examines PIDM's unaudited financial statements in accordance with the Approved Standards on Auditing in Malaysia and the International Standards of Supreme Audit Institutions effective for the financial year ended 31 December of each year. Representatives from the National Audit Department are invited to attend all Audit Committee meetings and receive, as a matter of course, all the relevant documentation prior to the Audit Committee meetings.

[15] *Description of the level 3 rating in the Cyber Capability Model that is aligned with the Capability Maturity Model Integration (CMMI) standards -> Capability is formally documented, with an agreed ownership and scope, and it is used throughout the majority of the organisation with standard level of implementation*
[16] *International Organisation for Standardisation (ISO) / International Electrotechnical Commission (IEC)*

Human Capital

The Board ensures that the human capital strategy is aligned with the corporate objectives and supports the organisation's long-term sustainability. The Human Capital and Remuneration Committee supports the Board and has oversight of the state of key human capital strategies as well as monitors the overall health of PIDM's human capital. The key human capital strategies and Board-approved policies are deliberated extensively to align with PIDM requirements and external trends. This is to ensure sound and effective implementation of the policies and strategies to support PIDM's future of work readiness, compensation competitiveness, leadership effectiveness, enhancement of engagement, productivity and capability development as well as the overall well-being of our employees.

Stakeholder Engagements for Effective Decision-Making

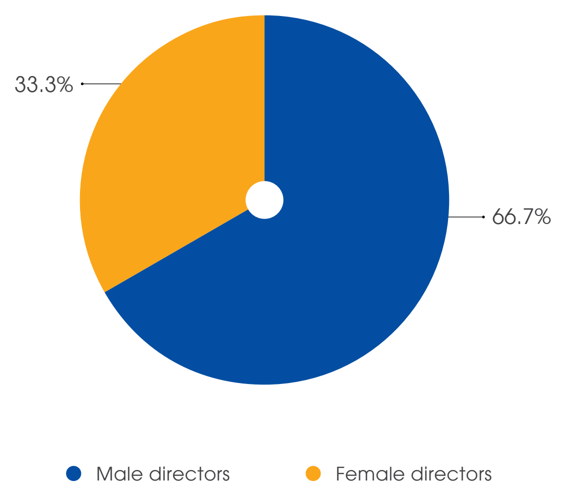
The Board considers stakeholder engagement highly important to the achievement of PIDM's objectives. PIDM continued to adopt processes to ensure the appropriate consideration of significant stakeholder views especially in the development of effective regulatory policies. For example, consultation papers are issued to obtain the feedback of relevant stakeholders prior to the issuance or revision of guidelines or frameworks. In 2023, PIDM issued the consultation paper on the proposed revised Differential Levy Systems frameworks.

Approach to Diversity and Inclusion

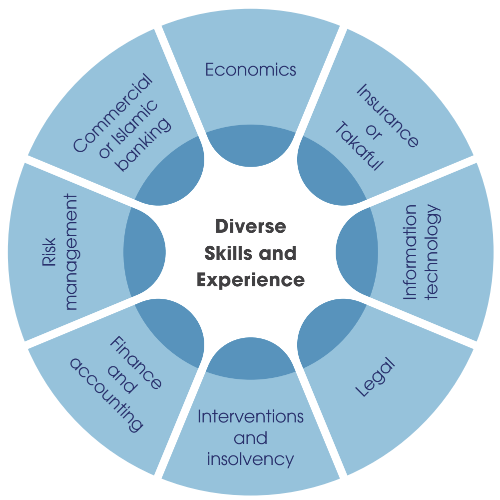
PIDM subscribes to the principles of diversity and inclusion and recognises the immense benefits of having a diverse multi-cultural and multi-disciplinary workforce. PIDM respects and values the different cultures, genders, religions and uniqueness of others. These principles are set out in the Code of Business Conduct and Ethics.

Board members are drawn from the public and private sectors and possess diversity in gender as well as a mix of skills and experiences.

Board Composition
(as at 31 December 2023)



Diverse Mix of Skills and Experience
(as at 31 December 2023)



PIDM's workforce comprises people from different cultures and disciplines as well as employees with special needs. Our senior management as at 31 December 2023 comprises 45% female and 55% male, and the average age of our employees is 42.

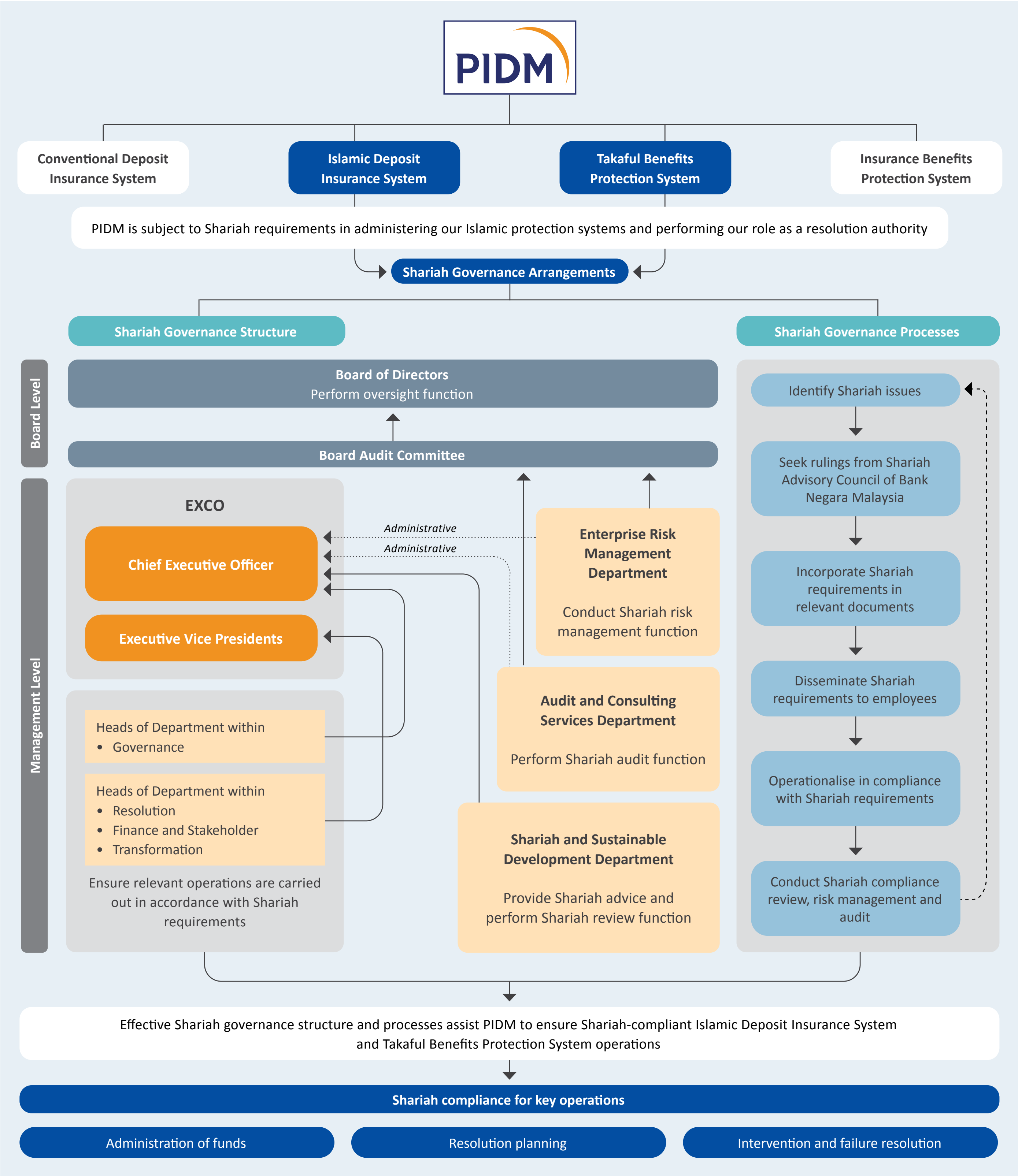
Approach to Governance and Accountability

Transparency of PIDM's progress against planned initiatives enables key stakeholders to make an informed assessment of PIDM's performance and our ability to meet our statutory obligations. PIDM's corporate plan as well as a report on our progress against the corporate plan are set out in our annual report. Aside from building important social and intellectual capital, PIDM's adoption of governance practices is also important to ensure accountability during an intervention and failure resolution.

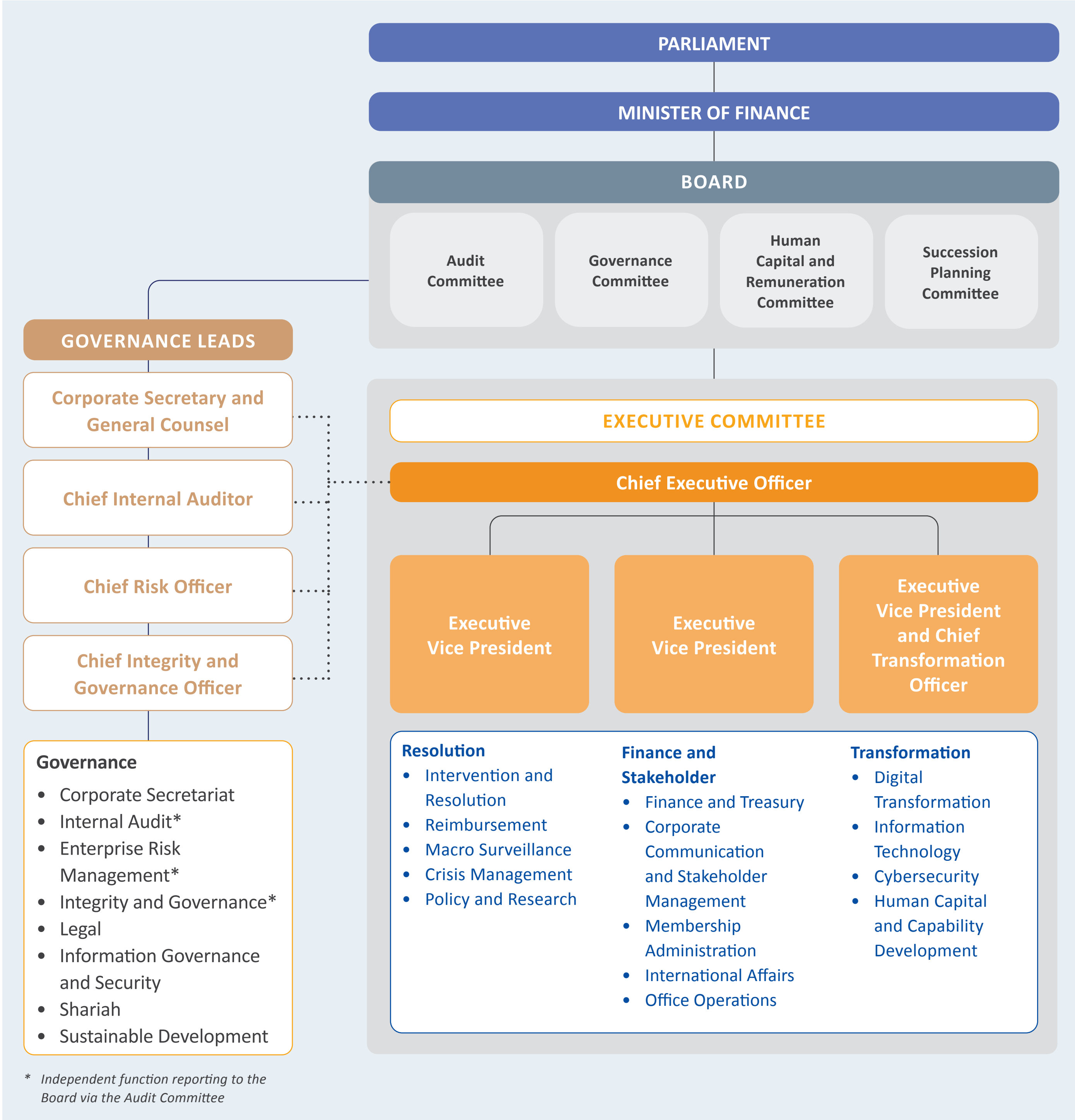
GOVERNANCE

Shariah Governance Arrangements

PIDM is subject to Shariah requirements when performing our functions and discharging our duties with respect to the Islamic Deposit Insurance System and the Takaful Benefits Protection System. PIDM is also responsible for the implementation of prompt intervention and failure resolution actions for Islamic member institutions. To ensure compliance with Shariah requirements when managing and operating these protection systems, PIDM is guided by the rulings of BNM's Shariah Advisory Council (SAC). PIDM's Shariah governance arrangements are depicted in the following diagram.



ORGANISATION STRUCTURE



GOVERNANCE

BOARD OF DIRECTORS – MEMBERS AND PROFILES

DATO SRI (DR) ZUKRI SAMAT
Chairman

APPOINTED TO THE BOARD: November 2023

APPOINTED AS CHAIRMAN OF THE BOARD:
November 2023

MEMBERSHIP OF BOARD COMMITTEES
Nil

QUALIFICATIONS
- Diploma in Accountancy, Universiti Teknologi MARA, Malaysia
- Master's Degree in Business Administration, University of Hull, United Kingdom
- Honorary Doctorate (Finance and Islamic Banking), Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah, Malaysia

AREA OF EXPERTISE
- Banking and finance

PAST EXPERIENCE
- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji
- Managing Director, Bank Islam Malaysia Berhad
- Group Chief Executive Officer, BIMB Holdings Berhad
- Director, Lembaga Hasil Dalam Negeri Malaysia
- Managing Director, Pengurusan Danaharta Nasional Berhad

DATUK SHAIK ABDUL RASHEED GHAFFOUR
Ex Officio Director

APPOINTED TO THE BOARD: July 2023

MEMBERSHIP OF BOARD COMMITTEES
Nil

QUALIFICATIONS
- Bachelor of Economics, Universiti Malaya, Malaysia
- Masters of Business Administration, Saïd Business School, University of Oxford, United Kingdom

AREA OF EXPERTISE
- Accounting and finance, regulation of banking and financial services, crisis management, economics, insurance, human resource management

CURRENT APPOINTMENT
- Governor, Bank Negara Malaysia

DIRECTORSHIPS
- Chairperson, Board of Directors of The South East Asian Central Banks (SEACEN) Research and Training Centre
- Member, Board of Governors, SEACEN

PAST EXPERIENCE
- Deputy Governor, Bank Negara Malaysia
- Assistant Governor, Bank Negara Malaysia
- Alternate Executive Director, South East Asia Voting Group on the International Monetary Fund Executive Board

Detailed profiles of the Board members can be found at www.pidm.gov.my

DATUK JOHAN MAHMOOD MERICAN
Ex Officio Director

APPOINTED TO THE BOARD: February 2023

MEMBERSHIP OF BOARD COMMITTEES
Nil

QUALIFICATIONS
- Bachelor of Arts (Economics), University of Cambridge, United Kingdom

PROFESSIONAL MEMBERSHIP
- Institute of Chartered Accountants in England and Wales

AREA OF EXPERTISE
- Finance and accounting, human capital, economics

CURRENT APPOINTMENT
- Secretary General of Treasury, Ministry of Finance

DIRECTORSHIPS
- Director, Petroliam Nasional Berhad
- Director, Permodalan Nasional Berhad
- Director, Govco Holdings Berhad
- Director, MyDIGITAL Corporation
- Director, TRX City Sdn Bhd
- Director, Pembinaan PFI Sdn Bhd
- Chairman, Lembaga Hasil Dalam Negeri Malaysia

PAST EXPERIENCE
- Deputy Secretary General of Treasury (Policy), Ministry of Finance
- National Budget Director, Ministry of Finance
- Deputy Director General (Human Capital), Economy Planning Unit
- Chief Executive Officer, Talent Corporation Malaysia

DATUK DR. YACOB MUSTAFA
Public Sector Director

APPOINTED TO THE BOARD: November 2019[17]

MEMBERSHIP OF BOARD COMMITTEES
- Member of Audit Committee

QUALIFICATIONS
- PhD in Economics, Universiti Kebangsaan Malaysia, Malaysia
- Master of Business Administration, Universiti Kebangsaan Malaysia, Malaysia
- Bachelor of Accounting, Universiti Malaya, Malaysia

PROFESSIONAL MEMBERSHIP
- FCPA Australia
- The Chartered Institute of Public Finance and Accountancy, United Kingdom
- Malaysian Institute of Accountants

AREA OF EXPERTISE
- Economics, accounting

DIRECTORSHIPS
- Director, MIF Investment Ltd (MIFIL)
- Director, Lembaga Hasil Dalam Negeri Malaysia
- Director, Retirement Fund (Incorporated) (KWAP)
- Director, Lembaga Pembiayaan Perumahan Sektor Awam
- Director, Prasarana Berhad
- Director, DanaInfra Nasional Berhad

PAST EXPERIENCE
- Accountant General of Malaysia
- Deputy Accountant General of Malaysia, Accountant General's Department

[17] Datuk Dr Yacob Mustafa was first appointed to the Board on 1 November 2019. He retired on 5 June 2022 and was reappointed to the Board on 15 July 2022

GOVERNANCE

DATO' NOR ENI ISMAIL
Public Sector Director

APPOINTED TO THE BOARD: November 2023

MEMBERSHIP OF BOARD COMMITTEES
- Member of Governance Committee

QUALIFICATIONS
- Master of Business Administration, Universiti Kebangsaan Malaysia, Malaysia

AREA OF EXPERTISE
- Public finance

CURRENT APPOINTMENT
- Undersecretary of the Strategic Investment Division, Ministry of Finance

DIRECTORSHIPS
- Director, Universiti Utara Malaysia
- Director, Pelaburan Hartanah Berhad
- Director, Talent Corporation Malaysia Berhad

PAST EXPERIENCE
- Assistant Director, Ministry of Investment, Trade and Industry
- Assistant Secretary, Ministry of Entrepreneurship and Cooperative Development
- Assistant Director, Public Service Department
- Principal Assistant Director, Ministry of Finance
- Perak State Deputy Secretary (Development) / Director of Perak State Economic Planning Unit
- Deputy Director, National Budget Office, Ministry of Finance

DATO DR. NIK RAMLAH MAHMOOD
Private Sector Director

APPOINTED TO THE BOARD: August 2016

MEMBERSHIP OF BOARD COMMITTEES
- Chairman of Governance Committee
- Chairman of Succession Planning Committee
- Member of Human Capital and Remuneration Committee

QUALIFICATIONS
- PhD, University of London, United Kingdom
- Master of Laws, University of London, United Kingdom
- Bachelor of Laws (First Class Honours), University of Malaya, Malaysia

AREA OF EXPERTISE
- Legal, capital market and financial services regulation, corporate governance

DIRECTORSHIPS
- Director, Institute Capital Market Research
- Director, INCEIF University
- Director, Permodalan Nasional Berhad
- Director, Amanah Saham Nasional Berhad
- Independent Non-Executive Director, Axiata Group Berhad
- Independent Non-Executive Director, United Malacca Berhad
- Chairman, EDOTCO Group Sdn Bhd

PAST EXPERIENCE
- Deputy Chief Executive, Securities Commission Malaysia
- Associate Professor of the Faculty of Law, University of Malaya, Malaysia

DATO' DR. GAN WEE BENG
Private Sector Director

APPOINTED TO THE BOARD: August 2016

MEMBERSHIP OF BOARD COMMITTEES
- Chairman of Human Capital and Remuneration Committee
- Member of Succession Planning Committee
- Member of Audit Committee

QUALIFICATIONS
- PhD in Economics, Wharton School, University of Pennsylvania, United States
- Master of Economics, University of Malaya, Malaysia
- Bachelor of Economics, University of Malaya, Malaysia

AREA OF EXPERTISE
- Economics, risk management, commercial banking

PAST EXPERIENCE
- External Member of Monetary Policy Committee, Bank Negara Malaysia
- Advisor, CIMB Group
- Deputy Chief Executive Officer, CIMB Group
- Executive Director, CIMB Bank
- Senior Advisor, Economics Department, Monetary Authority of Singapore
- Consultant to the World Bank, International Labour Organisation and Bank Negara Malaysia
- Chairman, KWEST Sdn Bhd
- Director, Retirement Fund (Incorporated) (KWAP)

MS. GLORIA GOH EWE GIM
Private Sector Director

APPOINTED TO THE BOARD: February 2017

MEMBERSHIP OF BOARD COMMITTEES
- Chairman of Audit Committee
- Member of Succession Planning Committee
- Member of Governance Committee

QUALIFICATIONS
- Bachelor of Commerce (Honours), University of Melbourne, Australia

PROFESSIONAL MEMBERSHIP
- Fellow, CPA Australia
- Malaysian Institute of Certified Public Accountants
- Malaysian Institute of Accountants

AREA OF EXPERTISE
- Audit, finance and accounting, risk management, economics, financial services including commercial banking, life and general insurance

CURRENT APPOINTMENT
- Member of the Advisory Board, Faculty of Business and Economics, University of Melbourne, Australia

PAST EXPERIENCE
- Partner, Ernst & Young, Malaysia
- Council Member, Malaysian Institute of Accountants
- Council Member, ASEAN Federation of Accountants

GOVERNANCE

MR. LEE KONG ENG
Private Sector Director

APPOINTED TO THE BOARD: February 2021

MEMBERSHIP OF BOARD COMMITTEES
- Vice Chair of Audit Committee
- Member of Human Capital and Remuneration Committee

QUALIFICATIONS
- Bachelor of Arts (Honours), University of Lancaster, United Kingdom

PROFESSIONAL MEMBERSHIP
- Associate Member, Institute of Chartered Accountants in England and Wales
- Malaysian Institute of Accountants

AREA OF EXPERTISE
- Audit, finance and accounting, corporate restructuring, mergers and acquisitions

PAST EXPERIENCE
- Partner, Ernst & Young, Malaysia

DATUK JESSICA CHEW CHENG LIAN
Alternate Director to Datuk Shaik Abdul Rasheed Ghaffour

APPOINTED TO THE BOARD: September 2023

MEMBERSHIP OF BOARD COMMITTEES
Nil

QUALIFICATIONS
- Bachelor's degree in commerce majoring in accounting and finance, University of Melbourne, Australia

PROFESSIONAL MEMBERSHIP
- Chartered Banker, Chartered Banker Institute (Scotland)
- Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Member, CPA Australia

AREA OF EXPERTISE
- Accounting and finance, regulation and supervision of financial sector

CURRENT APPOINTMENT
- Deputy Governor, Bank Negara Malaysia

PAST EXPERIENCE
- Assistant Governor, Bank Negara Malaysia

ENCIK ABDILLAH AZIZUDIN
Alternate Director to Datuk Johan Mahmood Merican

APPOINTED TO THE BOARD: September 2023

MEMBERSHIP OF BOARD COMMITTEES
Nil

QUALIFICATIONS
- Master in Public Administration, Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore
- LLB (Hons) Degree, Law School, Mara University of Technology, Malaysia

AREA OF EXPERTISE
- Public administration

CURRENT APPOINTMENT
- Member of Corporate Debt Restructuring Committee, Ex officio member for Ministry of Finance Malaysia
- Principal Assistant Secretary, Strategic Investment Division

PAST EXPERIENCE
- Principle Assistant Director, Service Division, Public Service Department of Malaysia
- Deputy Director, Expatriate Services Division, Immigration Department of Malaysia
- Immigration Attaché, Embassy of Malaysia in Beijing, People's Republic of China, Immigration Department of Malaysia
- Deputy Director, Immigration Office in Selangor Darul Ehsan, Immigration Department of Malaysia
- Assistant Secretary, Development Division, Polis Diraja Malaysia (PDRM) Building Projects
- Assistant Secretary in Research and Planning Division, Ministry of Internal Security

GOVERNANCE

EXECUTIVE COMMITTEE

Rafiz Azuan Abdullah
Chief Executive Officer

Afiza Abdullah
Executive Vice President

Lee Yee Ming
Executive Vice President and Chief Transformation Officer

Wan Ahmad Ikram Wan Ahmad Lotfi
Executive Vice President

GOVERNANCE LEADS

Lim Lee Na
Corporate Secretary and General Counsel

Jazimin Izzat Wan Zoolkifli
Chief Internal Auditor

Zufar Suleiman Abu Bakar
Chief Risk Officer

Alex Lesley Balagurusamy
Chief Integrity and Governance Officer

Detailed profiles of the Executive Committee and Governance Leads can be found at www.pidm.gov.my

STAKEHOLDERS

ENGAGING STAKEHOLDERS PROACTIVELY FOR EFFECTIVE OUTCOMES

Over the years, we have taken a comprehensive approach towards developing and implementing our stakeholder engagement programme and in 2023, those efforts remained our key priority. We continued to reach out to stakeholders to foster a greater understanding of PIDM's systems to protect financial consumers and how we play our role as a resolution authority, particularly to better understand the strategies and approaches taken by PIDM to resolve troubled member institutions. This includes the important roles played by our stakeholders – financial safety net authorities, member institutions, strategic service providers, the media, and other parties – in ensuring there is collective readiness to act during a crisis scenario.

In addition, we observed higher levels of interest in PIDM's deposit insurance system due to the Spring 2023 Bank Failures.[1] Hence, we took the opportunity to heighten engagements with various stakeholders and explain PIDM's roles in promoting financial system stability, as well as key lessons learnt from those events in the context of the Malaysian financial system. These engagements were supported by the flagship publication of our Resolution Case Studies booklet in 2023.

The strategic aim of our communications, consultations, and engagements with diverse stakeholders is to maintain high levels of trust and confidence in our protection systems, as well as our capabilities to resolve a member institution in an orderly manner. This in turn, promotes the stability of the Malaysian financial system. A summary of our engagements with key stakeholder groups is illustrated below.

Members of the public and media

Touchpoints

- Awareness and trust index survey
- Surveys or questionnaires
- Media engagement sessions, including spokespersons
- Studies on financial consumer behaviours
- Community outreach events

Outcome and Strategies

The public and media have good understanding of PIDM's roles, including our role as a resolution authority. This will help to maintain the trust and confidence of public stakeholders in PIDM's intervention and resolution actions taken during a crisis situation

- Engage public stakeholders on contemporary topics of interest, including financial consumer resilience and literacy
- Increased engagements with business media on PIDM's resolution mandate and crisis preparedness strategies in 2023
- Expand PIDM's regional outreach efforts to East Malaysia in 2023
- Increase use of digital and social media platforms
- Support initiatives under the Financial Education Network (FEN)

Financial safety net players and Government agencies

Touchpoints

- Coordination committees with the Ministry of Finance and BNM
- External audits by the National Audit Department
- Engagements with senior officials in the Government and at working level, including from various agencies

Outcome and Strategies

Effective arrangements among key domestic authorities for financial crisis management

- Engage financial safety net (FSN) players via bilateral simulation exercises and knowledge sharing sessions in 2023 on the intervention and resolution of member institutions, the formulation of new policies and other governance-related matters
- Established institutional arrangements, including representation of the Secretary General of the Treasury and the Governor of BNM as ex officio Board members of PIDM, our Chief Executive Officer's membership in the Financial Stability Executive Committee pursuant to the Central Bank of Malaysia Act 2009, our Strategic Alliance Agreement with BNM and Strategic Coordination Council with the Ministry of Finance
- Briefing to various government agencies interested in our protection systems
- Secondment of a PIDM employee to the Ministry of Finance

[1] *Refer to the "Key Reflections From Spring 2023 Bank Failures" article in Part I*

STAKEHOLDERS

Member institutions and industry associations

Touchpoints

- Policy consultations
- Industry dialogues, briefings, technical meetings, focus groups and bilateral discussions
- Industry events
- Engagements with senior leaders of member institutions and industry associations

Outcome and Strategies

Planning in advance by member institutions for a resolution scenario

- Consult and engage the industry for feedback and clarification of our policies and to communicate our regulatory expectations on new requirements, particularly resolution planning for our member institutions in 2023
- Strategic dialogues with the industry to facilitate exchange of views on economic and financial developments, including those relating to the resolution of financial institutions
- Issue articles and publications to educate industry professionals on the importance of preparedness through resolution planning for greater operational resilience
- Organised the inaugural National Resolution Symposium (NRS) in 2023 as a platform for strategic discourse on resolution and crisis preparedness

Strategic service providers and partners

Touchpoints

- Roundtable and workshop sessions with service providers including professional services firms and engagements with payment system operators
- Industry events
- Engagements with senior leaders of service providers and partners

Outcome and Strategies

Service provider readiness to support PIDM during a resolution scenario

- Testing exercises with various specialised service providers, including with law firms and insolvency practitioners in 2023
- Knowledge sharing sessions for familiarisation of our legislation, mandate, strategies and processes on resolution readiness
- Broaden engagements with strategic service providers through industry events such as the NRS

International counterparts

Touchpoints

- Appointments onto executive and other committees of international institutions
- Crisis management groups and resolution-focused meetings
- Bilateral agreements with foreign authorities
- Hosting of regional bilateral meetings
- Senior-level invitations to speak at international conferences
- Technical assistance and knowledge sharing sessions

Outcome and Strategies

Maintain strong international relations to improve PIDM's policies and strategic outcomes

- Signed Cooperation Agreement with the European Union Single Resolution Board and Memorandum of Understanding with the Indonesia Deposit Insurance Corporation (IDIC) in 2023
- Bilateral meetings with foreign authorities on cross-border resolution coordination and our consumer protection systems
- Speaking engagements by our senior leaders at events by the International Association of Deposit Insurers (IADI), Financial Stability Institute of the Bank for International Settlements (FSI), International Forum of Insurance Guarantee Schemes (IFIGS), Executives' Meeting of the East Asia Pacific Central Banks (EMEAP), the World Bank and other multilateral institutions
- Chaired the Research Technical Committee under the IADI Asia-Pacific Regional Committee and contributed to research on financial technology, contingency plan testing, and Islamic deposit insurance in 2023

Employees

Touchpoints

- Employee engagement surveys
- Town hall sessions
- Wellness initiatives, sports, recreation, social and community outreach events

Outcome and Strategies

Strong talent, capabilities and organisational culture

- Engage employees through various channels and activities, including those organised by our employee-led Kelab Sukan, Rekreasi dan Kebajikan
- Focus groups in 2023 to identify and implement action plans following our employee voice survey conducted in 2022
- Develop future-ready and resolution skills for employees, including our programme for resolution trainees

MATERIAL MATTERS

> *For PIDM, material matters are issues that can or may have the potential to substantially affect the achievement of the Corporation's mandate and statutory objects. These include issues that can affect our strategies, business model or our resources or capitals,[1] over the short, medium, or long term. Material matters are also matters that arise from our assessment of key risks affecting PIDM and which are discussed at Board level.*

MANDATE AND BOUNDARIES

Preamble to the Malaysia Deposit Insurance Corporation Act (PIDM Act)	*"Whereas the stability of the financial system is a key determinant of the economic growth and prosperity of Malaysia:* *Whereas the purpose of the deposit insurance system and the takaful and insurance benefits protection system is to protect financial consumers in the event of failure of a member institution and PIDM is to carry out its mandated functions with speed and efficiency; ... and promote sound risk management in the financial system and enhance financial consumer protection"*
Mandate and Statutory Objects	• Protect depositors, takaful certificate and insurance policy owners in relation to a member institution failure • Administer the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS) • Provide incentives for sound risk management in the financial system • Promote or contribute to financial system stability
Reporting Boundaries	As permitted under the PIDM Act, and for readiness, PIDM has incorporated subsidiaries that will serve as a bridge institution and an asset management company that will however not be operational unless there is an intervention and failure resolution. Refer to the Financial Statements on financial reporting practices with regard to these subsidiaries.

MANAGING RISK IN 2023: INTENSIFYING OUR FOCUS ON READINESS IN AN ERA OF DIGITAL AND DYNAMIC CHANGE

Whilst the threat and impact of COVID-19 have now abated, we are also being confronted with increasing uncertainties and rapid changes in the economic, financial and geopolitical landscape globally. Hence, PIDM's key focus, as described in our Corporate Plan 2023 – 2025, reflects our strategic intent to deepen and intensify our focus on resolution readiness. Realising readiness requires PIDM and our key stakeholders to have collaborative and complementary readiness to effectively resolve troubled member institutions.

Ensuring effective execution of intervention or resolution actions require not only internal capacity building but also in-depth understanding and readiness of FSN players, the industry, other key stakeholders and the public at large.

In ensuring these strategic objectives are met and sustained, PIDM also seeks to future-proof our operations by commencing the next phase of our digital transformation journey, including further enhancing our data management and analytics capabilities. This digital transformation plan will remain as one of the key focus areas over the next few years.

[1] *Section 2C of the revised International Integrated Reporting <IR> Framework (January 2021) defines capitals as resources or "stock of values" that increase, decrease or transform through the activities and outputs of an organisation. For example, an organisation's financial capital is increased when it makes profit or surpluses, and the quality of its human capital is improved when employees become better trained*

MATERIAL MATTERS

A summary of our principal risks for the year 2023 is set out in the table below.

Principal risks	Context
Realising Readiness To Carry Out Our Mandate – Insurance Risk	Downside risk and challenges in the global economic environment remain, including high interest rates and tight liquidity globally, and heightened geopolitical tensions exposing supply chains and key commodities to shocks. Malaysia remains highly subject to risks emanating from the weaker-than-expected external sentiments which could dampen Malaysia's economic outlook.
Growing Cybersecurity Threats – Operational Risk	Cyberattacks, including attempts to exfiltrate data via network infiltration, are expected to continue to intensify. Cybercriminals are predicted to leverage off artificial intelligence and machine learning to automate and enhance their capabilities, making their attack methods more sophisticated and adaptive.
Future Ready And Adapting To The Changing Digital And Working Landscape – Operational Risk	Risk in achieving the desired quality, performance and security levels of PIDM's information technology systems and processes, in our efforts to modernise our digital infrastructure and capabilities, as part of our digital transformation efforts.
Future-Proofing Our Human Capital – People Risk	Risk of having employees not being fully equipped with the necessary skills to adapt and having the mindset to embrace the advances made in new systems and tools implemented as part of our digital transformation journey.
Damage To Image And Reputation – Reputation Risk	Deterioration in the perception of our image or brand value, which could result in damage to credibility, trust and confidence amongst stakeholders. This in turn could impact our effectiveness in carrying out an intervention and failure resolution. Sufficient support from key stakeholders is critical for PIDM to fulfil our corporate initiatives and mandate effectively.

PIDM's risk philosophy is fundamentally focused on anticipating and being prepared to minimise risks that threaten the protection of financial consumers' savings in Malaysia and the stability of the financial system.

DETERMINING MATERIALITY

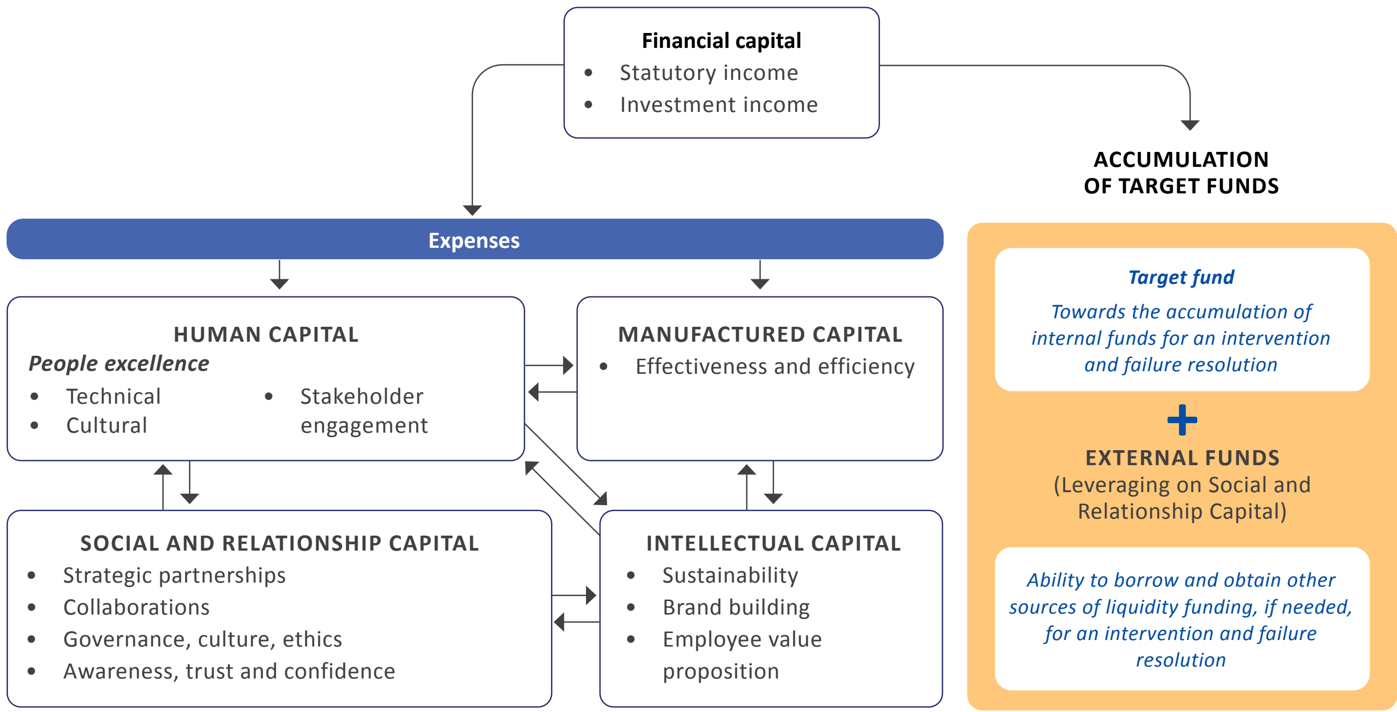
Material matters are considered from the perspectives of significant value drivers, stakeholder interests, external and internal factors, current performance, our principal risks and our capitals. We then assess how all these factors impact our ability to create value, i.e. whether they increase or transform the various resources or capitals of PIDM which are used to carry out our role and fulfil our mandate.

MATERIAL MATTERS

OUR CAPITALS AND HOW THEY ARE INTERLINKED AND TRANSLATED TO ACHIEVE OUR MANDATE

Financial capital	• Statutory income from premiums and levies collected from member institutions, and investment income generated from the Protection Funds • Liquidity funding from external sources to carry out our statutory functions
Human capital	• Competencies, capabilities and experience of employees • Capacity and bench strength of human resources, internally or externally sourced
Intellectual capital	• Knowledge and expertise in DIS and TIPS • Knowledge and expertise in intervention and resolution of financial institutions • Knowledge of corporate governance practices in the public sector • Knowledge acquired and captured through knowledge management programmes and activities • Knowledge acquired by PIDM's employees in the course of our day-to-day business and operations
Manufactured capital	• Information technology systems and infrastructure for our day-to-day operations and for intervention and resolution • Cybersecurity, business continuity and disaster recovery systems and infrastructure
Social and relationship capital	• Strong relationship within PIDM and with our external key stakeholders • Reputation and image

How Financial Capital Impacts the Other Capitals for Creation of Value for PIDM



Mandate
- *Administer DIS and TIPS*
- *Provide protection against the loss of deposits in member banks, and takaful or insurance benefits in respect of insurer members*
- *Provide incentives for sound risk management*
- *Contribute to or promote stability in the financial system*

MATERIAL MATTERS

A significant portion of PIDM's operational costs relates to human capital. Our 'value' or business model relies heavily on intangible assets (intellectual, and social and relationship capitals). Hence, PIDM's value hinges on our people. Only with the right people are we able to harness the intangible asset value of knowledge and build the social and relationship capital needed to successfully carry out our mandate.

Knowledge – which involves experience, research and learning – is a main capital for PIDM. For knowledge to be a valuable asset, PIDM continues to build on our intellectual capital.

As part of the financial safety net, to successfully manage our financial resources and liquidity needs during an intervention and failure resolution, PIDM also needs to build relevant relationships. Social and relationship capital (reputation and image) is also important if the public is to have trust and confidence in PIDM, and if PIDM is to be able to contribute effectively to the stability of the financial system. Much of this relies on not only the competence of our people but our governance structure, internal ethics and behaviour, and the appropriate public communication and relations.

Manufactured capital, such as our IT infrastructure, is important for effectiveness and efficiency. We have also started to put into place a digital transformation plan that will help guide how we manage and use the data and information we collect (e.g. from member institutions, BNM and other resolution authorities), and to carry out more research, in particular on data and information that PIDM and others can analyse and use, with a view to facilitating the creation of value for society.

Source of financial capital

PIDM's primary source of financial capital is the premiums or levies imposed on member institutions, and the investment income from the funds. The premium and levy rates are decided by the Minister of Finance on PIDM's recommendations.

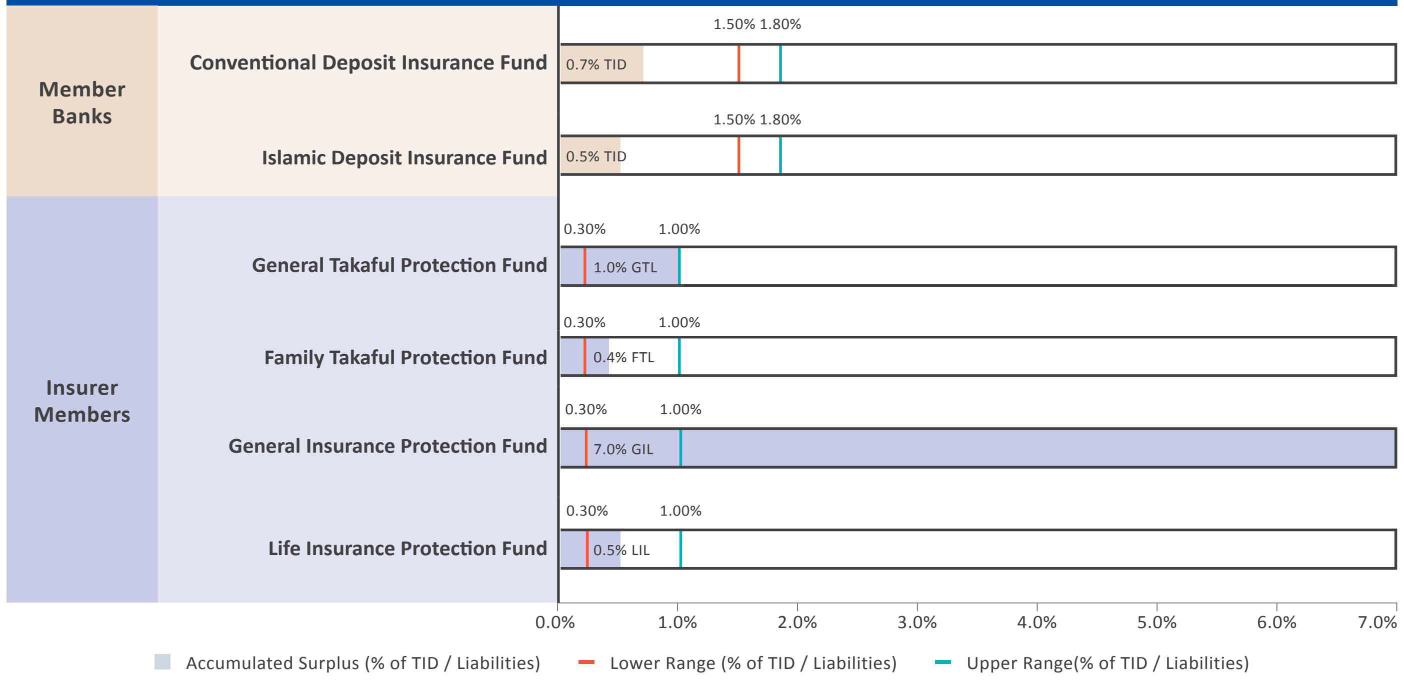
The pre-emptive building of the funds collected from the industry (or referred to as ex-ante funding) is a key feature of a deposit insurance system and in accordance with Principle 9 of the International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems – Sources and Uses of Funds. The same ex-ante funding feature is also used for the Takaful and Insurance Benefits Protection System. It is not economical nor is it intended for PIDM to cover fully the exposures through an ex-ante collection from the industry. Instead, PIDM sets a target reserve that is adequate to cover net insurance losses, supported by external liquidity funding sources. This target reserve is referred to as the Target Fund.

For PIDM, the Target Fund aims to accumulate funds to cover the net expected losses arising from any intervention or failure resolution activity. PIDM applies a combination of statistical and discretionary approaches in determining the Target Fund levels and ranges.

Following the comprehensive review undertaken in 2022, the revised Target Fund range for the Deposit Insurance Funds (DIFs) is 1.5% and 1.8% of the Total Insured Deposits (TID). PIDM has also revised the Target Fund range for the Takaful and Insurance Benefits Protection Funds (TIPFs) by aggregating the net losses of all the individual protection funds to arrive at a consolidated range of 0.3% and 1.0% of the total insurance or takaful liabilities. The following diagram depicts the current levels of the respective accumulated DIFs and TIPFs in comparison to the Target Fund range, and against the exposure of the TID[2] and the total insurance and takaful liabilities,[3] respectively.

[2] *The TID depicted is the total industry TID as at 31 December 2022, in accordance with the annual submission of the Return on TID*
[3] *The total insurance and takaful liabilities are the total industry aggregates as at 31 December 2022, in accordance with BNM's Risk-Based Capital Framework for Insurers and Risk-Based Capital Framework for Takaful Operators reporting forms*

ACCUMULATED SURPLUS AND TARGET FUND LEVEL



Notes:
TID: Total Insured Deposits
GTL: General Takaful Liabilities
LIL: Life Insurance Liabilities
FTL: Family Takaful Liabilities
GIL: General Insurance Liabilities

Source: PIDM

The Target Fund frameworks and levels for DIFs and TIPFs are reviewed annually to ensure the model and assumptions used remain relevant.

IN REVIEW: COMPONENTS IN ADMINISTRATING DIS AND TIPS

PIDM periodically reviews the components in administering DIS and TIPS to ensure that they remain effective in maintaining public confidence and financial system stability. A summary of key outcomes of our recent reviews and what to expect going forward are described below.

Target fund frameworks. In 2022, PIDM completed a comprehensive review on the target fund frameworks with the aim to ensure sufficiency of ex-ante funding that is reflective of the current operating environment.[1] Based on the review, a recalibration of the target fund range is required for both the DIFs and the TIPFs – higher target range for DIFs and change in target fund approach for TIPFs to a consolidated range. Our next step is to review the premium and levy rates to enable PIDM to (i) achieve the higher DIFs target range within a reasonable time-to-fund, and (ii) lay out the strategic considerations for TIPFs as the consolidated target range for TIPFs is met. PIDM will adopt a measured approach for any adjustments to the premium or levy rate.

Target Fund Frameworks Review

	Deposit Insurance Funds (DIFs)	Takaful and Insurance Protection Funds (TIPFs)
Previous Target Range	**0.6% to 0.9%** of Total Insured Deposit	GTPF: 2.8% to 3.3% of GTL FTPF: 1% to 1.5% FTL LIPF: 0.4% to 0.6% AVL
Revised Target Range	**1.5% to 1.8% of Total Insured Deposit**	**Consolidated range at 0.3% to 1% of total insurance or takaful liabilities**

Notes:
- The General Insurance Protection Fund had met its target level of 80% - 100% of Total Net Expected Loss
- FTL: Family Takaful Liabilities
- GTL: General Takaful Liabilities
- AVL: Actuarial Valution Liabilities
- GTPF: General Takaful Protection Fund
- FTPF: Family Takaful Protection Fund
- LIPF: Life Insurance Protection Fund

Notes:
The TIPFs met the consolidated target range

Differential premium and levy frameworks. The accumulation of PIDM's ex-ante funding to achieve the target fund levels are based on the premium and levy collection under the Differential Premium System framework for member banks (DPS), the Differential Levy System framework for insurance companies (DLS) and the Differential Levy System framework for takaful operators (DLST). PIDM's most recent review focuses on incorporating resolvability elements in our differential premium and levy frameworks. In 2025, PIDM will implement the enhanced DPS framework which incorporates resolvability criteria to incentivise member banks to be more resolvable in addition to our effort in promoting sound risk management. The DLS and DLST frameworks for insurer members are currently being reviewed to incorporate changes in regulatory and financial reporting developments, as well as resolvability elements.

Differential Premium and Levy Frameworks Review

	Safety and soundness criteria	Resolution-centric criteria	Our focus going foward
Differential Premium System (DPS)	In Effect	Effective Assessment Year 2025	*Monitor performance of member banks under resolution-centric criteria to inform resolvability*
Differential Levy System for Insurance Companies (DLS)	In Effect		*Review frameworks to incorporate changes in accounting standards and consider resolution-centric criteria for insurer members*
Differential Levy System for Takaful Operators (DLST)	In Effect		

Protection scope and coverage limit. The 2022 target fund frameworks review aligns the target fund with PIDM's exposure and considers the various resolution approaches for member institutions. In 2021, PIDM enhanced our protection to takaful certificate and insurance policy owners following the completion of a TIPS coverage review. We now protect almost all types of benefits under eligible certificates and policies (subject to conditions and limits specified in the respective policy and takaful contracts).[2] As for DIS, PIDM's current deposit coverage level remains above the recommended coverage level by IADI. With the Spring 2023 Bank Failures,[3] PIDM is closely following the discussions amongst international standard-setting bodies and deposit insurers globally on this front.

[1] *Details in Target Fund – In Review, PIDM Annual Report 2022*
[2] *Takaful and insurance benefits not eligible for protection include benefits under takaful certificates and insurance policies denominated in foreign currencies. Refer to www.pidm.gov.my for more details*
[3] *Refer to the "Key Reflections From Spring 2023 Bank Failures" article in Part I*

MATERIAL MATTERS

As highlighted below, material matters include concerns that correspond with some of the risks in the earlier section. The material matters are discussed in order of priority, taking into account the impact of the matter on PIDM's ability to perform our statutory functions, and the strategies are aligned to the action plans as described in PIDM's Corporate Plan for 2023.

READINESS FOR RESOLUTION AND CRISIS MANAGEMENT

Definition

Ensuring effective execution of intervention or resolution actions:

(a) Continuously enhancing PIDM's internal readiness in relation to intervention and resolution;

(b) Executing resolution plans effectively and ensuring robust crisis coordination actions among the FSN players and service providers;

(c) Ensuring member institutions are clear about PIDM's regulatory expectations to support the implementation of PIDM's resolution strategies; and

(d) Ensuring robust liquidity management plan that covers management of liquidity crisis before, during and after a Non-Viability Trigger (NVT) event.

Capitals

Principal risks

- Insurance risk
- People risk
- Reputation risk
- Operational risk

Strategy

KRA 1 - Continuously enhancing PIDM's internal readiness to ensure robust intervention and execution of resolution actions.

KRA 2 - Developing resolution plans for member institutions and having service providers ready to immediately step in and support PIDM to effectively resolve troubled member institutions.

KRA 3 - Strengthening FSN players' readiness through effective crisis management arrangements with and among key stakeholders.

AWARENESS, TRUST AND CONFIDENCE, AND CRISIS COMMUNICATION

Definition

Ensuring the confidence of depositors and other financial consumers through comprehensive communication of PIDM's mandate, our role, as well as administering an effective protection system.

Having comprehensive plans to communicate effectively before and during crisis situations to avert or mitigate panic behaviours.

Capitals

Principal risks

- Reputation risk
- Insurance risk

Strategy

KRA 4 - Ensuring public and media readiness by maintaining strong awareness, understanding and advocacy of PIDM among the public and media.

KRA 5 - Enhancing the effectiveness and relevance of PIDM's protection coverage and role as financial consumer protection authority.

LEADERSHIP, EMPLOYEE ENGAGEMENT AND DEVELOPMENT

Definition

Enabling PIDM's readiness to deliver our mandate effectively through:

(a) Effective employee engagement;

(b) Continuous upskilling for current and future needs;

(c) Cultivating a digital and sustainability-focused culture; and

(d) Succession planning.

Capitals

Principal risks

- People risk
- Operational risk

Strategy

KRA 6 - Ensuring strong talent capabilities and strengthening PIDM's culture to meet our strategic direction, as well as alignment to the overall changing operating environment.

FUTURE-READY OPERATIONS

Definition

Addressing challenges brought by digital advances:

(a) Leveraging the exponential increase in computing power to enhance the efficiency and effectiveness of PIDM's operations;

(b) Transition from cybersecurity to cyber resilience; and

(c) Enhancing collaboration and integration of processes, systems and people.

Capitals

Principal risks

- Operational risk
- Reputation risk
- People risk
- Strategic risk

Strategy

KRA 7 - Modernising PIDM's IT infrastructure, processes, and cybersecurity to augment future readiness to effectively deliver PIDM's mandate.

KRA 8 - Leveraging applications and data analytics to improve PIDM's resolution readiness and operational effectiveness.

CORPORATE GOVERNANCE

Definition

Commitment to transparency, accountability, integrity and sustainability, and ensuring effective strategic management and sound management practices.

Capitals

Principal risks

- Operational risk
- Reputation risk

Strategy

KRA 9 - Applying relevant Environmental, Social and Governance (ESG) elements as the guiding principle across PIDM's operations.

PERFORMANCE

PERFORMANCE

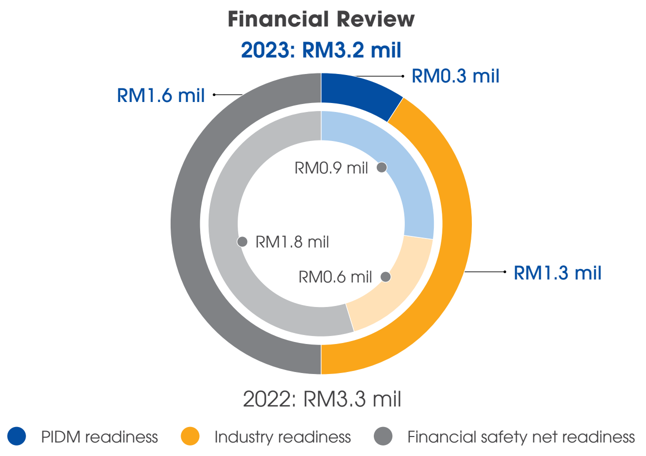
The Corporate Plan 2023 – 2025, themed "Realising Readiness", reflects our strategic intent to intensify our focus on resolution readiness through enhancements to PIDM's internal preparedness, as well as via collaborative and complementary readiness with our stakeholders to effectively resolve troubled member institutions. The three-year Corporate Plan is anchored upon three strategic pillars aimed to sharpen PIDM's focus on resolution readiness, ensure our financial consumer protection systems remain effective and implement digital transformation effectively. The following highlights our key achievements in 2023 against the strategic pillars.

STRATEGIC PILLAR 1: REALISING READINESS FOR RESOLUTION AND CRISIS MANAGEMENT

Intensify and deepen PIDM's capabilities to intervene and execute resolution of member institutions by further enhancing PIDM's internal resolution readiness, as well as preparing key external stakeholders to be ready for action and effectively support the practical implementation of PIDM's resolution strategies in situation of crisis.

Key Result Areas

- Enabling robust and effective intervention and resolution actions by PIDM
- Strengthening the resolvability of member institutions and enhancing the readiness of service providers
- Effective crisis management arrangements with and among FSN players



Key Cost Drivers

- Development of an interagency crisis preparedness binder
- Crisis simulation exercises and knowledge sharing session
- Readiness framework with key service providers
- National Resolution Symposium
- Resolution planning initiatives

Enhancements to capitals

Human capital | Intellectual capital | Manufactured capital | Social and relationship capital

Advanced resolution planning and resolution readiness agenda

Resolution planning guidelines. We issued the Guidelines on Resolution Planning for Deposit-Taking Members in September 2023. The Guidelines set out PIDM's approach to resolution planning and the requirements applicable to member banks. As part of resolution planning, member banks are expected to develop the necessary capabilities to support the implementation of an orderly resolution in the event it becomes non-viable. The implementation of resolution planning in phases commencing in 2024, is in line with the implementation of the recovery planning exercise led by BNM. In 2023, we also continued to hold engagement and briefing sessions on resolution planning matters.

Inaugural National Resolution Symposium. In October 2023, we successfully organised the inaugural National Resolution Symposium (NRS) themed, "Empowering Resilience Through Resolution Planning". The symposium, which consisted of panel and masterclass sessions, was attended by 300 regulatory experts, practitioners (including our service providers) and industry players from various jurisdictions, who shared their insights and exchanged views on managing resolution and resolution planning for financial institutions. The NRS achieved its objectives to facilitate intellectual discourse and thought-provoking discussions about resolution and foster greater collaboration among stakeholders towards enhancing Malaysia's financial system resilience through resolution planning. Moving forward, the NRS will be an annual event organised by PIDM. Refer to the NRS 2023 article in this Part for further details.

Resolution Case Studies booklet. In conjunction with the NRS, we also launched the Resolution Case Studies booklet which dives into 25 global financial institution failures and the experiences gathered from their resolution. These case studies emphasise the vital importance of learning from the past to better prepare for future challenges. The case studies on the resolution of troubled banks and insurance companies enable us to draw new insights from global experiences, which may be adapted for domestic situations or needs.

Continued to enhance crisis preparedness and interagency coordination

Simulation exercises and knowledge sharing session. We completed a simulation exercise with PIDM's Board of Directors which was based on a scenario involving a cross-border failure. The exercise was focused on crisis management arrangements between the Board and Management on information flow, interaction points and key areas for direction or decision. We have also completed a tabletop simulation exercise with BNM, covering events leading to early intervention actions, grounds for non-viability decision and resolution options, with a focus on interagency coordination between BNM and PIDM. In addition, we also organised an interagency knowledge sharing session attended by approximately 120 attendees from the Ministry of Finance, BNM and PIDM. The session brought together international experts in the management of banking crises, including in policy design and with practical experience, who shared their knowledge and experience on effective domestic and cross-border cooperation. We also continued with the development and updating of the interagency crisis preparedness binder via workshops and learnings from the simulation exercises.

Gazetted the Differential Premium Systems Regulations

Revised Differential Premium Systems Regulations. The revised Differential Premium Systems (DPS) Regulations was gazetted in July 2023. Following that, a transition reporting arrangement was put in place to facilitate member banks in the implementation of the requirements under the enhanced DPS framework prior to it coming into effect in assessment year 2025. A Guidance Note on Transition Reporting under the revised DPS framework was issued to provide member banks with guidance on information gathering for the new resolution centric indicators in respect of assessment years 2023 and 2024.

Strengthened cross-border cooperation

Memoranda of Understanding. We executed two Memoranda of Understanding (MOU) with the Single Resolution Board (SRB), the European Banking Union's resolution authority, and with the Indonesian Deposit Insurance Corporation (IDIC) which will further enhance cross-border operations and collaboration, as well as promoting the exchange of best practices and expertise in resolution.

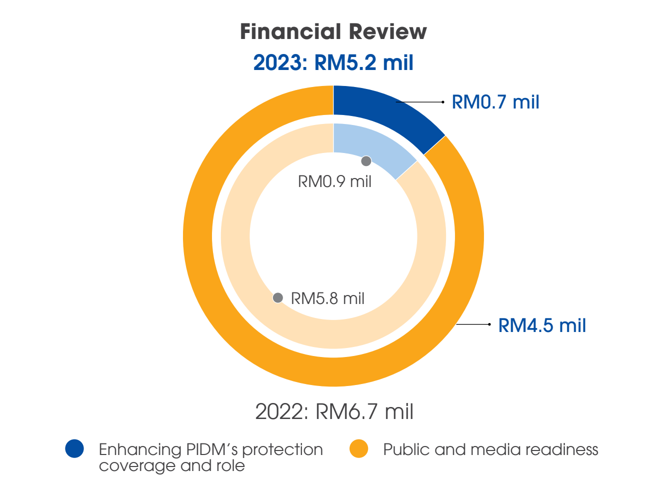
PERFORMANCE

STRATEGIC PILLAR 2: ENHANCING CONFIDENCE IN PIDM'S PROTECTION SYSTEM

Amplify PIDM's public awareness approach by leveraging on the theme of financial literacy and optimising the usage of PIDM's digital communication channels to promote PIDM's roles as both the financial consumer protection authority as well as the national resolution authority for PIDM's member institutions.

Key Result Areas

- Maintaining strong awareness, understanding and advocacy among the public and media
- Enhancing the effectiveness and relevance of PIDM's coverage and role as a financial consumer protection authority



Key Cost Drivers

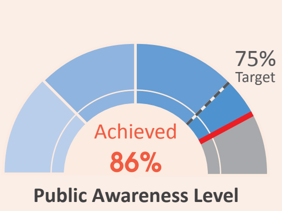
- Advertising activities with a continued focus on social media and the digital space albeit with lower spending
- Financial resilience campaign – #SediaPayungKewangan (SPK), collaboration with Financial Education Network (FEN) and Sabah engagement outreach
- Behavioural research study
- Hosting and attendance in bilateral and multilateral fora

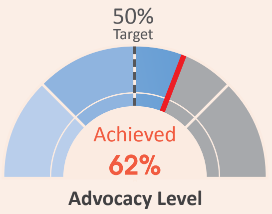
Enhancements to capitals

Human capital   Intellectual capital   Social and relationship capital

Heightened awareness and advocacy of PIDM

Higher results of public awareness and advocacy levels. We carried out an annual nationwide public awareness survey through an independent research agency to measure the effectiveness and success of our public awareness initiatives. The survey measures, among others, the levels of awareness and advocacy among the public about PIDM and our financial consumer protection systems. In 2023, we achieved a public awareness level of 86% (2022: 80%) and an advocacy level of 62% (2022: 59%), surpassing the targets of 75% and 50% for public awareness and advocacy levels respectively.





#SediaPayungKewangan campaign and collaboration with FEN. We continued to anchor on our SPK campaign and delivered the content fully on digital and social media platforms in 2023. We continued to leverage on existing SPK content with several adaptations made to the videos and articles. We also collaborated with online publishers and financial influencers to produce new financial literacy content. The response for the campaign continued to be encouraging year-on-year. In 2023, we managed to obtain a cumulative reach of 18.9 million for our SPK content, significantly exceeding our target of 10 million. We also organised the Financial Fitness (FinFit) Challenge 2023 as part of the core online programme for FEN's Financial Literacy Month campaign in October 2023.

Sabah engagement outreach. In 2023, we expanded our outreach programme to Sabah in collaboration with several FEN partners. In collaboration with BNM, we conducted engagement sessions with member institutions in Sabah. We also participated in the Sabah Ministry of Finance's Mobile Community Service on-ground outreach programme in Tenom and Kunak. In partnership with BNM, Agensi Kaunseling dan Pengurusan Kredit and the Employees Provident Fund Sabah, we carried out a mini financial literacy open day and talks for the students and staff of the Faculty of Business, Accounting and Finance of Universiti Malaysia Sabah.

Continued to review PIDM's protection systems

Behavioural study. We conducted a behavioural research study on the behaviours and risk of bank runs of Malaysian depositors as well as the impact of social media on financial consumer behaviours during times of crises. The findings of the behavioural study will be applied to improve our communication and stakeholder engagement practices, as well as relevant public policies going forward for more effective results.

Leveraged on international relations to improve PIDM's outcomes

International engagements and participation. On the international front, we continued to play an active role in bilateral and multilateral fora such as the International Association of Deposit Insurers (IADI), International Forum of Insurance Guarantee Schemes (IFIGS) and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), with a particular focus on the area of resolution. In addition, we hosted a bilateral meeting with IDIC in July 2023 which included renewing the PIDM-IDIC Memoranda of Understanding. We also played an active role in contributing to the global and regional policy discourse on the topics of deposit insurance, insurance guarantee scheme, resolution and crisis management through various speaking engagements. At the regional level, we played a leadership role in chairing the Research Technical Committee of the Asia Pacific Regional Committee (APRC) of IADI.

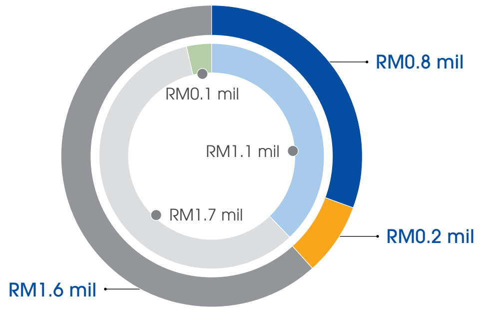
STRATEGIC PILLAR 3: ENABLING PIDM'S READINESS THROUGH ORGANISATIONAL EFFECTIVENESS, DIGITAL TRANSFORMATION AND STRONG GOVERNANCE

Build a solid foundation for change by inculcating the fundamentals of a digital and sustainability culture among employees and to equip them with future-ready skills, using data analytics for better decision-making, re-engineering core operational processes and technological infrastructure, and modernising our system applications with strengthened security while maintaining strong governance and effective operations.

Key Result Areas

- Ensuring strong talent and capabilities, and strengthening PIDM's culture
- Modernising PIDM's IT infrastructure, processes and security to augment future readiness to deliver our mandate
- Leveraging system applications and data analytics to improve PIDM's resolution readiness and enhance operational effectiveness
- Applying ESG as the North Star in PIDM's operations

Financial Review
2023: RM2.6 mil



2022: RM2.9 mil

- Modernising IT infrastructure, process and security
- Applying ESG as the North Star in PIDM's operations
- Digitalisation and data analytics
- Others

Refer to Summary of Financial Performance in this section for our human capital management expenses

Key Cost Drivers

- Cybersecurity initiatives
- Adoption of Microsoft 365 (M365)
- Development of data governance and management policy
- Education scholarship and sustainability initiatives

Enhancements to capitals

Human capital | Intellectual capital | Manufactured capital | Social and relationship capital

Building a future-ready workforce

Upskilling and reskilling. In 2023, we continued with the implementation of the learning and development framework including modules on future-ready skills. The corporate-wide focus for 2023 was on design thinking to inculcate innovative problem-solving. At the same time, we carried out programmes to enhance our employees' digital literacy, and cloud technical skills for our relevant technology employees. Technical programmes on resolution topics were enhanced and rolled out across the Corporation, enabling a resolution-ready workforce. A refreshed onboarding programme was developed for new joiners to enable them to quickly become productive members of the team. In addition, we continued to carry out leadership, behavioural and functional skills programmes for identified group of employees through structured platforms and on-the-job learning.

Developed resolution talent pipeline

Graduation of the pilot batch of Resolution Trainees. The pilot batch of Resolution Trainees who commenced their training in 2021, graduated in 2023, and took up full time positions within the Corporation. We have also commenced the second batch of the Resolution Trainee Programme for five new resolution trainees in 2023.

Continued to undertake the digital transformation journey

Governance of digital technology. We developed a cloud adoption and governance framework and policy which guides the implementation of various cloud-based modernisation initiatives. To complete our governance foundation, we have also commenced development of a comprehensive data governance and management policy to enhance the standards and practices for data management, usage and protection across the organisation.

Modernisation of infrastructure. In developing future-ready infrastructure, we developed the roadmap, blueprints and migration strategies for infrastructure and systems. This includes the setting up of prerequisites for implementation of M365, Software-as-a-Services (SaaS) and Platform-as-a-Services (PaaS) for certain corporate and business applications. The commencement of the modernisation of our systems such as the human capital management system, paved the way for us to strengthen our back room operations, provide better analytics capability for management, and give employees an enhanced integrated experience at PIDM.

Fortifying our cybersecurity posture

Cybersecurity posture. We continued to ensure that our cybersecurity posture is resilient by implementing adequate cybersecurity controls and validating the effectiveness of these controls. We maintained our ISO/IEC 27001:2013 Certification for the third year since 2021. We carried out comprehensive exercises such as "Red Teaming", vulnerability assessment, penetration tests, email phishing and cyber drill to test the effectiveness of our information security incident response playbooks during the year. Our existing policies and procedures are now aligned with Zero Trust Architecture principles, as we embark on our cloud journey. These exercises were carried out with heightened complexity and difficulty to enhance our cybersecurity awareness and the capabilities of our employees. We have formulated action plans to address gaps identified arising from these exercises.

Continued to strengthen PIDM's culture and corporate values

Employee engagement. We continued to reinforce our corporate values via employee engagement programmes including monthly gatherings, quarterly town hall sessions, PIDM's Family Day, Merdeka discovery LRT treasure hunt, health and wellness carnival, various events organised by Kelab Sukan, Rekreasi dan Kebajikan PIDM, as well as motivational talks and corporate-wide awareness trainings. These engagements have been thoughtfully integrated with PIDM's core values, along with digital and sustainability elements.

Sustainability and Corporate Social Responsibility. In 2023, we focused on the recycling theme which gained traction among our employees through their participation in the recycling activities organised internally. Among others, we incorporated environmental sustainability elements during PIDM's Family Day, such as a briefing session on zero-waste living, physical demonstration on plastic recycling and collection of recyclable items from employees and their families. We conducted an internal campaign for employees to donate unwanted clothes for reuse or recycling purposes and managed to collect more than 1,200kg of unwanted clothes. We also held an internal campaign for employees to submit e-waste to create awareness and to facilitate proper disposal of such waste.

Corporate Plan 2023 – 2025: Moving Forward
The year 2024 is the halfway point of PIDM's three-year Corporate Plan 2023 – 2025 in ensuring the aspiration of realising readiness in 2025 is achieved. Refer to Part III for an overview of our plans in 2024.

PERFORMANCE

SUMMARY OF FINANCIAL PERFORMANCE

PIDM remains steadfast in our commitment towards resource optimisation and prudent and responsible financial management for the day-to-day operations as well as in fulfilling our mandated roles.

AT A GLANCE

Income
RM842.4 million
12.7%
RM94.8 million
2022: RM747.6 million
Projection 2023: RM788.0 million
Actual vs projection: +RM54.4 million

Operating Expenses
RM111.6 million
9.4%
RM9.6 million
2022: RM102.0 million
Budget 2023: RM126.7 million
Actual vs budget: +RM15.1 million

Comprehensive Income
RM730.6 million
13.1%
RM84.6 million*
2022: RM646.0 million
Budget 2023: RM661.3 million
Actual vs budget: +RM69.3 million

* Includes remeasurement of Long Term Retirement Plan liability of -RM0.1 million

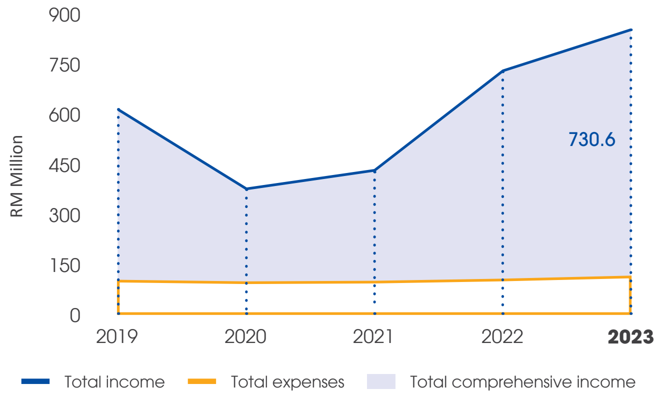
Protection Funds
RM6.6 billion
11.9%
RM0.7 billion
2022: RM5.9 billion
Projection 2023: RM6.5 billion
Actual vs projection: +RM0.1 billion

Financial Snapshots

The total comprehensive income of PIDM for 2023 amounted to RM730.6 million (2022: RM646.0 million) on the back of increased premium and levy revenues as well as investment income and returns, coupled with total operating expenses of RM111.6 million (2022: RM102.0 million), bringing the total Protection Funds to RM6.6 billion (2022: RM5.9 billion). PIDM's investment income and returns continue to cover our operational expenditures.

Overall, PIDM continues to operate within the budget, as set out in our Corporate Plan. The total Protection Funds comprised mainly financial assets, which represented 99.3% of the total assets of PIDM.

Key Financial Trends



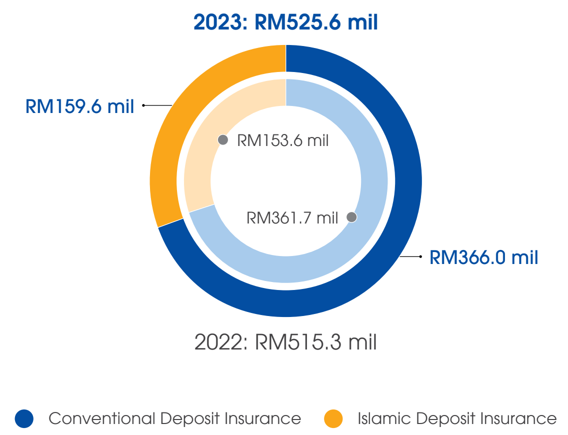
Premium and Levy Revenues

Our Differential Premium System framework for member banks and Differential Levy System framework for insurer members and takaful operators provide incentives for member institutions to enhance their risk management practices through the prescription of premium or levy rates based on their risk profiles, for each assessment year.

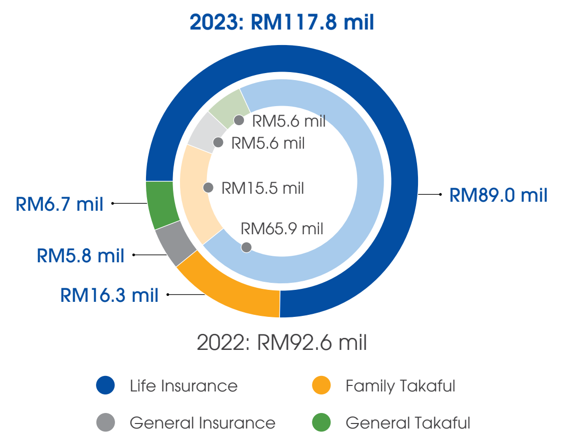
The annual premiums paid by member banks are calculated based on Total Insured Deposits as at 31 December of the preceding assessment year, while the annual levies collected from insurer members are calculated based on Actuarial Valuation Liabilities and net premiums and contributions.

Total premium and levy revenues collected for the year were RM643.4 million, representing a 5.8% increase from the previous year. PIDM also collected the first premium of RM250,000 from a digital bank that became our member in October 2023.

Deposit Insurance Funds – Premium Revenues



Takaful and Insurance Benefits Protection Funds – Levy Revenues



Investment Income and Returns

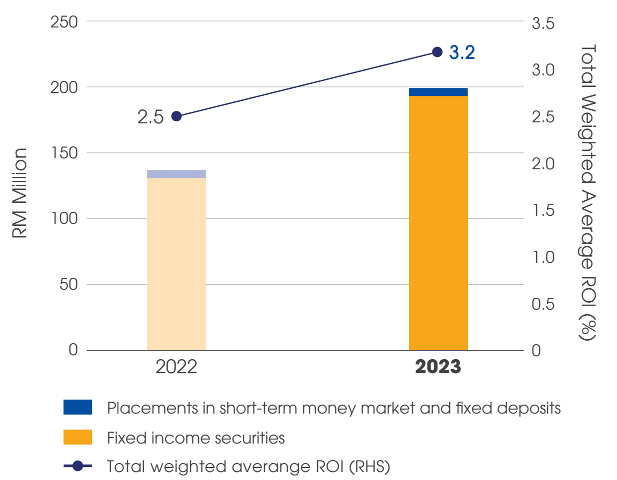
In line with the Corporation's Investment Policy, the primary source of investment income and returns is from our fixed-income investment portfolio consisting of Malaysian Government Securities (MGS) and Government Investment Issues (GII), and high-grade investment securities, namely selected Private Debt Securities (PDS) of AAA rating issued by Government-related entities.

Investment income and returns increased significantly by 42.5% to RM198.9 million compared to 2022. The improvement in the investment income and returns was mainly due to the continued high interest rate environment as well as the extended investment maturity tenure.

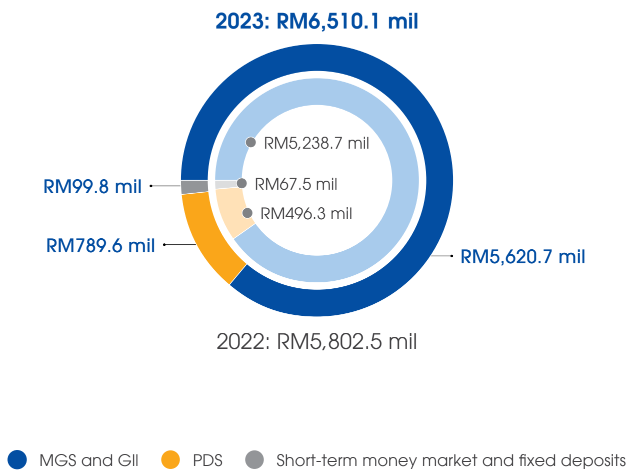
The total weighted average return on investments (ROI) for the fixed-income investment portfolio and placements has increased to 3.2% from 2.5% in the previous year.

The improved weighted average ROI for the fixed-income investment portfolio was attributable to new investments and reinvestments made during a rising interest rate environment period, particularly in the second half of 2022, and further supplemented by the extended investment portfolio tenure.

Investment Income and Returns, and Weighted Average ROI



Investments Composition



Enhancements to capitals

Financial capital

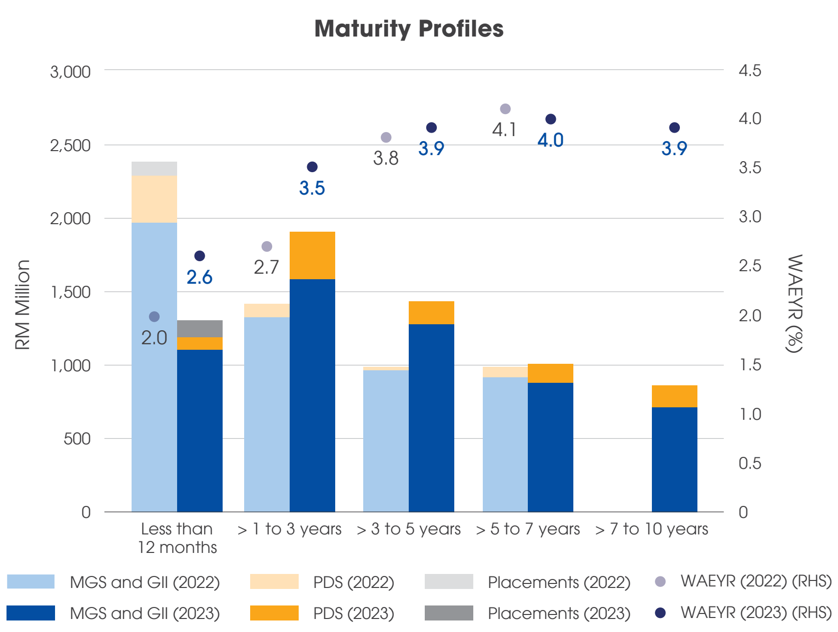
PERFORMANCE

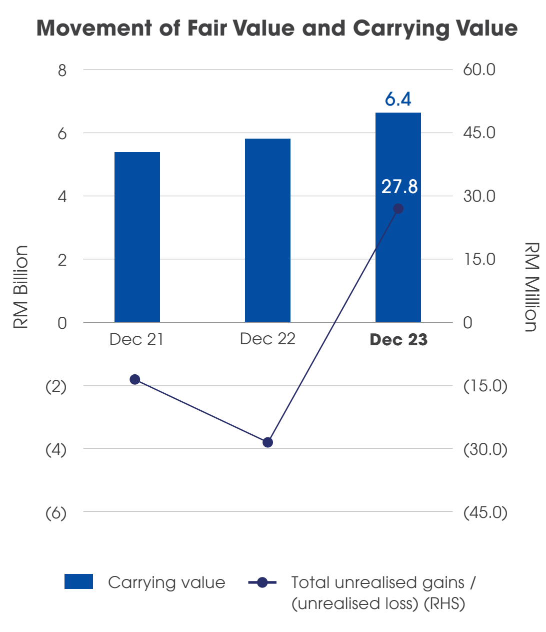
Investment portfolio as at 31 December 2023

As at end-December 2023, 51.0% of the investment portfolio was invested in securities with maturities of over three years compared to only 34.0% a year earlier, resulting in the extension of the duration of the total investment portfolio to 3.2 years as at the end of 2023 compared to 2.0 years in the previous year.

This has resulted in the rise in the average investment portfolio yield, which saw the Weighted Average Effective Yield and Return (WAEYR) increase from 2.9% as at the end of 2022 to 3.5% as at the end of 2023. As at 31 December 2023, 83.0% of the portfolio is yielding over 3.0% yield as compared to 41.0% of the portfolio a year prior.

The fair value of the investment portfolio as at end of 2023 had also improved arising from the portfolio rebalancing into the longer tenured securities as well as the reduction in the market yield of longer tenured securities towards the end of 2023.

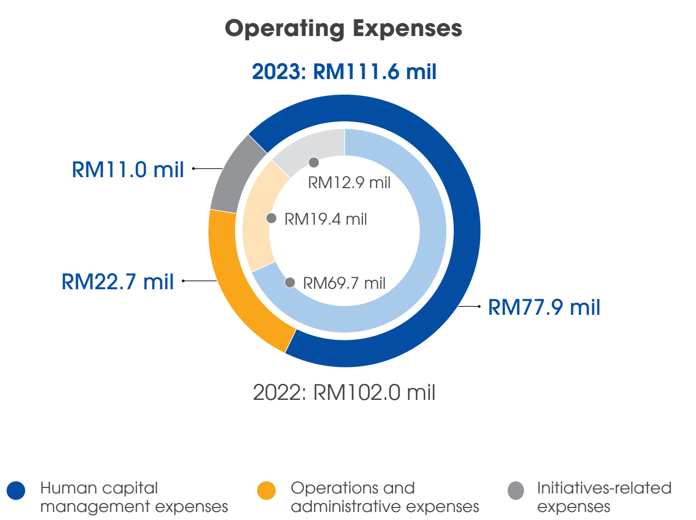


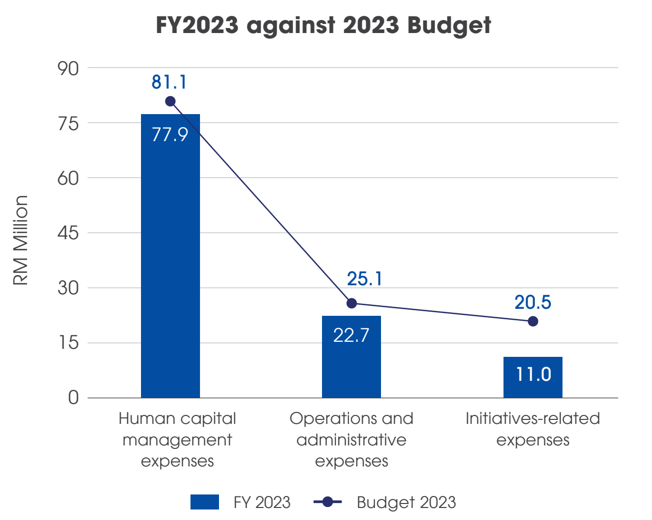


Operating Expenses

Our operating expenses for 2023 totalled to RM111.6 million, an increase of 9.4% compared to RM102.0 million in 2022. Human capital-related expenses remain the predominant expenses, representing 69.8% (2022: 68.3%) of our total operating expenses, followed by operations and administrative expenses at 20.3% (2022: 19.0%) and initiatives-related expenses at 9.9% (2022: 12.7%).

Against the budget, our total operating expenses were RM15.1 million or 11.9% lower, mainly due to lower human capital management expenses and initiative-related expenses.



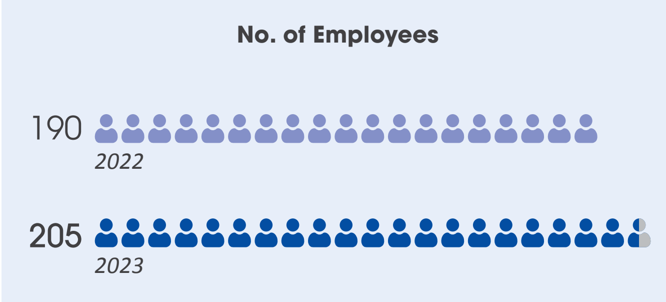


PERFORMANCE

Human Capital Management Expenses

Our human capital management expenses consolidated within Strategic Pillar 3 continue to be the primary cost driver of PIDM's operating expenses, mainly attributed to the increased employee headcount.

Our bench strength increased to 205 as at the end of 2023, compared to 190 in the previous year. However, the full cost impact for new hires in 2023 will only be reflected in 2024.



Other human capital-related expenses increased by RM1.3 million, attributed primarily to increased investments in employee engagement as well as learning and development.

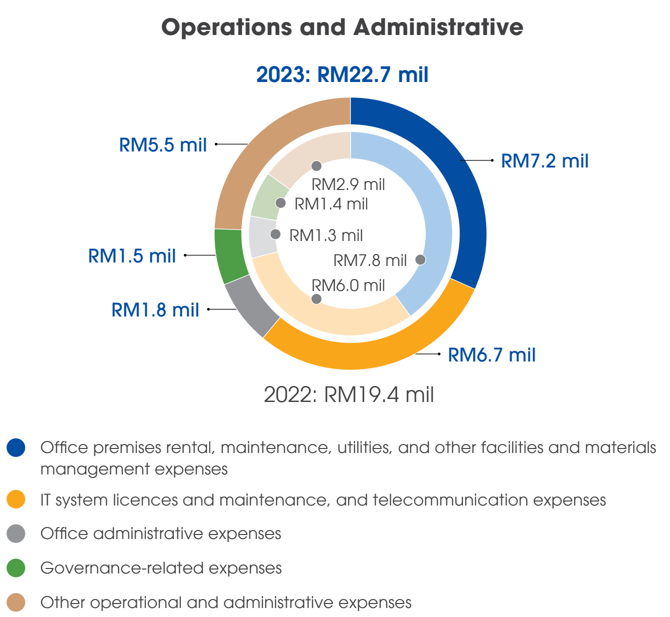
Enhancements to capitals

Human capital | Intellectual capital

Operations and Administrative Expenses

The operations and administrative expenses for 2023 reflected our efforts in reshaping our operations and administration moving forward. Throughout the year, the operational and administrative expenses expanded by RM3.3 million or 16.8% from the preceding financial year. While prudent measures such as office space rationalisation led to savings in office leases and utilities, this positive effect was counterbalanced by increased investments in technology-related expenditures – a strategic move aligned with our digital transformation initiative.

Additionally, depreciation expenses increased compared to the previous year, driven by prior year infrastructure enhancements and the full-year impact of new office depreciation. These developments underscore our proactive approach towards modernisation and efficiency, positioning us towards operational agility and sustainable growth.



Enhancements to capitals

Intellectual capital | Manufactured capital | Social and relationship capital

Initiative-related Expenses

These are expenses to support the implementation of corporate initiatives in line with our strategic pillars and the key result areas planned for 2023 in the Corporate Plan.

Total Initiative-related Expenses – by Strategic Pillar

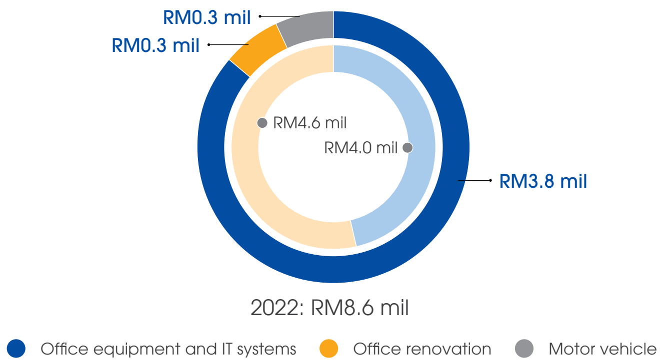
Enhancements to capitals

Human capital | Intellectual capital | Manufactured capital | Social and relationship capital

Capital Expenditures

As at 31 December 2023, we contracted RM4.4 million in capital expenditures, representing 60.3% of the capital expenditure budget for 2023 of RM7.3 million. Most of the expenditures were attributable to the work in building applications and data analytics for resolution readiness, alongside investments in cloud technology and the refreshed operational infrastructure.

Capital Expenditure



Enhancements to capitals

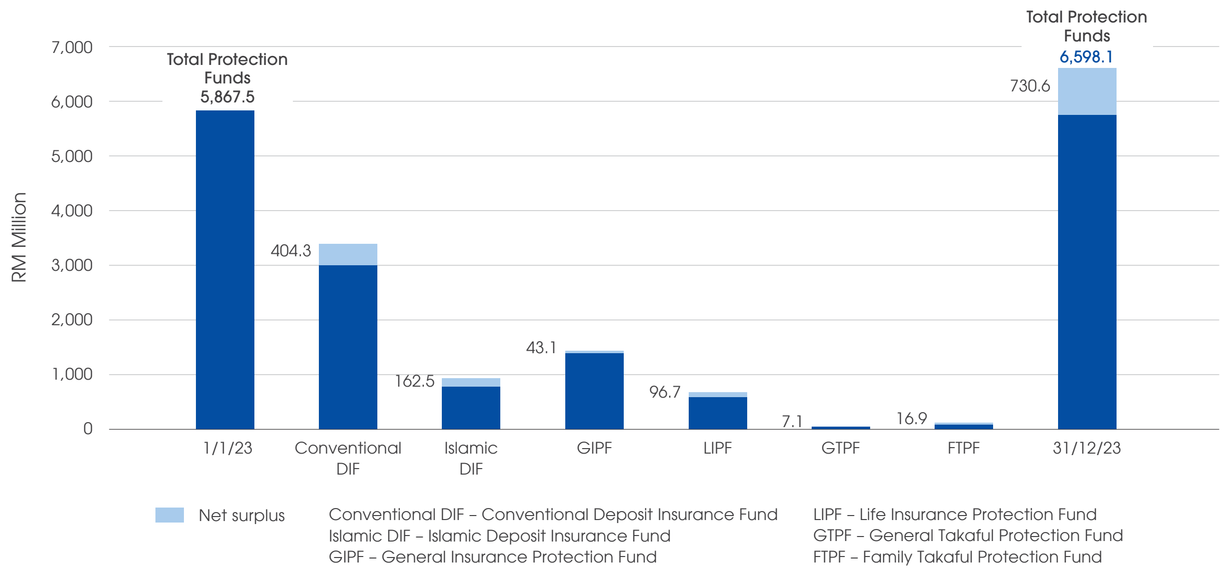
Human capital | Intellectual capital | Manufactured capital | Social and relationship capital

PERFORMANCE

Statement of Financial Position

PIDM's Total Protection Funds as at 31 December 2023 amounted to RM6.6 billion, on the back of total assets of RM6.6 billion and net of liabilities of RM23.0 million.

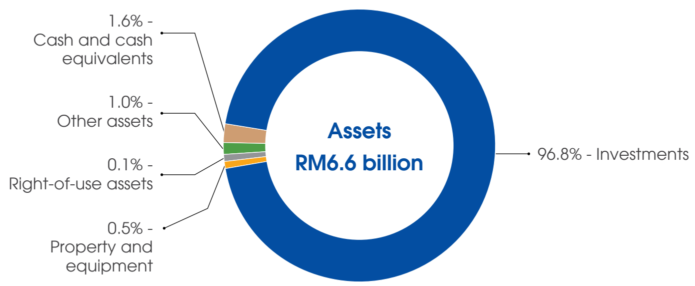
Protection Funds



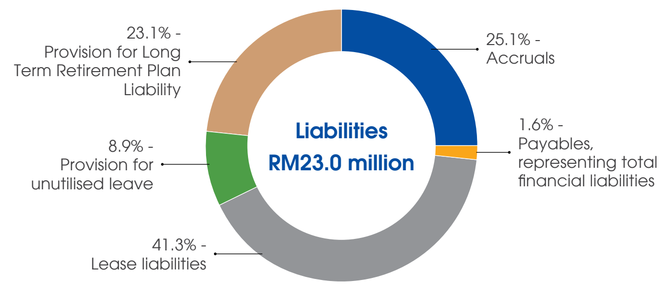
Our assets remained liquid, with financial assets comprising cash, cash equivalents, investments, and investment income receivables. These financial assets stood at RM6.6 billion, representing 99.3% of our total assets as at 31 December 2023. The remaining non-financial assets are mainly related to property and equipment, which amounted to RM30.9 million, as well as RM8.7 million of right-of-use assets mainly for the lease of our offices.

Liabilities, on the other hand, encompassed payables and lease liabilities. Payables consist of mainly non-financial liabilities primarily for initiative-related expenses, operations concerning goods and services acquired by PIDM, and provision for unutilised leave and PIDM's Long Term Retirement Plan. Lease liabilities were related to office buildings and office equipment leases.

Assets as at 31 December 2023



Liabilities as at 31 December 2023



NATIONAL RESOLUTION SYMPOSIUM 2023

Fostering Collaboration and Innovative Thinking in Resolution

From left to right: Afiza Abdullah, Abdillah Azizudin, Lee Kong Eng, Eva Hüpkes, Datuk Jessica Chew Cheng Lian, Rafiz Azuan Abdullah, Dato Dr. Nik Ramlah Mahmood, Datuk Dr. Yacob Mustafa

The two-day inaugural National Resolution Symposium (NRS) 2023 was organised by PIDM on 18 and 19 October 2023 at One World Hotel, Petaling Jaya.

Intended to be held as an annual flagship event for PIDM following the issuance of PIDM's *Guidelines on Resolution Planning for Deposit-Taking Members* and the commencement of the resolution planning journey in Malaysia, the NRS 2023 aims to provide a platform and opportunity for stakeholders and interested parties to engage on the topic of resolution and resolution planning. The NRS 2023 brought together approximately 300 participants from a diverse group of stakeholders comprising regulatory authorities, resolution authorities, financial industry players, professional firm practitioners and academicians, both domestically and internationally. The NRS 2023 was designed specifically to cater to different interest groups by featuring plenary conference-style presentations and panel discussions, along with more "immersive" sessions at the technical masterclasses, offering a more comprehensive understanding of the topics.

Themed "**Empowering Resilience Through Resolution Planning**", the NRS 2023 facilitated the sharing of insights and exchanging of views on managing and resolving a financial institution's failure in an increasingly uncertain environment. The symposium discussed the failures of Silicon Valley Bank, Signature Bank, and Credit Suisse which served as a testament to the importance of pursuing resolution and crisis readiness as an on-going and continuous effort in an ever-changing landscape. As a lesson learnt from the 2023 banking crises, the symposium also highlighted the importance for all stakeholders to work collaboratively towards achieving a collective level of readiness during good times to enable better and effective handling of a failure or crisis.

Rafiz Azuan Abdullah, Chief Executive Officer of PIDM, delivering his welcoming remarks to the attendees of NRS 2023

At the symposium, PIDM also launched the Resolution Case Studies booklet that highlighted 25 global financial institution failures and the experiences gathered from their resolution. The booklet provides an in-depth understanding of what resolution is all about and what resolution authorities can do when faced with a financial institution's failure.

Tapping from the experiences of other authorities, guest speakers from the US Federal Deposit Insurance Corporation (FDIC), Single Resolution Board (SRB), Hong Kong Monetary Authority (HKMA), the International Association of Deposit Insurers (IADI) and others added depth to the discussions and conversations on resolution and resolution planning. Representatives from the banking and insurance industry, as well as service providers, also shared their experiences in implementing recovery and resolution planning (RRP). In essence, the NRS 2023 highlighted the importance for PIDM to work closely with our member institutions along the resolution planning journey. The outcome is to be able to achieve prompt and orderly resolution by engaging institutions to build resolution capabilities over time. If implemented correctly, resolution planning can offer immense benefits for financial institutions and help promote financial system stability. Resolution planning enhances operational resilience by clarifying roles, improving governance, enhancing risk monitoring, and providing better management information systems for informed decision-making. The NRS 2023 also highlighted that achieving resolvability takes time and that resolution success comes by design, not by accident.

PIDM AND SUSTAINABILITY

In line with the Government's sustainability efforts and aspirations, PIDM is committed to operationalising our governmental and regulatory affairs in a socially responsible, sustainable and meaningful way, taking into account good governance, the environment and society at large. As a financial consumer protection authority and resolution authority for our member institutions, our mandate inherently involves addressing social needs through our protection systems for financial consumers and contributing to the stability of the financial system.

As a Government authority, governance will always be a primary focus of how we operate and conduct our affairs. Despite PIDM's inherently small environmental footprint, we aim to cultivate a culture of environmental sustainability among our employees. This initiative motivates them to always consider and, where practical, conduct practices that will reduce the impact of our operations on the environment.

2023 SUSTAINABILITY INITIATIVES

Over and above the sustainability aspects of PIDM's mandate and function, the table below highlights specific key initiatives in respect of environmental, social and governance (ESG) sustainability carried out during the year.

ENVIRONMENTAL SUSTAINABILITY

Adopt environmental sustainability best practices in PIDM's day-to-day operations

- Environmental sustainability culture programmes, i.e. recycling campaign on the collection of unwanted clothes and e-waste, short video contest on recycling for employees' children, switch-off campaign, sustainability "garage" (an employees' feedback session) and provision of information materials
- Sustainability features such as avoidance of non-sustainable materials, provision of awareness and trees adoption at PIDM's corporate events, i.e. National Resolution Symposium, Bintang Kewangan (a singing competition among participating agencies under the Ministry of Finance), Scholarship Award Event and employees' engagement activities
- Replacement of compact fluorescent lamps to LED lights at PIDM's disaster recovery centre
- In-house computation and assessment of carbon emission data from PIDM's operations
- Series of trekking activities to Taman Tugu in Kuala Lumpur to provide exposure on the preservation efforts dedicated to a secondary forest and the adoption of five trees within the Taman Tugu forest reserve
- Continued adoption of five sun bears, an endangered species, at the Bornean Sun Bear Conservation Centre

> "By protecting and conserving wildlife, we're ensuring that future generations can enjoy our natural world and the incredible species that live within it."

Image courtesy of Bornean Sun Bear Conservation Centre

SOCIAL SUSTAINABILITY

PIDM is committed to advancing human capital, promoting employee wellbeing, elevating public financial literacy and providing scholarships to meet poverty eradication goals

- Employees' skills enhancement, particularly in specialised areas such as resolution and digital skills
- Employee engagement programmes, i.e. PIDM's Family Day, Merdeka Discovery LRT Hunt, quarterly town hall sessions and activities under PIDM's Kelab Sukan, Rekreasi dan Kebajikan
- Employee wellness programmes, i.e. health screening facility, health and wellness carnival, Bookdoc subscription and employee assistance programme
- Community financial literacy programmes, i.e. support for Financial Education Network's (FEN) initiatives, FinFit Challenge 2023 among younger millennials, financial literacy content, engagement with Sabah community, Kids Kumpul Coins contest, exhibition booths, speaking engagements and financial literacy surveys
- The Undergraduate Scholarship Programme as part of corporate social responsibility (CSR), with 20 new scholarships awarded during the year
- CSR and zakat distribution for Projek Perumahan Rakyat's (PPR) residents

GOVERNANCE SUSTAINABILITY

Upholding the highest standards of governance

- Awareness activities and completion of the Certified Integrity Officer programme for integrity
- Awareness, testing and continuation of ISO/IEC 27001:2013 Certification on Information Security Management System for Cybersecurity

Our Board and Management remain steadfast in their commitment towards our sustainability agenda, taking into consideration various factors such as our mandate, the nature of our business, and our office operational setup. We will continue to reinforce the environmental sustainability culture among our employees. With respect to social sustainability, we will further provide value, primarily to our employees and the community, in a more impactful manner. This focus is essential as it closely aligns with our mandate and our role as a financial consumer protection authority and resolution authority for our member institutions.

PART III

OUR WAY FORWARD

STRATEGY

Vision

To promote confidence by being a best practice financial consumer protection and resolution authority

Mission

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

Strategy

Our Journey

From our inception in 2005, PIDM focused on building a strong foundation in governance and operations. We also worked on ensuring the implementation of the right design for our deposit insurance system by benchmarking against international experiences.

Following the exit from the Government Deposit Guarantee in 2010, PIDM's mandate was expanded by legislation. We were tasked with also providing protection for takaful certificate and insurance policy owners in the event of an insurer member failure.

In 2016, together with Bank Negara Malaysia, we formulated our plan to achieve an effective resolution regime for Malaysia. Recognising that this would likely be a long-term journey, we crafted mid to long-term strategies that will ultimately bring to the fore our mandate, vision and mission. The following depicts the key stages of our development towards our long-term strategic priorities.

2005 Foundation	2010 Recognition	2016 onwards Evolution
Deposit Insurance	**Takaful and Insurance Benefits**	**Long-Term Strategic Direction**
Built strong foundations through the establishment of sound corporate governance practices, processes and systems, in administering the Deposit Insurance System (DIS)	Expanded mandate to administer the Takaful and Insurance Benefits Protection System (TIPS). Assessed to be broadly compliant with international standards for effective deposit insurance systems	Enhancing our role as a resolution authority

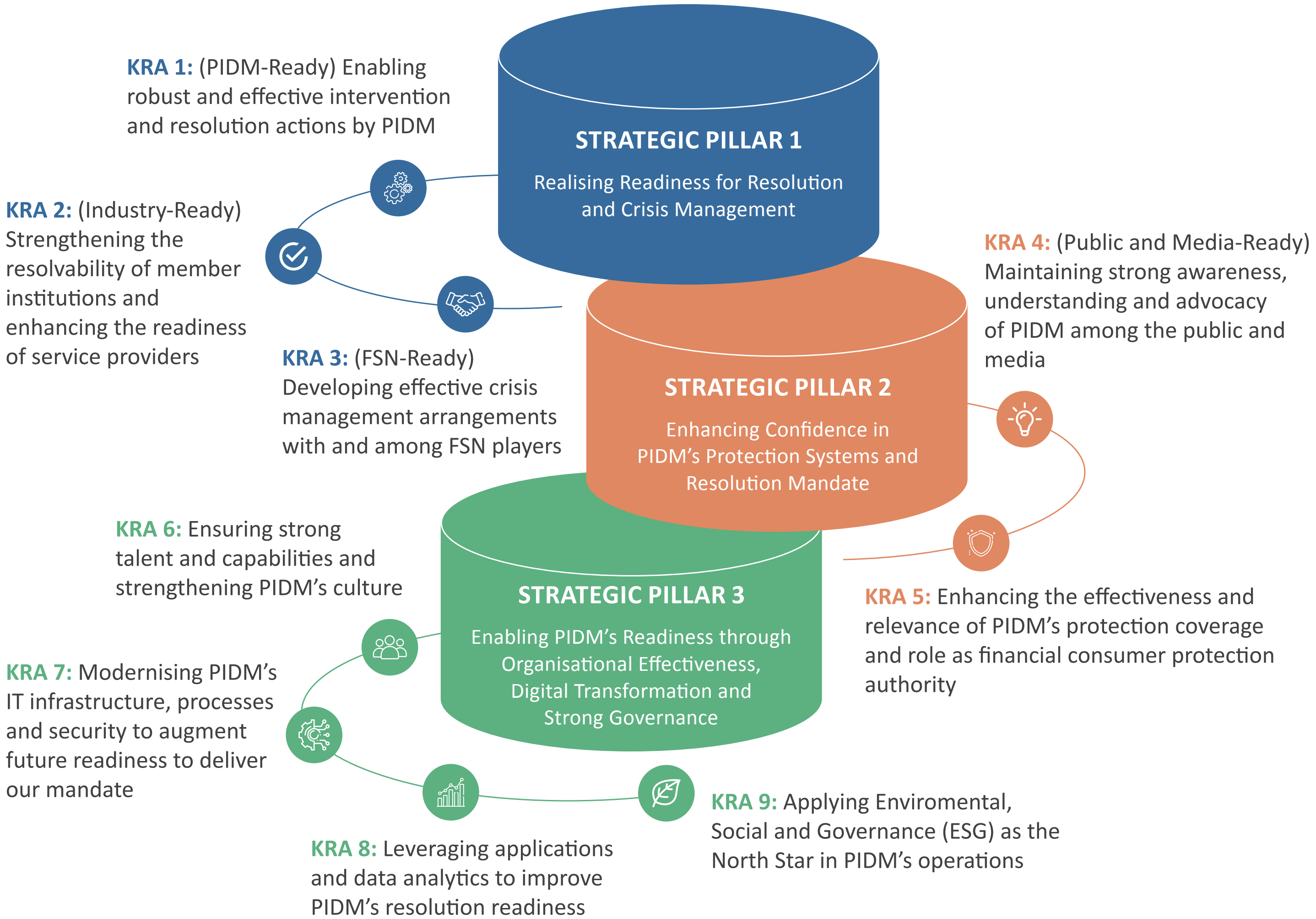
STRATEGY

CORPORATE PLAN 2024

PIDM remains firmly on track towards meeting our strategic goals. 2024 will represent the halfway mark of our three-year Corporate Plan 2023 – 2025 themed "Realising Readiness".

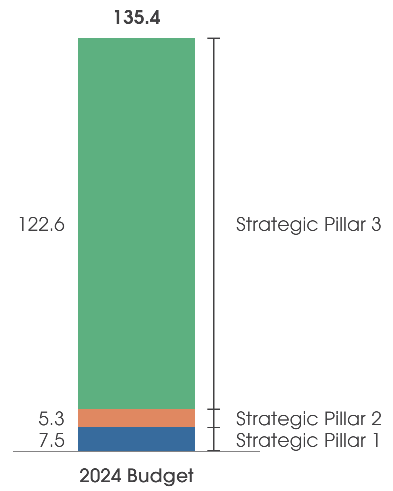
To achieve our strategic outcomes, PIDM will enhance our internal preparedness as well as the readiness of external stakeholders, including financial safety net (FSN) players, the financial industry comprising our member institutions and service providers, as well as the media. These stakeholders will work closely with PIDM in the situation of resolving any troubled member institutions and crisis management, in order to maintain the stability of the Malaysian financial system.

PIDM will continue to implement our strategic plans which are summarised below in the form of three strategic pillars and nine key results areas (KRAs).



The strategic pillars aim to deepen PIDM's focus on resolution readiness, enhance our financial consumer protection systems, and ensure that PIDM's role as a resolution authority for member institutions is well understood by stakeholders. These targets are supported by crucial internal enablers, including strong talent and capabilities, continuing implementation of digital transformation including modern infrastructure and robust cybersecurity, as well as effective governance and operations.

2024 Corporate Plan Budget Allocation by Strategic Pillars (RM million)



		2024 Budget
Strategic Pillar 1	KRA 1	4.7
	KRA 2	2.1
	KRA 3	0.7
Strategic Pillar 2	KRA 4	4.3
	KRA 5	1.0
Strategic Pillar 3	KRA 6	85.8
	KRA 7	7.5
	KRA 8	2.9
	KRA 9	26.4
Total		135.4

To achieve our strategic objectives, for the financial plan 2024, we have allocated a budget of RM135.4 million, comprising operational expenses (OPEX) of RM128.7 million and capital expenditure (CAPEX) of RM6.7 million. The following section details our key corporate initiatives and budget allocation for 2024.

STRATEGIC PILLAR 1: REALISING READINESS FOR RESOLUTION AND CRISIS MANAGEMENT

Strategic Pillar 1 aims to obtain higher levels of intervention and resolution readiness across three dimensions, as follows:

1. PIDM readiness: Robust internal preparations for the resolution of troubled member institutions based on various scenarios and strategies to address different challenges that PIDM may encounter.
2. Industry readiness: Planning in advance for a resolution scenario including cross-border considerations, and having service providers ready to immediately step in and support PIDM to effectively resolve troubled member institutions.
3. FSN readiness: Clear and effective crisis management coordination arrangements with and among key domestic authorities that are continually tested and strengthened through rigorous simulation exercises.

In 2024, our key corporate initiatives include the rollout of resolution planning to member institutions, focus on Shariah resolution matters, review and capacity testing on our reimbursement systems, continuous work on our funding preparedness and liquidity management for resolution, enhancing the risk-based differential premium and levy systems frameworks with elements of resolvability, and strengthening crisis coordination and collaboration among FSN players, including preparations for a comprehensive interagency simulation exercise in 2025. A total of RM7.5 million was allocated for Strategic Pillar 1.

STRATEGIC PILLAR 2: ENHANCING CONFIDENCE IN PIDM'S PROTECTION SYSTEMS AND RESOLUTION MANDATE

Under Strategic Pillar 2, we aspire to enhance public confidence in PIDM and the broader financial system. Over the years, we have made progress in attaining high levels of public awareness and advocacy of PIDM. In 2024, this will be enhanced through greater use of digital communication channels. We will also continue to heighten our education to the public and members of the media about the "why, what and how" on PIDM's role to resolve troubled member institutions. This is an important building block to garner the trust and confidence of public stakeholders in PIDM's roles and actions in the event of an intervention or resolution.

In 2024, the key corporate initiatives supporting this strategic pillar include leveraging financial literacy to heighten the public's understanding and advocacy of PIDM, raising the awareness and comprehension of PIDM's role as the resolution authority for our member institutions, improving our understanding of consumer behaviours through behavioural research, reviewing our DIS and TIPS coverage and policies, and maintaining strong relations with our international stakeholders. A total of RM5.3 million was allocated for Strategic Pillar 2.

STRATEGIC PILLAR 3: ENABLING PIDM'S READINESS THROUGH ORGANISATIONAL EFFECTIVENESS, DIGITAL TRANSFORMATION AND STRONG GOVERNANCE

The goal of Strategic Pillar 3 is to improve PIDM's resolution readiness by shifting our organisational mindset from a "steady-state" towards embracing change and agility, bearing in mind the risks and opportunities from technological advancements, cybersecurity, change management, new ways of working and other external factors. The key enablers of people, information technology (IT), governance and operations are crucial in supporting PIDM's strategic objectives, hence requiring continuous investments and proactive planning to ready PIDM for future challenges.

The key corporate initiatives for 2024 under this pillar include enhancing the skills of PIDM employees for the future, modernising our IT infrastructure and processes, strengthening our cybersecurity with constant monitoring and simulation exercises, enhancing data analytics and technological use for resolution readiness and operational effectiveness, adhering to strong governance standards, and implementing full office operations at the Asian Institute of Chartered Bankers (AICB) building. A total of RM122.6 million was allocated for Strategic Pillar 3.

Additionally, PIDM's plans going forward considers the progress, opportunities, challenges, as well as new developments taking place in our operating environment. Drawing on key lessons from the Spring 2023 Bank Failures,[1] we will contemplate new policy proposals for deposit insurance, bank resolution and financial crisis management in the context of the Malaysian financial system. We will also recalibrate our strategies in 2024 to achieve more effective outcomes in areas such as crisis preparedness, Shariah resolution and governance, public communications, as well as internal digital transformation and operational excellence.

In summary, PIDM will continue to ensure high levels of resolution readiness both internally and in collaboration with external stakeholders, and to foster high levels of public engagement, understanding and confidence in PIDM's protection systems and our resolution mandate.

Highlights of 2024 Financial Plan

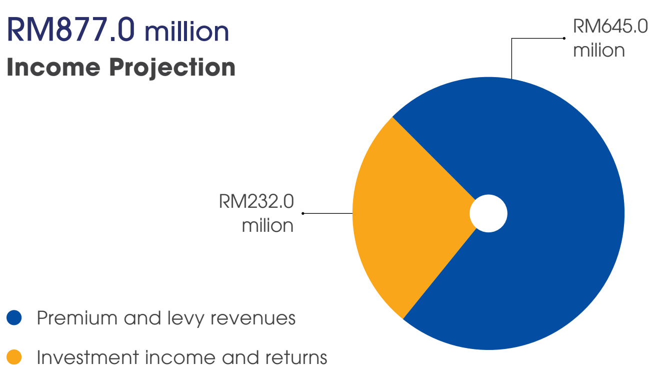
The focus of the 2024 Financial Plan is primarily to support the continuation of our tactical strategies, initiatives and deliverables as outlined in the Corporate Plan 2024. Our human capital expenses, which are encapsulated within Strategic Pillar 3, remain the primary cost driver of our financial plan.

Income Projection

Total income is projected to be at RM877.0 million, comprising premiums of RM540.0 million and RM105.0 million from our member banks and insurer members respectively, as well as RM232.0 million of investment income and returns.

Investment income is expected to continue to rise steadily as lower yielding investments are reinvested at a higher yield. Nonetheless, we anticipate rates and yields to moderate in the near or medium term given the global outlook, and hence we will continue to tread cautiously and remain flexible in managing our investment portfolio to respond to changes in the market and macro-economic environment.

Total Income



The pro forma depicting PIDM's income projection as well as operating and capital expenditure budgets for 2024 are set out below.

Income Projection and Operating Expenditure Budget

	2024 Budget		2023 Budget	
	RM'000	%	RM'000	%
Income				
Premiums and levy revenues	645,000	74	620,000	79
Investment income and returns from cash equivalents and investment securities	232,000	26	168,000	21
Total income	**877,000**	**100**	**788,000**	**100**
Operating Expenditure				
Human capital management expenses	80,925	63	77,000	61
Operations and administrative expenses	22,143	17	20,337	16
Initiatives-related expenses	17,748	14	23,363	18
Total operating expenditure before non-cash expenses	**120,816**	**94**	**120,700**	**95**
Non-cash expenses	7,900	6	6,000	5
Total operating expenditure	**128,716**	**100**	**126,700**	**100**
Net surplus	**748,284**		**661,300**	

Capital Expenditure Budget

	2024 Budget		2023 Budget	
	RM'000	%	RM'000	%
Capital Expenditure				
Furniture, fittings and office refurbishment	4,000	60	250	3
Computer systems and office equipments	2,679	40	6,750	93
Motor vehicle	-	-	300	4
Total	**6,679**	**100**	**7,300**	**100**

[1] *Refer to the "Key Reflections From Spring 2023 Bank Failures" article in Part I*

PART IV

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 2023.

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 (as amended) ("PIDM Act").

DIS provides protection against the loss of part or all of deposits for which a member bank is liable whereas 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 highlight and address any arising matters about the business and affairs of member institutions.

The PIDM Act provides for separate protection coverage for:

i. Islamic and conventional deposits; and

ii. Protected benefits in relation to general insurance, life insurance, general takaful and family takaful.

To ensure proper governance and compliance with Shariah requirements, PIDM maintains and administers two separate Protection Funds for Islamic and conventional deposits known as Deposit Insurance Funds ("DIFs") as well as four separate Protection Funds for each business segment within TIPS known as Takaful and Insurance Benefits Protection Funds ("TIPFs"). There is no commingling of funds between the separate Protection Funds.

FINANCIAL RESULTS

	2023 RM'000	2022 RM'000
Total Comprehensive Income for the financial year:		
Deposit Insurance Funds	**566,788**	531,639
Takaful and Insurance Benefits Protection Funds	**163,836**	114,396
	730,624	646,035

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.

FINANCIAL RESULTS (CONT'D.)

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

	2023 RM'000	2022 RM'000
Deposit Insurance Funds:		
Conventional Deposit Insurance Fund	**3,396,257**	2,991,960
Islamic Deposit Insurance Fund	**935,959**	773,468
Total Deposit Insurance Funds	**4,332,216**	3,765,428
Takaful and Insurance Benefits Protection Funds:		
General Insurance Protection Fund	**1,429,889**	1,386,739
Life Insurance Protection Fund	**677,448**	580,767
General Takaful Protection Fund	**46,207**	39,099
Family Takaful Protection Fund	**112,325**	95,428
Total Takaful and Insurance Benefits Protection Funds	**2,265,869**	2,102,033

DIRECTORS

The names of the Directors of PIDM in office during the financial year ended 31 December 2023 were:

Chairman of the Board

- Dato Sri (Dr) Zukri bin Samat (appointed on 1 November 2023)
- Tan Sri Dr. Rahamat Bivi binti Yusoff (retired on 14 August 2023)

Ex officio **Directors**

1) Secretary General of Treasury, Ministry of Finance
   - Datuk Johan Mahmood Merican[1] (appointed on 27 February 2023)
   - Datuk Seri Asri bin Hamidin @ Hamidon[2] (retired on 3 January 2023)

2) Governor of Bank Negara Malaysia
   - Datuk Shaik Abdul Rasheed bin Abdul Ghaffour[3] (appointed on 1 July 2023)
   - Tan Sri Nor Shamsiah binti Mohd Yunus[3] (retired on 30 June 2023)

[1] *Alternate Directors: Encik Abdillah bin Azizudin; formerly Encik Ashadi bin Ramly*
[2] *Alternate Director: Dato' Shahrol Anuwar bin Sarman*
[3] *Alternate Director: Datuk Jessica Chew Cheng Lian*

DIRECTORS (CONT'D.)

Directors

- Dato' Nor Eni binti Ismail (appointed on 15 September 2023)
- Datuk Dr. Yacob bin Mustafa
- Dato Dr. Nik Ramlah binti Nik Mahmood
- Dato' Dr. Gan Wee Beng
- Ms. Gloria Goh Ewe Gim
- Mr. Lee Kong Eng
- Ms. Suhara binti Husni (retired on 31 July 2023)

Ex officio Directors are Directors appointed by virtue of their office, in accordance with subsection 11(2) (b) and (c) 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.

Alternate Directors to the *ex officio* Directors were appointed under section 11(2B) of the PIDM Act. Pursuant to section 13(3) of the PIDM Act, an alternate Director shall, unless the assignment is sooner revoked in writing or the position is no longer in existence, cease to be an alternate Director when the principal Director ceases to be a member of the Board.

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 16 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.

IMPAIRMENT AND VALUATION METHODS

Before the Statement of Profit or Loss and Other Comprehensive Income as well as the Statement of Financial Position of PIDM were completed, the Directors have satisfied themselves that Management had taken proper action to ensure that there is no known significant impairment 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 other circumstances which would render the need for any impairment 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 methods used in the valuation of assets or liabilities in PIDM's accounts misleading or inappropriate.

CHANGES 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.

DIRECTORS' REPORT

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.

CONTINGENT LIABILITIES

Exposure to losses in administering the Protection Systems

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.

As at the date of the financial statements, there have been no specific events involving PIDM's member institutions that would require PIDM to record a specific provision in its financial statements in accordance with the Malaysian Financial Reporting Standards ("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 highlight and address any arising matters about the business and affairs of member institutions. 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 cost to the financial system.

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

Accumulated surpluses are held in each of the Protection Funds to cover net losses when relevant obligations arise. As discussed in Note 12 to the financial statements, PIDM has established Target Fund frameworks for DIFs and TIPFs to determine the level of funds sufficient to cover the expected net losses from intervention and failure resolution activities.

If the relevant Protection Fund is insufficient to meet obligations, PIDM as a statutory body has the authority to raise funds as it deems fit including borrowing from the Government or issuing public debt securities, as well as assessing and collecting higher premiums or levies 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 matters 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.

DIRECTORS' REPORT

INVESTMENT IN SUBSIDIARIES

PIDM has incorporated five subsidiaries as part of its efforts to ensure operational readiness to carry out any intervention and failure resolution 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 intervention and failure resolution activities. The basis of accounting as well as details of the subsidiaries are further described in Note 2.2(b), Note 3.1(a) and Note 7 to the financial statements.

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 MFRS and comply with the International Financial Reporting Standards ("IFRS"), so as to give a true and fair view of the financial position of PIDM as at 31 December 2023, 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 are 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

Dato Sri (Dr) Zukri bin Samat
Chairman of the Board of Directors

Ms. Gloria Goh Ewe Gim
Chairman of the Audit Committee

Kuala Lumpur, Malaysia
27 February 2024

STATEMENT BY DIRECTORS

We, Dato Sri (Dr) Zukri bin Samat and Ms. Gloria Goh Ewe Gim, 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 (as amended) ("PIDM Act") and applicable Malaysian Financial Reporting Standards and comply with the International Financial Reporting Standards, so as to give a true and fair view of the state of affairs of PIDM as at 31 December 2023, 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

Dato Sri (Dr) Zukri bin Samat
Chairman of the Board of Directors

Ms. Gloria Goh Ewe Gim
Chairman of the Audit Committee

Kuala Lumpur, Malaysia
27 February 2024

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 (as amended) ("PIDM Act") and applicable Malaysian Financial Reporting Standards and comply with the International Financial Reporting Standards, so as to give a true and fair view of the financial position of PIDM as at 31 December 2023, 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 are 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 27 February 2024.

We, Rafiz Azuan bin Abdullah and Wan Ahmad Ikram bin Wan Ahmad Lotfi, 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 27 February 2024

Rafiz Azuan bin Abdullah
Chief Executive Officer

Wan Ahmad Ikram bin Wan Ahmad Lotfi
Executive Vice President
CA (M) 24850

Before me,
Commissioner for Oaths

CERTIFICATE OF THE AUDITOR GENERAL

CERTIFICATE OF THE AUDITOR GENERAL

CERTIFICATE OF THE AUDITOR GENERAL

CERTIFICATE OF THE AUDITOR GENERAL

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2023 RM'000	2022 RM'000
ASSETS			
Cash and cash equivalents	4a	**103,144**	68,563
Investments	5	**6,410,229**	5,735,010
Other assets	6	**68,190**	51,741
Investment in subsidiaries	7	**-***	-*
Property and equipment	8	**30,866**	31,737
Right-of-use assets	9	**8,699**	9,825
Total Assets		**6,621,128**	5,896,876
LIABILITIES			
Payables	11	**13,518**	18,511
Lease liabilities	10	**9,525**	10,904
Total Liabilities		**23,043**	29,415
FUNDS AND RESERVES			
Deposit Insurance Funds			
Accumulated surpluses	12a	**4,332,216**	3,765,428
Takaful and Insurance Benefits Protection Funds			
Accumulated surpluses	12b	**2,265,869**	2,102,033
Total Funds and Reserves		**6,598,085**	5,867,461
Total Liabilities, Funds and Reserves		**6,621,128**	5,896,876

* 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 FINANCIAL YEAR ENDED 31 DECEMBER

	Note	2023 RM'000	2022 RM'000
Premium and levy revenues	13	**643,390**	607,884
Investment income and returns from cash equivalents and investment securities	14	**198,936**	139,624
Other income		**63**	68
Total income		**842,389**	747,576
Human capital management expenses	15	**77,934**	69,699
Operations and administrative expenses	16	**22,655**	19,397
Initiatives related expenses	17	**11,035**	12,918
Total expenses		**111,624**	102,014
Net surplus for the year		**730,765**	645,562
Other comprehensive income			
Remeasurement of Long Term Retirement Plan Liability	11ii	**(141)**	473
Total comprehensive income for the year	21	**730,624**	646,035

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

DEPOSIT INSURANCE FUNDS

	Note	Conventional Deposit Insurance Fund RM'000	Islamic Deposit Insurance Fund RM'000	Total Funds and Reserves RM'000
Accumulated Surpluses				
As at 1 January 2022	12a	2,613,909	619,880	3,233,789
Total comprehensive income for the year		378,051	153,588	531,639
As at 31 December 2022	12a	2,991,960	773,468	3,765,428
As at 1 January 2023	12a	**2,991,960**	**773,468**	**3,765,428**
Total comprehensive income for the year		**404,297**	**162,491**	**566,788**
As at 31 December 2023	12a	**3,396,257**	**935,959**	**4,332,216**

TAKAFUL AND INSURANCE BENEFITS PROTECTION FUNDS

	Note	General Insurance Protection Fund RM'000	Life Insurance Protection Fund RM'000	General Takaful Protection Fund RM'000	Family Takaful Protection Fund RM'000	Total Funds and Reserves RM'000
Accumulated Surpluses						
As at 1 January 2022	12b	1,357,402	517,212	33,372	79,651	1,987,637
Total comprehensive income for the year		29,337	63,555	5,727	15,777	114,396
As at 31 December 2022	12b	1,386,739	580,767	39,099	95,428	2,102,033
As at 1 January 2023	12b	**1,386,739**	**580,767**	**39,099**	**95,428**	**2,102,033**
Total comprehensive income for the year		**43,150**	**96,681**	**7,108**	**16,897**	**163,836**
As at 31 December 2023	12b	**1,429,889**	**677,448**	**46,207**	**112,325**	**2,265,869**

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	Note	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums and levies received from member institutions		**643,390**	607,884
Payments in the course of operations to suppliers and employees		**(104,136)**	(92,065)
Receipts of investment income		**248,135**	222,902
Net cash flows generated from operating activities		**787,389**	738,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investment securities		**2,365,560**	1,680,986
Purchase of investment securities		**(3,106,407)**	(2,436,182)
Proceeds from disposal of property and equipment		**65**	-
Purchase of property and equipment		**(7,434)**	(4,432)
Net cash flows used in investing activities		**(748,216)**	(759,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of the lease liabilities	10	**(4,195)**	(4,518)
Lease finance costs	9b	**(397)**	(404)
Net cash flows used in financing activities		**(4,592)**	(4,922)
Net increase/(decrease) in cash and cash equivalents		**34,581**	(25,829)
Cash and cash equivalents at beginning of year		**68,563**	94,392
Cash and cash equivalents at end of year	4a	**103,144**	68,563

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

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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 (as amended) ("PIDM Act").

DIS provides protection against the loss of part or all of deposits for which a member bank is liable whereas 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 highlight and address any arising matters about the business and affairs of member institutions.

The PIDM Act provides separate protection coverage for:

i. Islamic and conventional deposits; and

ii. Protected benefits in relation to general insurance, life insurance, general takaful and family takaful.

To ensure proper governance and compliance with Shariah requirements, PIDM maintains and administers two separate Protection Funds for Islamic and conventional deposits known as the Deposit Insurance Funds ("DIFs") as well as four separate Protection Funds for each business segment within TIPS known as the Takaful and Insurance Benefits Protection Funds ("TIPFs"). There is no commingling of funds between the separate Protection 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, 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 27 February 2024.

2. 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 also comply with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The measurement bases used, and accounting policies applied in the preparation of the financial statements are described in Note 2.2. The main accounting judgements and estimates are described in Note 3.

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

2. ACCOUNTING POLICIES (CONT’D.)

2.1 Basis of preparation (cont’d.)

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.

2.2 Summary of accounting policies

(a) Financial instruments

Financial instruments are recognised in the Statement of Financial Position when PIDM becomes a party to the contractual provisions of the instrument.

Measurement methods

Amortised cost and effective interest rate or rate of return

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate or rate of return method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest rate or rate of return method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or returns over the relevant period. The effective interest rate or rate of return is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability at initial recognition. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate or rate of return, such as origination fees. For purchased or originated credit-impaired (“POCI”) financial assets, which are financial assets that are credit-impaired at initial recognition, PIDM calculates the credit-adjusted effective interest rate or rate of return, which is based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the expected credit losses in the estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Interest income or returns earned

Interest income or returns earned is calculated by applying the effective interest rate or rate of return to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate or rate of return is applied to the amortised cost of the financial asset; or

- Financial assets that are not POCI but have subsequently become credit-impaired [or known as Stage 3 (refer to Impairment of financial assets)], for which interest income or returns earned is calculated by applying the effective interest rate or rate of return to their amortised cost (i.e. net of the expected credit loss allowance).

Fair value of financial instruments

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial 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 financial asset or transfer the financial liability takes place either:

- In the principal market for the financial asset or financial liability; or

- In the absence of a principal market, in the most advantageous market for the financial asset or financial liability.

The principal or the most advantageous market must be accessible by PIDM.

The fair value of a financial asset or a financial liability is measured using the assumptions that market participants would use when pricing the financial asset or financial liability, assuming that market participants act in their economic best interest.

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 financial assets and financial 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 financial assets or financial 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Fair value of financial instruments (cont'd.)

PIDM provides fair value information on its investments for disclosure purposes.

For financial assets and financial 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.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis, the date on which PIDM commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and subsequent measurement

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

All recognised financial liabilities are classified and measured subsequently at amortised cost, except when otherwise indicated.

In determining the classification of financial assets, PIDM considers the following conditions:

- PIDM's business model for managing the financial asset; and

- The cash flow characteristics of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Business model

The business model reflects how PIDM manages its financial assets in order to generate cash flows. That is, whether PIDM's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss. PIDM's business model is not assessed on an instrument-by-instrument basis, but at a higher level or aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to PIDM's key management personnel; and

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenario into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, PIDM does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the reporting period.

The 'solely payments of principal and interest or return' ("SPPI") test

As the second step of its classification process, PIDM assesses the contractual terms of the financial assets to identify whether it meets the SPPI test.

'Principal' for the purpose of this test is defined as fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortisation of the premium or discount).

In making this assessment, PIDM considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest or returns includes only consideration for time value for money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest or returns.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

The 'solely payments of principal and interest or return' ("SPPI") test (cont'd.)

Details of the classification and measurement of PIDM's financial assets and financial liabilities are described below.

Financial assets

i. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on demand and fixed deposits with banks, as well as short-term, highly liquid financial instruments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. This includes placements in short-term money market instruments as well as short-term investments with maturities of less than 90 days from the date of acquisition. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

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.

ii. Investment securities

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest or return (i.e. passes the SPPI test) on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest or return on the principal amount outstanding.

PIDM's investment securities comprise marketable Malaysian Government Securities, Government Investment Issues and Private Debt Securities. PIDM invests in short-term and medium-term Ringgit Malaysia denominated securities which are held-to-maturity in order to collect contractual cash flows and are not traded. The contractual cash flows of the investment securities represent solely payments of principal and interest or return on the principal amount outstanding. As such, these investment securities are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Financial assets (cont'd.)

iii. Other receivables

Other receivables comprise financial assets which are held with the objective of collecting contractual cash flows and its contractual cash flows represent solely payments of principal and interest or return on the principal amount outstanding, hence are carried at amortised cost in the Statement of Financial Position.

Financial liabilities

Except when otherwise indicated, PIDM measures its financial liabilities at amortised cost, which is the fair value of consideration to be paid in the future for goods and services rendered.

Derecognition

i. Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- 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:
    - PIDM has transferred substantially all the risks and rewards of the asset; or
    - 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the profit or loss. In addition, on derecognition of an investment in debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Derecognition (cont'd.)

ii. Financial liabilities

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 amount of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

PIDM recognises a loss allowance for expected credit losses ("ECL") on its financial assets that are measured at amortised cost (including cash and cash equivalents) or at FVTOCI. The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the debt instruments.

For all financial instruments that are subjected to impairment requirements, PIDM recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, PIDM measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

i. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, PIDM compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, PIDM considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The forward looking information considered includes those obtained from economic expert reports, financial analysts, governmental bodies as well as consideration of various external sources of actual and forecast economic information.

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Impairment of financial assets (cont'd.)

i. Significant increase in credit risk (cont'd.)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external credit rating or credit assessment by accredited rating agencies;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. significant increase in the credit spread, the credit default swap prices for the counterparty, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast changes in business, financial or economic conditions that are expected to cause significant decrease in the counterparty's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the counterparty;
- Significant increases in credit risk on other financial instruments of the same counterparty;
- An actual or expected forbearance or restructuring; and
- An actual or expected significant adverse change in the regulatory, economic, or operating environment of the counterparty that results in significant decrease in the counterparty's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, PIDM presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless PIDM has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, PIDM assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The counterparty has strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfill its contractual cash flow obligations.

PIDM considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or where an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Impairment of financial assets (cont'd.)

i. Significant increase in credit risk (cont'd.)

PIDM regularly monitors the effectiveness of the criteria used to identify whether there has been significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Definition of default

PIDM considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the counterparty is unlikely to pay its creditors, including PIDM, in full (without taking into account any collateral held by PIDM).

Irrespective of the above analysis, PIDM considers that default has occurred when a financial asset is more than 90 days past due unless PIDM has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

iii. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the counterparty;
- A breach of contract, such as a default or significant past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

iv. Write-offs

PIDM writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under PIDM's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Impairment of financial assets (cont'd.)

v. Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, as described below:

- PD The Probability of Default is an estimate of the likelihood of entity defaulting on its financial obligations/repayments within a stated future horizon (i.e. over 12 months or over the lifetime of the financial instrument).
- EAD The Exposure at Default is an estimate of the exposure at future default date, taking into account expected changes in the exposure after reporting date, including repayments of principal and interest, whether scheduled contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from realisation of any collateral or recovery of assets. It is usually expressed as a percentage of EAD.

The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above, in particular macroeconomic inputs such as Gross Domestic Product ("GDP") growth measure, which has been assessed to have the highest correlation to credit ratings.

When estimating the ECL, in particular debt instruments, PIDM considers several scenarios where each of these scenarios is associated with different PDs being applied in measuring the ECL. The scenarios to be considered for a reporting period and the scenario weightings are determined based on statistical analysis and expert judgement, taking into account the range of possible outcomes each chosen scenario is representative of, as well as the condition of the operating environment at reporting date. At least two scenarios will be considered in estimating the ECL at any point in time. The list of scenarios and its key assumptions, that may be considered by PIDM are as follows:

Financial year ended 31 December 2023[1]

Scenario	Description – Domestic Economic Scenario
Baseline	Economic conditions and/or growth are expected to be similar to historical conditions and growth. Malaysian GDP growth of between 4.0% and 5.6%
Mildly Negative	Economic conditions and/or growth are expected to be weaker than the long-term norm. Malaysian GDP growth of less than 4.0%
Negative	Economic conditions and/or growth are expected to be stagnant or negative. Malaysian GDP expected to contract by not more than -4.0%
Severe Slump	Economic conditions and/or growth are expected to be significantly weaker than the long-term norm. Malaysian GDP expected to contract by more than -4.0%

[1] *The scenario categories and the relevant GDP growth rates were sourced from Rating Agency Malaysia (RAM) MFRS9 SaaS version 4.0.13 – November 2023*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)
2.2 Summary of accounting policies (cont'd.)
(a) Financial instruments (cont'd.)
Impairment of financial assets (cont'd.)

v. Measurement and recognition of expected credit losses (cont'd.)

Financial year ended 31 December 2022[2]

Scenario	Description – Domestic Economic Scenario
Baseline	Economic conditions and/or growth are expected to be similar to historical conditions and growth. Malaysian GDP growth of between 4.5% and 7.0%
Mildly Negative	Economic conditions and/or growth are expected to be weaker than the long-term norm. Malaysian GDP growth of between 1.0% and 4.5%
Negative	Economic conditions and/or growth are expected to be stagnant or negative. Malaysian GDP growth of between -5.0% and 1.0%
Severe Slump	Economic conditions and/or growth are expected to be significantly weaker than the long-term norm. Malaysian GDP expected to contract by more than -5.0%

If PIDM has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting period date that the conditions for lifetime ECL are no longer met, PIDM measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

PIDM recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

(b) Investment in subsidiaries

Investment 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 and failure resolution of a member institution only affects the specific Protection Fund to which that member institution relates.

Furthermore, in accordance with the requirements of MFRS 10 *Consolidated Financial Statements* ("MFRS 10"), 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 Protection Fund(s). This is discussed in further detail in Note 3.1(a).

[2] *The scenario categories and the relevant GDP growth rates were sourced from Rating Agency Malaysia (RAM) MFRS9 SaaS version 4.0.9 – November 2022*

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(c) 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:

Building on freehold land	2.00%
Furniture and fittings	20.00%
Motor vehicles	20.00%
Office refurbishments	20.00%
Office equipment and computer systems	33.33%

Freehold land has an unlimited useful life and therefore is not depreciated. PIDM capitalises its land and the amount of land capitalised at initial recognition is the purchase price along with any further costs incurred in bringing the land to its present condition.

Property and equipment under construction are not depreciated until the assets are ready for their intended use.

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.

(d) Impairment of 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(d) Impairment of non-financial assets (cont'd.)

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 in the asset revaluation reserve. 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.

(e) Recognition of income and expenses

All income and expenses 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 expenses against the relevant Protection Fund or Funds.

1. Income

Premium and levy revenues are recognised in a financial year in respect of the premium and levy assessed during that particular financial period.

Investment income and returns 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.

2. Expenses

Expenses that are directly attributable to a specific Protection Fund or Funds are charged to those relevant Protection Fund or Funds.

Expenses that cannot be charged directly to the relevant Protection Fund or Funds will be allocated based on the requirements of the Malaysia Deposit Insurance Corporation (Allocation of Expenses, Costs or Losses) (Amendment) Order 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(e) Recognition of income and expenses (cont'd.)

2. Expenses (cont'd.)

The expenses that cannot be charged directly to a specific Protection Fund or Funds are categorised into either of the following two categories:

i. *Expenses that can be attributed to either DIS or TIPS but are common or indirect expenses for the respective systems.* The allocation of this category of expenses are based on the proportion of total income earned (excluding other income) for the respective systems in the financial year prior to the year in which such expenses, costs or losses are allocated. For the 2023 financial year, expenses of this category were allocated based on the proportion of total income earned (excluding other income) for the respective systems in the financial year ended 31 December 2022. The allocation rates used during the year are as follows:

Year	DIS		TIPS			
	Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Takaful
2023	**71.61%**	**28.39%**	**26.98%**	**55.99%**	**4.55%**	**12.48%**
	100%		**100%**			
2022	75.11%	24.89%	31.65%	58.47%	2.68%	7.20%
	100%		100%			

ii. *Expenses which are common or indirect costs of administering both DIS and TIPS.* Expenses that cannot be specifically attributed to either DIS or TIPS, are allocated based on the proportion of total income earned (excluding other income) for the respective Protection Funds in DIS and TIPS in the financial year prior to the year in which such expenses, costs or losses are allocated. For the 2023 financial year, these expenses were allocated to the respective Protection Funds based on the proportion of total income earned (excluding other income) for each of the Protection Funds during the financial year ended 31 December 2022. The apportionment basis used is as follows:

Year	Total	DIS		TIPS			
		Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Takaful
2023	**100%**	**57.90%**	**22.95%**	**5.17%**	**10.72%**	**0.87%**	**2.39%**
2022	100%	54.94%	18.20%	8.50%	15.71%	0.72%	1.93%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)
2.2 Summary of accounting policies (cont'd.)

(f) 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. Post-employment benefits

1. 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 (also known as the 'Employee Provident Fund'), as well as Pertubuhan Keselamatan Sosial (also known as the 'Social Security Organisation').

2. Defined benefit plan

PIDM operates an unfunded defined benefit plan referred to as Long Term Retirement Plan ("LTRP") which was implemented effective 1 January 2016. The LTRP provides benefits to employees in the form of a guaranteed level of a one lump sum retirement payment based on the employee's final drawn salary. The LTRP payment depends on employee's length of service and their salary in the final year leading up to retirement.

The provision for LTRP recognised in the Statement of Financial Position is the present value of the LTRP obligation at the end of the reporting period, together with adjustments for actuarial gains/ losses and any unrecognised past service cost.

PIDM determines the interest expense on the provision for LTRP for the period by applying the discount rate used to measure the LTRP obligation at the beginning of the annual period to the then provision for LTRP. Interest expense and other expenses relating to the LTRP are recognised in Statement of Profit or Loss.

(g) 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).

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(g) Currencies (cont'd.)

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 currency 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.

(h) PIDM as a lessee

PIDM assesses whether a contract is or contains a lease, at the inception of a contract. PIDM recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, PIDM recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the rate cannot be readily determined, PIDM uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2. ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of accounting policies (cont'd.)

(h) PIDM as a lessee (cont'd.)

The lease liability is presented as a separate line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate or rate of return method) and by reducing the carrying amount to reflect the lease payments made.

PIDM remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the change in the lease payments is due to a change in a floating interest rate or rate of return, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever PIDM incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* ("MFRS 137"). The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that PIDM expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

PIDM applies MFRS 136 *Impairment of Assets* ("MFRS 136") to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.2(d).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "operations and administrative expenses" in the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Adoption of new and revised MFRS, Interpretations and Amendments

New and revised MFRS, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year.

The following are the pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") that became effective for annual periods beginning on or after 1 January 2023 and have been adopted by PIDM in the financial statements:

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17: *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101: *Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 and MFRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to MFRS 108: *Definition of Accounting Estimates*
- Amendments to MFRS 112: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to MFRS 112: *International Tax Reform-Pillar Two Model Rules*

Amendments to MFRS 101 and MFRS Practice Statement 2: *Disclosure of Accounting Policies*

PIDM adopts amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosure of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality for disclosure of accounting policies as well as to assist entities in providing useful, entity-specific accounting policy information for users to better understand the overall information within the financial statements.

The adoption of amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosure of Accounting Policies* did not result in any changes to PIDM's accounting policies and the disclosure of accounting policy information in the financial statements.

PIDM does not apply the following Standards that are effective in the current financial reporting period as these Standards are not applicable to PIDM:

- MFRS 17 *Insurance Contracts* as PIDM does not carry out a commercial insurance business and the protection systems it administer are prescribed under PIDM Act; and

- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform-Pillar Two Model Rules* as PIDM is exempted from income tax.

The application of the remaining amendments do not have any material impact on the financial statements of PIDM.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Adoption of new and revised MFRS, Interpretations and Amendments (cont'd.)

New and revised MFRS, Interpretations and Amendments in issue but not yet effective

The following are accounting standards, amendments and interpretations to the MFRS Framework that have been issued by MASB and will become effective in future financial reporting periods. PIDM intends to adopt these standards, annual improvements to standards and IC Interpretation, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107 and MFRS 7: *Supplier Finance Arrangements*	1 January 2024
Amendments to MFRS 16: *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 101: *Non-current Liabilities with Covenants*	1 January 2024
Amendments to MFRS 121: *Lack of Exchangeability*	1 January 2025
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between Investor and its Associate or Joint Venture*	Deferred to a date to be announced by MASB

PIDM does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of PIDM in future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of 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 *Consolidated Financial Statements* ("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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.1 Judgements made in applying accounting policies (cont'd.)

(a) Non-consolidation of investments in subsidiaries (cont'd.)

PIDM is the resolution authority for all member institutions with wide intervention and failure resolution powers. The subsidiaries were incorporated to act as vehicles for PIDM to carry out any intervention and failure resolution activities rather than for investment purposes. Any returns from the subsidiaries are meant for the benefit of the respective Protection Funds, which are to be used for future intervention and failure resolution 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 Protection Fund(s). Although PIDM has rights to use monies in the Protection Funds to cover any expenses incurred in order to run its operations, these expenses are limited and strictly governed by the PIDM Act.

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) Classification of financial assets – business model assessment

Classification and measurement of financial assets depends on the results of the business model assessment and the SPPI test (refer Note 2.2(a)). PIDM determines the business model at a level that reflects how its financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured as well as how the risks associated with those assets are managed. PIDM continually monitor the appropriateness of the business model applied to these assets and whether there has been a change in business model and thus a prospective change to the classification of those assets. No such changes were required during the reporting period presented.

(c) 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 a 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:

Impairment losses on financial assets

The measurement of impairment losses under MFRS 9 *Financial Instruments* ("MFRS 9") across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

Impairment losses on financial assets (cont'd.)

PIDM's ECL calculations are outputs of complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- Determining criteria for significant increase in credit risk;
- Development of the ECL model, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenario and economic inputs relevant to the class of financial assets, such as GDP, and the effect on PDs, EADs and LGDs;
- The segmentation of financial assets when their ECL is assessed on collective basis; and
- Establishing the number and relative weightings of forward-looking scenarios, to derive the estimation of the ECL.

When measuring ECL, PIDM uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of GDP.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that PIDM would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Note 22(c) sets out key sensitivities of the ECL to changes in key inputs and assumptions.

Defined benefit plan - LTRP

The LTRP obligation, calculated using the projected unit credit method, is determined by a qualified actuary. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, turnover rate, mortality rate and disability rate. All assumptions are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

Right-of-use assets and lease liabilities

PIDM's right-of-use assets and lease liability positions depends on Management's current assessment on the total lease payments on the expected lease term and based on its assumption of the appropriate incremental borrowing rate used as the discount rate.

The uncertainty of these carrying amounts relate principally to the Management's assessment on its reasonable certainty of exercising an extension to its renewable lease contracts. Due to this uncertainty, there is a possibility that, on conclusion of the non-cancellable term of the lease contract at a future date, the final outcome may differ pursuant to actual decision of extension. Management has assessed that they are reasonably certain that the extension for renewal would be exercised and has reflected that assumption in the measurement of the right-of-use assets and lease liability. The assumptions are reviewed at minimal, at each reporting date or when there are indicators which may result in a change of assumption.

4. CASH AND CASH EQUIVALENTS

a. Balances as at the end of the financial year

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Operational banking accounts	3,320	2,232	1,088
Placements in short-term money market and fixed deposits	99,824	85,763	14,061
Total cash and cash equivalents	**103,144**	**87,995**	**15,149**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Operational banking accounts	1,115	1,113	2
Placements in short-term money market and fixed deposits	67,448	56,813	10,635
Total cash and cash equivalents	68,563	57,926	10,637

4. CASH AND CASH EQUIVALENTS (CONT'D.)

b. Statement of Cash Flows (indirect method)

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year	730,765	566,902	163,863
Adjustments for:			
Depreciation of property and equipment	4,716	3,616	1,100
Depreciation of right-of-use assets	3,942	3,187	755
Lease finance costs	397	321	76
Gain on disposal of property and equipment	(63)	(52)	(11)
Allowance for expected credit losses	10	8	2
Operating profit before changes in working capital	739,767	573,982	165,785
Change in payables	(1,547)	(1,252)	(295)
Change in other assets	(16,449)	(10,458)	(5,991)
Net amortisation of premium for investment securities	65,618	44,126	21,492
Net cash flows generated from operating activities	787,389	606,398	180,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of investment securities	2,365,560	1,440,940	924,620
Purchase of investment securities	(3,106,407)	(2,007,646)	(1,098,761)
Proceeds from disposal of property and equipment	65	53	12
Purchase of property and equipment	(7,434)	(5,772)	(1,662)
Net cash flows used in investing activities	(748,216)	(572,425)	(175,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of lease liabilities	(4,195)	(3,583)	(612)
Lease finance costs	(397)	(321)	(76)
Net cash flows used in financing activities	(4,592)	(3,904)	(688)
Net increase in cash and cash equivalents	34,581	30,069	4,512
Cash and cash equivalents at beginning of year	68,563	57,926	10,637
Cash and cash equivalents at end of year	103,144	87,995	15,149

4. CASH AND EQUIVALENTS (CONT'D.)

b. Statement of Cash Flows (indirect method) (cont'd.)

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year	645,562	531,293	114,269
Adjustments for:			
Depreciation of property and equipment	2,899	2,207	692
Depreciation of right-of-use assets	4,450	3,207	1,243
Lease finance costs	404	293	111
Gain on disposal of property and equipment	(56)	(40)	(16)
Allowance for expected credit losses	1	1	-
Operating profit before changes in working capital	653,260	536,961	116,299
Change in payables	3,494	2,692	802
Change in other assets	(1,314)	(1,239)	(75)
Net amortisation of premium for investment securities	83,281	54,801	28,480
Net cash flows generated from operating activities	738,721	593,215	145,506
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of investment securities	1,680,986	1,060,381	620,605
Purchase of investment securities	(2,436,182)	(1,667,153)	(769,029)
Purchase of property and equipment	(4,432)	(3,459)	(973)
Net cash flows used in investing activities	(759,628)	(610,231)	(149,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of lease liabilities	(4,518)	(3,572)	(946)
Lease finance costs	(404)	(293)	(111)
Net cash flows used in financing activities	(4,922)	(3,865)	(1,057)
Net decrease in cash and cash equivalents	(25,829)	(20,881)	(4,948)
Cash and cash equivalents at beginning of year	94,392	78,807	15,585
Cash and cash equivalents at end of year	68,563	57,926	10,637

5. INVESTMENTS

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues	**5,657,057**	**3,716,479**	**1,940,578**
Private Debt Securities	**790,363**	**493,253**	**297,110**
	6,447,420	**4,209,732**	**2,237,688**
Add: Accretion of discounts net of amortisation of premiums	**(37,173)**	**(24,596)**	**(12,577)**
Total investments at amortised cost	**6,410,247**	**4,185,136**	**2,225,111**
Less: Allowance for expected credit loss	**(18)**	**(13)**	**(5)**
Total net investments	**6,410,229**	**4,185,123**	**2,225,106**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues	5,320,251	3,396,552	1,923,699
Private Debt Securities	505,301	324,928	180,373
	5,825,552	3,721,480	2,104,072
Add: Accretion of discounts net of amortisation of premiums	(90,534)	(59,692)	(30,842)
Total investments at amortised cost	5,735,018	3,661,788	2,073,230
Less: Allowance for expected credit loss	(8)	(5)	(3)
Total net investments	5,735,010	3,661,783	2,073,227

Impairment of investments

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Credit risk of investments

PIDM continues to monitor and assess the impact of the current and future outlook of the economic and operating environment to the credit risk of its investments.

Note 16(i) and 22(c) details the loss allowance as well as the measurement basis of expected credit losses for each of these financial assets by credit risk rating grades, respectively.

6. OTHER ASSETS

	2023 Total RM'000	2023 DIFs RM'000	2023 TIPFs RM'000
a. Financial assets			
Investment income receivables	**61,561**	**40,710**	**20,851**
Deposits	**2,320**	**2,056**	**264**
Other receivables	**-**	**-**	**-**
Sub-total financial assets	**63,881**	**42,766**	**21,115**
b. Non-financial assets			
Prepayments	**4,096**	**3,132**	**964**
Other non-financial assets	**213**	**154**	**59**
Sub-total non-financial assets	**4,309**	**3,286**	**1,023**
Total other assets	**68,190**	**46,052**	**22,138**

	2022 Total RM'000	2022 DIFs RM'000	2022 TIPFs RM'000
a. Financial assets			
Investment income receivables	45,144	30,628	14,516
Deposits	2,736	2,460	276
Other receivables	50	37	13
Sub-total financial assets	47,930	33,125	14,805
b. Non-financial assets			
Prepayments	3,598	2,315	1,283
Other non-financial assets	213	154	59
Sub-total non-financial assets	3,811	2,469	1,342
Total other assets	51,741	35,594	16,147

6. OTHER ASSETS (CONT'D.)

Impairment of other financial assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Credit risk of other financial assets

No allowance for expected credit loss was recognised during the year for financial assets recognised at amortised cost within other assets, due to its insignificant impact.

Note 16(i) and 22(c) details the loss allowance as well as the measurement basis of expected credit losses for each of these financial assets by credit risk rating grades, respectively.

7. INVESTMENT IN SUBSIDIARIES

	2023 Total RM'000	2023 DIFs RM'000	2023 TIPFs RM'000
At cost			
Unquoted shares	**-***	**-***	**-***
Total investment in subsidiaries	**-***	**-***	**-***

	2022 Total RM'000	2022 DIFs RM'000	2022 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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 2023 were:

- Mr. Rafiz Azuan Abdullah, Chief Executive Officer, PIDM
- Ms. Lee Yee Ming, Executive Vice President, PIDM

The subsidiaries were incorporated as part of PIDM's efforts to ensure operational readiness to carry out any intervention and failure resolution 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 intervention and failure resolution activities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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.
Bridge institutions ("BIs") 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.	
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 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 licensed 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 and failure resolution of a member institution only affects the specific Protection Fund to which that member institution relates.

Further details are represented in Note 3.1(a).

Whilst these subsidiaries remain dormant, its administrative expenses will be borne directly by PIDM at the corporate level. Details of the administrative expenses of the subsidiaries are as follows:

Expense description	2023 RM	2022 RM
Audit fees	**20,670**	19,610
Secretarial fees	**19,662**	18,425
Total subsidiaries expenses	**40,332**	38,035

The administrative expenses for subsidiaries are included in the operations and administrative expenses disclosed in Note 16 within professional and consultancy fees.

8. PROPERTY AND EQUIPMENT

	2023							
	Land RM'000	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	4,718	16,954	61,566	3,752	930	10,418	1,605	99,943
Additions	-	-	341	3	294	1	3,258	3,897
Reclassifications	-	-	2,043	-	-	-	(2,043)	-
Disposals	-	-	-	(35)	(299)	-	-	(334)
Retirements	-	-	(9,015)	-	-	-	-	(9,015)
Write-offs	-	(2)	(85)	(10)	-	(1)	-	(98)
Balance as at 31 December	**4,718**	**16,952**	**54,850**	**3,710**	**925**	**10,418**	**2,820**	**94,393**
Accumulated depreciation								
Balance as at 1 January	-	2,035	54,974	2,319	919	7,959	-	68,206
Charge for the year	-	340	3,573	241	40	522	-	4,716
Disposals	-	-	-	(34)	(299)	-	-	(333)
Retirements	-	-	(9,015)	-	-	-	-	(9,015)
Write-offs	-	-	(41)	(5)	-	(1)	-	(47)
Balance as at 31 December	**-**	**2,375**	**49,491**	**2,521**	**660**	**8,480**	**-**	**63,527**
Net carrying amount as at 31 December	**4,718**	**14,577**	**5,359**	**1,189**	**265**	**1,938**	**2,820**	**30,866**

8. PROPERTY AND EQUIPMENT (CONT'D.)

	2022							
	Land RM'000	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	4,718	16,954	57,485	4,138	930	10,206	774	95,205
Additions	-	-	1,380	1,300	-	2,455	4,375	9,510
Reclassifications	-	-	3,406	-	-	138	(3,544)	-
Disposals	-	-	(316)	(1,580)	-	(1,972)	-	(3,868)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(389)	(106)	-	(409)	-	(904)
Balance as at 31 December	4,718	16,954	61,566	3,752	930	10,418	1,605	99,943
Accumulated depreciation								
Balance as at 1 January	-	1,739	53,503	3,783	881	10,138	-	70,044
Charge for the year	-	296	2,176	216	38	173	-	2,899
Disposals	-	-	(316)	(1,575)	-	(1,944)	-	(3,835)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(389)	(105)	-	(408)	-	(902)
Balance as at 31 December	-	2,035	54,974	2,319	919	7,959	-	68,206
Net carrying amount as at 31 December	4,718	14,919	6,592	1,433	11	2,459	1,605	31,737

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

8. PROPERTY AND EQUIPMENT (CONT'D.)

* Assets under construction amounting to RM2.8 million (2022: RM1.6 million) consist of:

	2023 RM'000	2022 RM'000
Analytics Platform and Dashboards	**865**	-
Human Capital Management System ("HCMS")	**598**	-
Industry Portal System ("IPS") enhancements	**279**	-
Disaster Recovery ("DR") setup for IPS	**438**	-
Resolution Technology ("ResTech")	**322**	-
Reimbursement system – Request Management and Support System and Microsite	**238**	1,149
Risk Assessment System ("RAS") 2	**-**	68
Depositor Liabilities Information Management System – Member Institution On-Site System ("DLIMS – MIOS") enhancements	**-**	133
Payout Management System ("PMS")	**-**	116
Others	**80**	139
Total	**2,820**	1,605

Disposal of property and equipment

A net gain on disposal is recognised within other income during the year arising from the disposal of a motor vehicle and remaining furniture and fittings associated with Level 15 of Axiata Tower, Kuala Lumpur, offset by the write-off of certain faulty and obsolete office equipment.

In line with PIDM's drive to modernise its Information Technology ("IT") infrastructure as well as adoption of cloud technology, PIDM performed a review of its IT hardware and system applications during the year. As a result, IT equipment and system applications with acquisition costs amounting to RM9.0 million and net carrying amount of RM30 have been retired as at 31 December 2023.

Valuation of land and building

The land and building relates to PIDM's Disaster Recovery Centre ("DRC") which was constructed on a freehold land owned by PIDM, and is measured at cost as at the reporting date. As at 31 December 2023, the fair value of the land and building is RM20.0 million based on a valuation exercise carried out in October 2023 by a registered independent valuer. The fair value of the freehold land and building was determined using both cost approach and comparison approach method concurrently. This means that the valuation performed by the valuer is based on active market prices, significantly adjusted for marketability restrictions and other relevant conditions applicable to the freehold land and building.

PIDM assesses the value of the freehold land and building periodically for the purposes of ensuring that its carrying amount in the financial statements remains relevant and that there is no indication of impairment. PIDM exercises its judgement to ensure that the valuation methods and estimates applied are reflective of current market conditions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

8. PROPERTY AND EQUIPMENT (CONT'D.)

Fair value – Level 2

	2023		
	Land RM'000	Building RM'000	Total RM'000
Net carrying amount as at 1 January	**4,718**	**14,919**	**19,637**
Net carrying amount as at 31 December	**4,718**	**14,577**	**19,295**
Fair value of land and building as at 31 December			**20,000**

Significant observable valuation input:

	2023 RM	2022 RM
Price of land and building per square metre	**1,700-4,200**	1,400-3,700

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

The DRC, to which the land and building relate to is for PIDM's own use, and therefore in assessing impairment, the value of the land and building were assessed in its entirety. The total net carrying amount of the land and building as at 31 December 2023 is lower than the total fair value of the land and building as determined through the valuation performed by the independent valuer. As such, there is no indication of impairment for the land and building as at the reporting date.

8. PROPERTY AND EQUIPMENT (CONT'D.)

a. Deposit Insurance Funds

	2023							
	Land RM'000	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	3,155	13,775	48,684	3,197	734	9,174	1,516	80,235
Additions	-	-	283	2	238	1	2,681	3,205
Reclassifications	-	-	1,879	-	-	-	(1,879)	-
Disposals	-	-	-	(34)	(243)	-	-	(277)
Retirements	-	-	(8,276)	-	-	-	-	(8,276)
Write-offs	-	(2)	(65)	(9)	-	(1)	-	(77)
Balance as at 31 December	3,155	13,773	42,505	3,156	729	9,174	2,318	74,810
Accumulated depreciation								
Balance as at 1 January	-	1,657	43,836	2,121	725	7,379	-	55,718
Charge for the year	-	276	2,751	175	32	382	-	3,616
Disposals	-	-	-	(34)	(243)	-	-	(277)
Retirements	-	-	(8,276)	-	-	-	-	(8,276)
Write-offs	-	-	(34)	(5)	-	(1)	-	(40)
Balance as at 31 December	-	1,933	38,277	2,257	514	7,760	-	50,741
Net carrying amount as at 31 December	3,155	11,840	4,228	899	215	1,414	2,318	24,069

8. PROPERTY AND EQUIPMENT (CONT'D.)

a. Deposit Insurance Funds (cont'd.)

	2022							
	Land RM'000	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	3,155	13,775	45,728	3,905	734	9,158	638	77,093
Additions	-	-	1,009	951	-	1,796	3,486	7,242
Reclassifications	-	-	2,507	-	-	101	(2,608)	-
Disposals	-	-	(251)	(1,563)	-	(1,590)	-	(3,404)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(309)	(96)	-	(291)	-	(696)
Balance as at 31 December	3,155	13,775	48,684	3,197	734	9,174	1,516	80,235
Accumulated depreciation								
Balance as at 1 January	-	1,413	42,749	3,618	695	9,104	-	57,579
Charge for the year	-	244	1,647	157	30	129	-	2,207
Disposals	-	-	(251)	(1,559)	-	(1,564)	-	(3,374)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(309)	(95)	-	(290)	-	(694)
Balance as at 31 December	-	1,657	43,836	2,121	725	7,379	-	55,718
Net carrying amount as at 31 December	3,155	12,118	4,848	1,076	9	1,795	1,516	24,517

8. PROPERTY AND EQUIPMENT (CONT'D.)

b. Takaful and Insurance Benefits Protection Funds

	2023							
	Land RM'000	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	1,563	3,179	12,882	555	196	1,244	89	19,708
Additions	-	-	58	1	56	-	577	692
Reclassifications	-	-	164	-	-	-	(164)	-
Disposals	-	-	-	(1)	(56)	-	-	(57)
Retirements	-	-	(739)	-	-	-	-	(739)
Write-offs	-	-	(20)	(1)	-	-	-	(21)
Balance as at 31 December	1,563	3,179	12,345	554	196	1,244	502	19,583
Accumulated depreciation								
Balance as at 1 January	-	378	11,138	198	194	580	-	12,488
Charge for the year	-	64	822	66	8	140	-	1,100
Disposals	-	-	-	-	(56)	-	-	(56)
Retirements	-	-	(739)	-	-	-	-	(739)
Write-offs	-	-	(7)	-	-	-	-	(7)
Balance as at 31 December	-	442	11,214	264	146	720	-	12,786
Net carrying amount as at 31 December	1,563	2,737	1,131	290	50	524	502	6,797

8. PROPERTY AND EQUIPMENT (CONT'D.)

b. Takaful and Insurance Benefits Protection Funds (cont'd.)

	2022							
	Land RM'000	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	1,563	3,179	11,757	233	196	1,048	136	18,112
Additions	-	-	371	349	-	659	889	2,268
Reclassifications	-	-	899	-	-	37	(936)	-
Disposals	-	-	(65)	(17)	-	(382)	-	(464)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(80)	(10)	-	(118)	-	(208)
Balance as at 31 December	1,563	3,179	12,882	555	196	1,244	89	19,708
Accumulated depreciation								
Balance as at 1 January	-	326	10,754	165	186	1,034	-	12,465
Charge for the year	-	52	529	59	8	44	-	692
Disposals	-	-	(65)	(16)	-	(380)	-	(461)
Retirements	-	-	-	-	-	-	-	-
Write-offs	-	-	(80)	(10)	-	(118)	-	(208)
Balance as at 31 December	-	378	11,138	198	194	580	-	12,488
Net carrying amount as at 31 December	1,563	2,801	1,744	357	2	664	89	7,220

9. RIGHT-OF-USE ASSETS

PIDM leases several assets including building and office equipment.

PIDM has a tenancy agreement for the use of office space at Levels 11, 12, 13, 15 and 16 of Axiata Tower, Kuala Lumpur. The tenancy agreement was renewed for another 2 years (Third Term) with effect from 1 January 2022, at the prevailing market rental rate, but with a modified, reduced term for a couple of floors, namely Level 11 for another 6 months and Level 15 for another 12 months. During the financial year, PIDM extended the tenancy of the remaining floors namely Levels 12, 13 and 16 for another one year up to 31 December 2024.

PIDM also entered into a tenancy agreement for the use of office space at Levels 9 and 10 of Bangunan AICB, Kuala Lumpur. The tenancy agreement commenced on 1 July 2022 and will expire on 30 June 2025 with an option to renew the lease for another 3 years at the prevailing market rate.

There is no purchase option clause included in both tenancy agreements. There are also no restrictions placed upon PIDM by entering into these tenancy agreements.

a. Right-of-use assets

	Note	2023			
		Building RM'000	Parking RM'000	Office Equipment RM'000	Total RM'000
Balance as at 1 January		**9,357**	**321**	**147**	**9,825**
Additions		**-**	**-**	**-**	**-**
Modification		**2,686**	**110**	**20**	**2,816**
Depreciation	16	**(3,735)**	**(140)**	**(67)**	**(3,942)**
Net carrying amount		**8,308**	**291**	**100**	**8,699**

	Note	2022			
		Building RM'000	Parking RM'000	Office Equipment RM'000	Total RM'000
Balance as at 1 January		5,703	184	21	5,908
Additions		7,957	242	183	8,382
Modification		-	-	(15)	(15)
Depreciation	16	(4,303)	(105)	(42)	(4,450)
Net carrying amount		9,357	321	147	9,825

9. RIGHT-OF-USE ASSETS (CONT'D.)

b. Lease related expenses charged to Profit or Loss

	Note	2023		
		Total RM'000	DIFs RM'000	TIPFs RM'000
Depreciation of right-of-use assets	16	**3,942**	**3,187**	**755**
Lease finance costs	16	**397**	**321**	**76**
Expense relating to lease of low value asset and short term lease *		**5**	**4**	**1**
Total lease related expenses		**4,344**	**3,512**	**832**

	Note	2022		
		Total RM'000	DIFs RM'000	TIPFs RM'000
Depreciation of right-of-use assets	16	4,450	3,207	1,243
Lease finance costs	16	404	293	111
Expense relating to lease of low value asset and short term lease *		11	8	3
Total lease related expenses		4,865	3,508	1,357

* Expense relating to lease of low value asset and short term lease are included in the operations and administrative expenses disclosed in Note 16 within office supplies, equipment and miscellaneous.

The total cash outflow for leases amounted to RM4.6 million (2022: RM4.9 million), comprising payment of lease finance costs of RM0.4 million (2022: RM0.4 million) and principal repayment of lease liabilities of RM4.2 million (2022: RM4.5 million). Refer to the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

10. LEASE LIABILITIES

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	10,904	8,489	2,415
Additions	-	-	-
Principal repayment of lease liabilities	(4,195)	(3,584)	(611)
Modification of lease contracts	2,816	2,276	540
Balance as at 31 December	**9,525**	**7,181**	**2,344**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	7,168	6,024	1,144
Additions	8,269	6,048	2,221
Principal repayment of lease liabilities	(4,518)	(3,572)	(946)
Modification of lease contracts	(15)	(11)	(4)
Balance as at 31 December	10,904	8,489	2,415

	2023 RM'000	2022 RM'000
Maturity analysis		
Not later than 1 year	4,471	4,587
Later than 1 year and not later than 5 years	5,764	6,059
Later than 5 years	-	1,246
	10,235	11,892

The maturity analysis is based on the total lease cash flow obligations.

PIDM does not face a significant liquidity risk with regard to its lease liabilities. PIDM had put in place a set of internal control procedures and contingency plans to manage liquidity risk arising from its lease liabilities.

During the financial year, PIDM entered into a 4-year lease to rent additional office space at Bangunan AICB commencing on 1 July 2024. The lease liability and right-of-use asset with regards to the tenancy had not been recognised as at 31 December 2023. The aggregate future cash outflows to which PIDM will be exposed in respect of this tenancy agreement is RM1.1 million per year, for the next 4 years.

11. PAYABLES

	Note	2023		
		Total RM'000	DIFs RM'000	TIPFs RM'000
a. Financial liabilities				
Payables, representing total financial liabilities		361	295	66
b. Non-financial liabilities				
Accruals		5,779	4,719	1,060
Provision for unutilised leave	i	2,063	1,670	393
Provision for Long Term Retirement Plan Liability	ii	5,315	4,129	1,186
Sub-total non-financial liabilities		**13,157**	**10,518**	**2,639**
Total payables		**13,518**	**10,813**	**2,705**

	Note	2022		
		Total RM'000	DIFs RM'000	TIPFs RM'000
a. Financial liabilities				
Payables, representing total financial liabilities		1,220	875	345
b. Non-financial liabilities				
Accruals		8,927	6,276	2,651
Provision for unutilised leave	i	4,147	2,980	1,167
Provision for Long Term Retirement Plan Liability	ii	4,217	3,241	976
Sub-total non-financial liabilities		17,291	12,497	4,794
Total payables		18,511	13,372	5,139

11. PAYABLES (CONT'D.)

i. Provision for unutilised leave

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	4,147	2,980	1,167
Unused amounts reversed	(2,038)	(1,273)	(765)
Addition for the year	-	-	-
Payment	(46)	(37)	(9)
Balance as at 31 December	**2,063**	**1,670**	**393**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	4,083	2,936	1,147
Unused amounts reversed	-	-	-
Addition for the year	113	80	33
Payment	(49)	(36)	(13)
Balance as at 31 December	4,147	2,980	1,167

Provision for unutilised leave relates to the amount payable to employees on the annual leave carried forward from the preceding years that are not utilised before the current year's entitlement, calculated based on the employee's basic salary that was earned at the time the leave was accrued.

ii. Provision for Long Term Retirement Plan

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Total provision for Long Term Retirement Plan	**5,315**	**4,129**	**1,186**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Total provision for Long Term Retirement Plan	4,217	3,241	976

PIDM operates an unfunded defined benefit plan referred to as LTRP which was implemented effective 1 January 2016. The LTRP provides benefits to employees in the form of a guaranteed level of a one lump sum retirement payment based on the employee's final drawn salary. The LTRP payment depends on employee's length of service and their salary in the final year leading up to retirement. As at reporting date, the balance of the provision for LTRP represents accrued but not vested benefits.

11. PAYABLES (CONT'D.)

ii. Provision for Long Term Retirement Plan (cont'd.)

The following table shows a reconciliation from the opening balance to the closing balance for the provision for LTRP and its components:

	Total		DIFs		TIPFs	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Balance as at 1 January	**4,217**	3,204	**3,241**	2,501	**976**	703
Included in profit or loss						
Current service cost	**1,492**	1,348	**1,206**	985	**286**	363
Past service cost	**-**	-	**-**	-	**-**	-
Interest/Financing cost	**225**	138	**182**	101	**43**	37
Benefit payments	**(760)**	-	**(614)**	-	**(146)**	-
Included in other comprehensive income						
Remeasurements	**141**	(473)	**114**	(346)	**27**	(127)
Balance as at 31 December	**5,315**	4,217	**4,129**	3,241	**1,186**	976

Remeasurements of LTRP arises from the changes in the financial assumptions and adjustments for experience of the LTRP during the inter-valuation period as assessed by the qualified actuary. Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) include the discount rate, future salary increases, turnover rate, mortality rate and disability rate. The mortality rate is based on the latest published Malaysian Assured Lives 2011-2015 Table (M1115) that is used in the insurance industry. The disability rate used is 10% of the mortality rate.

The net liability disclosed above relates to unfunded plan as follows:

	2023 RM'000	2022 RM'000
Fair value of plan assets		
Present value of unfunded obligations	**5,315**	4,217

12. FUNDS AND RESERVES

a. Deposit Insurance Funds

Accumulated surpluses

	2023		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
Balance as at 1 January	3,765,428	2,991,960	773,468
Net surplus	566,788	404,297	162,491
Balance as at 31 December	**4,332,216**	**3,396,257**	**935,959**

	2022		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
Balance as at 1 January	3,233,789	2,613,909	619,880
Net surplus	531,639	378,051	153,588
Balance as at 31 December	3,765,428	2,991,960	773,468

The DIFs are the accumulated reserves (ex-ante funds) to cover the net expected 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 and returns earned net of total expenses incurred allocated based on the proportion of total income earned for each Protection Fund in a particular year.

PIDM has reviewed and revised its Target Fund Framework to align it to the enhancements to PIDM's intervention and resolution framework and approaches. Accordingly, from financial year 2023, PIDM has adopted the revised Target Fund range for its DIFs which is between 1.5% and 1.8% of Total Insured Deposits ("TID") for both Conventional and Islamic DIF.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

12. FUNDS AND RESERVES (CONT'D.)

a. Deposit Insurance Funds (cont'd.)

The current balance of DIFs as at 31 December 2023 as a percentage of TID and the comparison to the revised Target Fund range (based on the TID as at 31 December 2022) are described in the following table:

		Target Fund	
	2023 actual %/ RM million	Lower range %/ RM million	Upper range %/ RM million
Deposit Insurance Funds			
Conventional Deposit Insurance Fund			
Percentage of TID	**0.7**	1.5	1.8
Balance	**3,396**	7,356	8,828
Islamic Deposit Insurance Fund			
Percentage of TID	**0.5**	1.5	1.8
Balance	**936**	2,780	3,336

PIDM continually reviews the target fund and premium administration including assessing the reasonableness of the time frame to reach the Target Fund level.

b. Takaful and Insurance Benefits Protection Funds

Accumulated surpluses

	2023				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000
Balance as at 1 January	2,102,033	1,386,739	580,767	39,099	95,428
Net surplus	163,836	43,150	96,681	7,108	16,897
Balance as at 31 December	**2,265,869**	**1,429,889**	**677,448**	**46,207**	**112,325**

	2022				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000
Balance as at 1 January	1,987,637	1,357,402	517,212	33,372	79,651
Net surplus	114,396	29,337	63,555	5,727	15,777
Balance as at 31 December	2,102,033	1,386,739	580,767	39,099	95,428

12. FUNDS AND RESERVES (CONT'D.)

b. Takaful and Insurance Benefits Protection Funds (cont'd.)

Accumulated surpluses (cont'd.)

PIDM has reviewed and revised its Target Fund Framework for TIPFs which takes into account the latest development in the resolution approach to insurer members that emphasises on ensuring continuity of insurance and takaful coverage and minimising industry impediments.

Even though the review and recalibration of the Target Fund for TIPFs was carried out in similar fashion to DIFs, PIDM had assessed the Target Fund for TIPFs on a consolidated basis by aggregating the net losses of all the individual Protection Funds to arrive at a consolidated Target Fund level and range.

Accordingly, from financial year 2023, PIDM has adopted the revised consolidated Target Fund range for its TIPFs which is between 0.3% and 1.0% of the total insurance or takaful liabilities.

The current balance of the TIPFs as at 31 December 2023 and revised Target Fund range for the TIPFs are described in the following table:

	Target Fund		
	2023 actual RM million	Lower range RM million	Upper range RM million
General Insurance Protection Fund	**1,430**	62	205
Life Insurance Protection Fund	**677**	447	1,490
General Takaful Protection Fund	**46**	13	44
Family Takaful Protection Fund	**112**	90	300

PIDM continually review the target fund and levy administration including assessing the reasonableness of the time frame to reach the Target Fund level.

13. PREMIUM AND LEVY REVENUES

a. Premium revenues from member banks

	2023		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
First premium	**250**	**250**	**-**
Annual premiums	**525,395**	**365,723**	**159,672**
Total premium revenues from member banks	**525,645**	**365,973**	**159,672**

	2022		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
First premium	-	-	-
Annual premiums	515,251	361,674	153,577
Total premium revenues from member banks	515,251	361,674	153,577

The premium rates applicable to the member banks are stated in the Malaysia Deposit Insurance Corporation (Rates For First Premium and Annual Premium in respect of Deposit-Taking Members) Order 2023 and Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) Order 2011[3] (Revoked) ("Premium Order – Member Banks").

i. Rates for annual premium under the Differential Premium Systems

PREMIUM CATEGORY	PREMIUM RATE	MINIMUM ANNUAL PREMIUM AMOUNT (RM)
1	0.06%	100,000
2	0.12%	200,000
3	0.24%	400,000
4	0.48%	800,000

Where a member bank is classified in different premium categories with respect to its Islamic insured deposits and its conventional insured deposits, the respective premium rates will be applied to the Islamic insured deposits and the conventional insured deposits.

[3] *As amended by the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) (Amendment) Order 2012.*

13. PREMIUM AND LEVY REVENUES (CONT'D.)

a. Premium revenues from member banks (cont'd.)

ii. Rates for first premium

A member bank that is holding Islamic insured deposits or conventional insured deposits is classified in premium category 1 in its first assessment year [as specified in the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) Regulations 2023 and Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) Regulations 2011 (Revoked)]. Accordingly, the rate for the first premium for such member banks will be the same as the premium rate for premium category 1, subject to a minimum first premium of RM250,000.

b. Levy revenues from insurer members

	2023				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000
Annual levies, representing total levy revenues from insurer members	**117,745**	**5,790**	**88,967**	**6,729**	**16,259**

	2022				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000
Annual levies, representing total levy revenues from insurer members	92,633	5,619	65,949	5,560	15,505

i. Levy rates under the Differential Levy Systems for insurer members

The levy rates applicable to an insurer member is determined in accordance with the Malaysia Deposit Insurance Corporation (Rates for First Levy and Annual Levy in respect of Insurer Members) Order 2023 and Malaysia Deposit Insurance Corporation (First Premium and Annual Premium in respect of Insurer Members) Order 2016 (Revoked) ("Premium Order – Insurer Members") based on the levy category for which that insurer member is classified. The levy rates assessed on the insurer members, as specified in the Premium Order – Insurer Members, are as follows:

LEVY CATEGORY	INSURANCE		TAKAFUL	
	GENERAL	LIFE	GENERAL	FAMILY
1	0.025%	0.025%	0.100%	0.025%
2	0.050%	0.050%	0.200%	0.050%
3	0.100%	0.100%	0.400%	0.100%
4	0.200%	0.200%	0.800%	0.200%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

13. PREMIUM AND LEVY REVENUES (CONT'D.)

b. Levy revenues from insurer members (cont'd.)

ii. Minimum annual levy under the Differential Levy Systems for insurer members

The annual levies payable for 2023 were subject to minimum levies based on their levy category as follows:

LEVY CATEGORY	MINIMUM ANNUAL LEVY AMOUNT (RM)			
	INSURANCE		TAKAFUL	
	GENERAL	LIFE	GENERAL	FAMILY
1	25,000	75,000		
2		150,000		
3		300,000		
4		600,000		

iii. Rates for first levy payable

An insurer member is classified in the levy category 1 in its first assessment year [as specified in the Malaysia Deposit Insurance Corporation (Differential Levy Systems in respect of Insurer Members) Regulations 2023 and Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Insurer Members) Regulations 2012 (Revoked)]. Accordingly, the rate for the first levy for such insurer member will be the same as the levy rate for levy category 1, subject to a minimum first levy of RM250,000.

14. INVESTMENT INCOME AND RETURNS FROM CASH EQUIVALENTS AND INVESTMENT SECURITIES

a. Investment income and returns according to asset class

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues ("MGS & GII")	176,245	115,132	61,113
Private Debt Securities	19,358	12,533	6,825
Sub-total investment income from investment securities	**195,603**	**127,665**	**67,938**
Placement in short-term money market and fixed deposits	3,333	2,678	655
Total investment income and returns from cash equivalents and investment securities	**198,936**	**130,343**	**68,593**

14. INVESTMENT INCOME AND RETURNS FROM CASH EQUIVALENTS AND INVESTMENT SECURITIES (CONT'D.)

a. Investment income and returns according to asset class (cont'd.)

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues ("MGS & GII")	125,847	80,141	45,706
Private Debt Securities	11,408	7,084	4,324
Sub-total investment income from investment securities	137,255	87,225	50,030
Placement in short-term money market and fixed deposits	2,369	1,916	453
Total investment income and returns from cash equivalents and investment securities	139,624	89,141	50,483

b. Investment income and returns according to nature of income

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Coupon and profit from investment securities	**233,436**	**152,505**	**80,931**
Returns from accretion of discounts from investment securities (net of amortisation of premiums)	**(37,833)**	**(24,840)**	**(12,993)**
Sub-total investment income from investment securities	**195,603**	**127,665**	**67,938**
Returns from placements in short-term money market and fixed deposits	**3,333**	**2,678**	**655**
Total investment income and returns from cash equivalents and investment securities	**198,936**	**130,343**	**68,593**

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Coupon and profit from investment securities	197,916	125,750	72,166
Returns from accretion of discounts from investment securities (net of amortisation of premiums)	(60,661)	(38,525)	(22,136)
Sub-total investment income from investment securities	137,255	87,225	50,030
Returns from placements in short-term money market and fixed deposits	2,369	1,916	453
Total investment income and returns from cash equivalents and investment securities	139,624	89,141	50,483

14. INVESTMENT INCOME AND RETURNS FROM CASH EQUIVALENTS AND INVESTMENT SECURITIES (CONT'D.)

c. Weighted average return on investments

The weighted average return on investments are average returns earned during the financial year that are weighted by the amount invested and tenure of investments for fixed income securities as well as placements in short-term money market and fixed deposits.

The fixed income investment securities are used for managing the investment of our Protection Funds. The placements in short-term money market and fixed deposits are predominantly used for operational cash management purposes.

The weighted average return on investments during the financial year are as follows:

		DIFs		TIPFs			
Year	Type of Portfolio	Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Takaful
Fixed income investment securities							
2023	MGS & GII	**3.22%**	**3.33%**	**3.10%**	**3.26%**	**3.22%**	**3.25%**
	Private Debt Securities	**3.43%**	**3.35%**	**3.48%**	**3.40%**	**3.31%**	**3.30%**
	Subtotal	**3.26%**		**3.18%**			
	Overall	**3.23%**					
2022	MGS & GII	2.56%	2.65%	2.41%	2.62%	2.69%	2.75%
	Private Debt Securities	2.48%	2.64%	2.71%	2.48%	2.58%	2.46%
	Subtotal	2.57%		2.49%			
	Overall	2.54%					
Placements in short-term money market and fixed deposits							
2023	Placements in short-term money market and fixed deposits	**2.80%**	**2.99%**	**2.80%**	**2.92%**	**2.90%**	**2.95%**
	Subtotal	**2.89%**		**2.86%**			
	Overall	**2.89%**					
2022	Placements in short-term money market and fixed deposits	1.94%	2.04%	2.01%	2.03%	1.72%	1.70%
	Subtotal	2.00%		1.98%			
	Overall	1.99%					

The overall weighted average return on investments for the financial year ended 31 December 2023 is 3.22% (2022: 2.53%).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

15. HUMAN CAPITAL MANAGEMENT EXPENSES

	2023 Total RM'000	2023 DIFs RM'000	2023 TIPFs RM'000
a. Employee benefits			
Wages and salaries	**61,350**	**49,480**	**11,870**
Contributions to defined contribution plan	**10,232**	**8,252**	**1,980**
Provision for unutilised leave	**(2,038)**	**(1,273)**	**(765)**
Provision for Long Term Retirement Plan Liability	**1,492**	**1,206**	**286**
Interest/financing cost of the LTRP	**225**	**182**	**43**
Other benefits	**3,855**	**2,980**	**875**
Sub-total – employee benefits	**75,116**	**60,827**	**14,289**
b. Other human capital related expenses*	**2,818**	**2,254**	**564**
Total human capital management expenses	**77,934**	**63,081**	**14,853**

	2022 Total RM'000	2022 DIFs RM'000	2022 TIPFs RM'000
a. Employee benefits			
Wages and salaries	54,173	39,518	14,655
Contributions to defined contribution plan	9,054	6,604	2,450
Provision for unutilised leave	113	80	33
Provision for Long Term Retirement Plan Liability	1,348	985	363
Interest/financing cost of the LTRP	138	101	37
Other benefits	3,404	2,450	954
Sub-total – employee benefits	68,230	49,738	18,492
b. Other human capital related expenses*	1,469	1,088	381
Total human capital management expenses	69,699	50,826	18,873

* Other human capital related expenses include expenses for training and capabilities building as well as for employee engagement programmes.

The number of employees at the end of the financial year was 205 (2022: 190).

The comparatives have been restated to conform to current year presentation.

16. OPERATIONS AND ADMINISTRATIVE EXPENSES

	Note	2023 Total RM'000	2023 DIFs RM'000	2023 TIPFs RM'000
Audit fees		**89**	**78**	**11**
Directors' fees and remuneration*		**1,178**	**939**	**239**
Depreciation of property and equipment	8	**4,716**	**3,616**	**1,100**
Depreciation of right-of-use assets	9(b)	**3,942**	**3,187**	**755**
Lease finance cost	9(b)	**397**	**321**	**76**
Telecommunication and computer systems		**6,683**	**4,912**	**1,771**
Utilities, office and vehicle maintenance and general insurance		**2,043**	**1,657**	**386**
Subscriptions and memberships		**1,456**	**1,196**	**260**
Parking space rental		**613**	**495**	**118**
Professional and consultancy fees		**1,055**	**808**	**247**
Publications and corporate collaterals		**147**	**119**	**28**
Postage, printing and stationery		**81**	**62**	**19**
Credit loss expenses	16(i)	**10**	**8**	**2**
Office supplies, equipment and miscellaneous		**245**	**199**	**46**
Total operations and administrative expenses		**22,655**	**17,597**	**5,058**

* Directors are paid on a fee and allowance structure as approved by the Minister of Finance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

16. OPERATIONS AND ADMINISTRATIVE EXPENSES (CONT'D.)

	Note	2022 Total RM'000	2022 DIFs RM'000	2022 TIPFs RM'000
Audit fees				
- Current year		75	55	20
- Over provision of prior year audit fees		(26)	(20)	(6)
Directors' fees and remuneration*		1,167	859	308
Depreciation of property and equipment	8	2,899	2,207	692
Depreciation of right-of-use assets	9(b)	4,450	3,207	1,243
Lease finance cost	9(b)	404	293	111
Telecommunication and computer systems		6,031	4,104	1,927
Utilities, office and vehicle maintenance and general insurance		2,084	1,523	561
Subscriptions and memberships		972	753	219
Parking space rental		569	415	154
Professional and consultancy fees		224	156	68
Publications and corporate collaterals		150	110	40
Postage, printing and stationery		46	32	14
Credit loss expenses	16(i)	1	1	-
Office supplies, equipment and miscellaneous		351	254	97
Total operations and administrative expenses		19,397	13,949	5,448

* Directors are paid on a fee and allowance structure as approved by the Minister of Finance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

16. OPERATIONS AND ADMINISTRATIVE EXPENSES (CONT'D.)

i. Credit loss expenses

	Note	2023 Stage 1 (Collective) RM'000	2023 Stage 2 (Collective) RM'000	2023 Stage 3 (Individual) RM'000	2023 Total RM'000
Investments	a	**10**	**-**	**-**	**10**
Total		**10**	**-**	**-**	**10**

	Note	2022 Stage 1 (Collective) RM'000	2022 Stage 2 (Collective) RM'000	2022 Stage 3 (Individual) RM'000	2022 Total RM'000
Investments	a	1	-	-	1
Total		1	-	-	1

The expected credit loss for investments and investment income receivables are treated under Stage 1, as the credit risk has not increased significantly since its initial recognition.

a. The movement of the allowance for expected credit loss for investments is as follows:

	2023 RM'000	2022 RM'000
At 1 January	**8**	7
Net allowance recognised in profit or loss	**10**	1
At 31 December	**18**	8

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

17. INITIATIVES RELATED EXPENSES

Initiatives related expenses are expenses directly attributable to specific initiatives, but excluding human capital management expenses which are disclosed in Note 15.

	2023		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Resolution readiness			
PIDM readiness	**298**	**291**	**7**
Industry readiness	**1,293**	**1,099**	**194**
Financial Safety Net readiness	**1,634**	**1,319**	**315**
Sub-total for resolution readiness	**3,225**	**2,709**	**516**
Stakeholder trust			
Awareness plan	**4,464**	**2,952**	**1,512**
Research and visibility plan	**736**	**676**	**60**
Sub-total for stakeholder trust	**5,200**	**3,628**	**1,572**
Organisational effectiveness			
Digitalisation, data analytics and cybersecurity	**1,037**	**850**	**187**
Scholarship, sustainability and corporate social responsibilities initiatives	**1,095**	**886**	**209**
Others	**478**	**386**	**92**
Sub-total for organisational effectiveness	**2,610**	**2,122**	**488**
Total initiatives related expenses	**11,035**	**8,459**	**2,576**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

17. INITIATIVES RELATED EXPENSES (CONT'D.)

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Resolution readiness			
PIDM readiness	949	421	528
Industry readiness	628	596	32
Financial Safety Net readiness	1,789	1,309	480
Sub-total for resolution readiness	3,366	2,326	1,040
Stakeholder trust			
Awareness plan	5,808	3,566	2,242
Research and visibility plan	866	380	486
Sub-total for stakeholder trust	6,674	3,946	2,728
Organisational effectiveness			
Digitalisation, data analytics and cybersecurity	1,092	799	293
Scholarship, sustainability and corporate social responsibilities initiatives	1,150	841	309
Others	636	465	171
Sub-total for organisational effectiveness	2,878	2,105	773
Total initiatives related expenses	12,918	8,377	4,541

The comparatives have been restated to conform to current year presentation.

18. TAXATION

PIDM is exempted from income tax pursuant to Section 127(3A) of the Income Tax Act, 1967.

19. CAPITAL COMMITMENTS

	2023 RM'000	2022 RM'000
Approved and contracted for:		
IT system and software	**529**	254
Office renovation and refurbishment	**249**	-
Total capital commitments	**778**	254

ANNUAL REPORT 2023
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

20. 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 as well as investments. All these transactions were transacted at commercial arm's length basis. The significant related party transactions transacted during the year were as follows:

i. PIDM makes contributions to the statutory national pension scheme, the Kumpulan Wang Simpanan Pekerja (also known as the 'Employee Provident Fund') and the Pertubuhan Keselamatan Sosial (also known as the 'Social Security Organisation') as disclosed in Note 15.

ii. In accordance with the PIDM Act and PIDM's investment policy, PIDM invests only in short-term and medium-term Ringgit Malaysia denominated Government and Bank Negara Malaysia investment securities, and securities of high investment grade issued by Government-related entities, which are government guaranteed or with a minimum rating of AAA. Details of the investment assets as at year-end and the investment income receivables are described in Notes 5 and 6 respectively, whilst details of the investment income are described in Note 14. PIDM's financial risk management policy and relevant disclosures are described in Note 22.

iii. PIDM supports FIDE FORUM's operations through secondment of employees as part of the engagement and commitment to ensure that they are able to enhance and promote high standards of boardroom governance and develop directors for financial institutions in Malaysia. Total expenses attributable to FIDE FORUM in 2023 is RM1,810,796 (2022: RM1,781,410).

iv. One of the Senior Officers ("the Officer") of PIDM was a Council Member of the Malaysian Institute of Accountants ("MIA") up to 31 October 2023. MIA provides various learning and development programmes to its member and non-members, including employees of PIDM. All transactions for these programmes were transacted at commercial arm's length basis. The Officer did not obtain any gain or benefits from these transactions.

b. Remuneration of key management personnel

	2023 RM'000	2022 RM'000
Short-term benefits	**4,447**	4,303
Post-employment benefits	**1,778**	783
Total remuneration of key management personnel	**6,225**	5,086

The remuneration of key management personnel includes the remuneration of the Chief Executive Officer and other members of the Executive Committee. The amount above does not include the remuneration of Directors, which is disclosed separately in Note 16. Remuneration of key management personnel is also included in the employee benefits disclosure in Note 15.

21. 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 Takaful Protection Fund.

Hence, PIDM has reportable segments based on the above Protection Funds' categories. No operating segments have been aggregated to form the above reportable operating segments.

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
ASSETS									
Cash and cash equivalents	4a	25,925	62,070	6,258	6,711	606	1,574	-	103,144
Investments	5	3,323,200	861,923	1,410,054	661,015	44,865	109,172	-	6,410,229
Other assets	6	35,831	10,460	13,247	7,054	573	1,308	(283)	68,190
Investment in subsidiaries	7	-*	-*	-*	-*	-*	-*	-	-*
Property and equipment	8	18,981	5,088	1,531	4,376	276	614	-	30,866
Right-of-use assets	9	5,690	1,300	425	1,039	77	168	-	8,699
Total Assets		3,409,627	940,841	1,431,515	680,195	46,397	112,836	(283)	6,621,128
LIABILITIES									
Payables	11	7,915	3,156	766	1,526	117	321	(283)	13,518
Lease liabilities	10	5,455	1,726	860	1,221	73	190	-	9,525
Total Liabilities		13,370	4,882	1,626	2,747	190	511	(283)	23,043
FUNDS AND RESERVES									
Accumulated surpluses	12	3,396,257	935,959	1,429,889	677,448	46,207	112,325	-	6,598,085
Total Funds and Reserves		3,396,257	935,959	1,429,889	677,448	46,207	112,325	-	6,598,085
Total Liabilities, Funds and Reserves		3,409,627	940,841	1,431,515	680,195	46,397	112,836	(283)	6,621,128

* The amount is significantly below the rounding threshold

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
ASSETS									
Cash and cash equivalents	4a	18,416	39,510	4,130	5,572	357	578	-	68,563
Investments	5	2,938,327	723,456	1,373,759	568,023	38,091	93,354	-	5,735,010
Other assets	6	26,709	9,225	9,217	5,530	535	1,300	(775)	51,741
Investment in subsidiaries	7	-*	-*	-*	-*	-*	-*	-	-*
Property and equipment	8	19,470	5,047	1,703	4,623	278	616	-	31,737
Right-of-use assets	9	6,342	1,558	483	1,160	87	195	-	9,825
Total Assets		3,009,264	778,796	1,389,292	584,908	39,348	96,043	(775)	5,896,876
LIABILITIES									
Payables	11	10,528	3,615	1,715	2,879	151	398	(775)	18,511
Lease liabilities	10	6,776	1,713	838	1,262	98	217	-	10,904
Total Liabilities		17,304	5,328	2,553	4,141	249	615	(775)	29,415
FUNDS AND RESERVES									
Accumulated surpluses	12	2,991,960	773,468	1,386,739	580,767	39,099	95,428	-	5,867,461
Total Funds and Reserves		2,991,960	773,468	1,386,739	580,767	39,099	95,428	-	5,867,461
Total Liabilities, Funds and Reserves		3,009,264	778,796	1,389,292	584,908	39,348	96,043	(775)	5,896,876

* The amount is significantly below the rounding threshold

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
Premium and levy revenues	13	365,973	159,672	5,790	88,967	6,729	16,259	-	643,390
Investment income and returns from cash equivalents and investment securities	14	102,338	28,005	43,423	20,440	1,367	3,363	-	198,936
Other income		42	9	2	8	1	1	-	63
Total income		468,353	187,686	49,215	109,415	8,097	19,623	-	842,389
Human capital management expenses	15	45,256	17,825	3,878	8,429	676	1,870	-	77,934
Operations and administrative expenses	16	12,780	4,817	1,485	2,845	196	532	-	22,655
Initiatives related expenses	17	5,938	2,521	695	1,445	116	320	-	11,035
Total expenses		63,974	25,163	6,058	12,719	988	2,722	-	111,624
Net surplus for the year		404,379	162,523	43,157	96,696	7,109	16,901	-	730,765
Other comprehensive income									
Remeasurements of Long Term Retirement Plan Liability	11ii	(82)	(32)	(7)	(15)	(1)	(4)	-	(141)
Total comprehensive income for the year	21	404,297	162,491	43,150	96,681	7,108	16,897	-	730,624

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
Premium and levy revenues	13	361,674	153,577	5,619	65,949	5,560	15,505	-	607,884
Investment income and returns from cash equivalents and investment securities	14	71,149	17,992	32,999	14,178	953	2,353	-	139,624
Other income		39	14	3	11	-	1	-	68
Total income		432,862	171,583	38,621	80,138	6,513	17,859	-	747,576
Human capital management expenses	15	38,275	12,551	5,992	11,034	502	1,345	-	69,699
Operations and administrative expenses	16	10,504	3,445	1,892	2,961	168	427	-	19,397
Initiatives related expenses	17	6,292	2,085	1,440	2,662	119	320	-	12,918
Total expenses		55,071	18,081	9,324	16,657	789	2,092	-	102,014
Net surplus for the year		377,791	153,502	29,297	63,481	5,724	15,767	-	645,562
Other comprehensive income									
Remeasurements of Long Term Retirement Plan Liability	11ii	260	86	40	74	3	10	-	473
Total comprehensive income for the year	21	378,051	153,588	29,337	63,555	5,727	15,777	-	646,035

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
CASH FLOWS FROM OPERATING ACTIVITIES									
Premiums and levies received from member institutions		365,973	159,672	5,790	88,967	6,729	16,259	-	643,390
Payments in the course of operations to suppliers and employees		(59,957)	(22,905)	(5,650)	(12,171)	(921)	(2,532)	-	(104,136)
Receipts of investment income		127,207	36,409	53,631	24,390	1,876	4,622	-	248,135
Net cash flows generated from operating activities		433,223	173,176	53,771	101,186	7,684	18,349	-	787,389
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from maturity of investment securities		1,101,780	339,160	671,475	191,570	17,860	43,715	-	2,365,560
Purchase of investment securities		(1,520,129)	(487,517)	(722,483)	(290,286)	(25,184)	(60,808)	-	(3,106,407)
Proceeds from disposal of property and equipment		43	10	2	9	-	1	-	65
Purchase of property and equipment		(4,227)	(1,545)	(492)	(954)	(58)	(158)	-	(7,434)
Net cash flows used in investing activities		(422,533)	(149,892)	(51,498)	(99,661)	(7,382)	(17,250)	-	(748,216)

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D.)

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal repayment of lease liabilities	10	(2,951)	(633)	(124)	(343)	(50)	(94)	-	(4,195)
Lease finance costs	9b	(230)	(91)	(21)	(43)	(3)	(9)	-	(397)
Net cash flows used in financing activities		(3,181)	(724)	(145)	(386)	(53)	(103)	-	(4,592)
Net increase in cash and cash equivalents		7,509	22,560	2,128	1,139	249	996	-	34,581
Cash and cash equivalents at beginning of year		18,416	39,510	4,130	5,572	357	578	-	68,563
Cash and cash equivalents at end of year	4a	25,925	62,070	6,258	6,711	606	1,574	-	103,144

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
CASH FLOWS FROM OPERATING ACTIVITIES									
Premiums and levies received from member institutions		361,674	153,577	5,619	65,949	5,560	15,505	-	607,884
Payments in the course of operations to suppliers and employees		(50,283)	(15,393)	(8,701)	(15,128)	(704)	(1,856)	-	(92,065)
Receipts of investment income		115,230	28,410	52,389	21,766	1,493	3,614	-	222,902
Net cash flows generated from operating activities		426,621	166,594	49,307	72,587	6,349	17,263	-	738,721
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from maturity of investment securities		783,360	277,021	404,212	165,993	14,598	35,802	-	1,680,986
Purchase of investment securities		(1,211,752)	(455,401)	(455,629)	(238,292)	(21,404)	(53,704)	-	(2,436,182)
Purchase of property and equipment		(2,606)	(853)	(315)	(560)	(27)	(71)	-	(4,432)
Net cash flows used in investing activities		(430,998)	(179,233)	(51,732)	(72,859)	(6,833)	(17,973)	-	(759,628)

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

	Note	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000	Inter-fund Adjustment RM'000	Total RM'000
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal repayment of lease liabilities	10	(2,782)	(790)	(186)	(621)	(41)	(98)	-	(4,518)
Lease finance costs	9b	(221)	(72)	(40)	(60)	(3)	(8)	-	(404)
Net cash flows used in financing activities		(3,003)	(862)	(226)	(681)	(44)	(106)	-	(4,922)
Net decrease in cash and cash equivalents		(7,380)	(13,501)	(2,651)	(953)	(528)	(816)	-	(25,829)
Cash and cash equivalents at beginning of year		25,796	53,011	6,781	6,525	885	1,394	-	94,392
Cash and cash equivalents at end of year	4a	18,416	39,510	4,130	5,572	357	578	-	68,563

22. FINANCIAL RISK

PIDM's financial risk management policy seeks to ensure that adequate financial resources are available for PIDM's activities whilst managing PIDM's financial 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, and 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 fixed deposits, money market or overnight placements with its banker(s). No investments are made with member banks since PIDM is the insurer of deposits.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. PIDM's market risk comprises foreign currency risk, interest rate risk and rate of return risk.

i. Foreign currency risk

PIDM is currently not materially exposed to any currency risk as most of the transactions were transacted in Ringgit Malaysia denominated currency.

ii. Interest rate risk and rate of return risk

Interest rate risk and rate of return risk are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates and rates of return.

As PIDM adopts a "hold to collect" business model, it is insulated from the risk arising from fluctuations in the fair value of the investment assets as these assets are recorded on an amortised cost basis. PIDM's investment assets which are made up of Malaysian Government Securities, Government Investment Issues, and Private Debt Securities are subject to reinvestment risk, where reinvestment of cash flows arising from coupon payments, matured securities or premium/levy collections may be at a current rate of return that differs from prior investments.

The definition of the Weighted Average Effective Yield Rate ("WAEYR") is consistent with market convention and it represents the weighted average yield rate of all outstanding investments within the portfolio as at the end of the year. The average yield rate is weighted by the proportion of the size of the investment within the total portfolio with the assumption of an annual yield.

22. FINANCIAL RISK (CONT'D.)

a. Market risk (cont'd.)

ii. Interest rate risk and rate of return risk (cont'd.)

The following tables set out the carrying amounts and their remaining maturities that are exposed to reinvestment risk, and the WAEYR of financial instruments as at the Statement of Financial Position date.

The financial instruments were invested and placed at a fixed rate.

	Note	≤ 3 months RM'000	>3 - 12 months RM'000	>1 - 3 years RM'000	>3 - 5 years RM'000	>5 - 7 years RM'000	>7 - 10 years RM'000	Total RM'000	WAEYR %
Conventional Deposit Insurance Fund									
31 December 2023									
Cash and cash equivalents	4a	21,225	4,700	-	-	-	-	25,925	3.03%
Investments	5	-	648,307	1,038,024	715,760	491,143	429,966	3,323,200	3.50%
31 December 2022									
Cash and cash equivalents	4a	18,416	-	-	-	-	-	18,416	2.92%
Investments	5	375,185	734,054	753,292	544,099	531,697	-	2,938,327	2.84%
Islamic Deposit Insurance Fund									
31 December 2023									
Cash and cash equivalents	4a	31,070	31,000	-	-	-	-	62,070	3.27%
Investments	5	-	70,607	321,265	179,073	156,000	134,978	861,923	3.71%
31 December 2022									
Cash and cash equivalents	4a	28,510	11,000	-	-	-	-	39,510	3.02%
Investments	5	-	340,181	148,939	97,042	137,294	-	723,456	2.98%

22. FINANCIAL RISK (CONT'D.)

a. Market risk (cont'd.)

ii. Interest rate risk and rate of return risk (cont'd.)

	Note	≤ 3 months RM'000	>3 - 12 months RM'000	>1 - 3 years RM'000	>3 - 5 years RM'000	>5 - 7 years RM'000	>7 - 10 years RM'000	Total RM'000	WAEYR %
General Insurance Protection Fund									
31 December 2023									
Cash and cash equivalents	4a	**6,258**	**-**	**-**	**-**	**-**	**-**	**6,258**	**2.73%**
Investments	5	**20,000**	**303,477**	**371,513**	**368,980**	**185,525**	**160,559**	**1,410,054**	**3.47%**
31 December 2022									
Cash and cash equivalents	4a	4,130	-	-	-	-	-	4,130	2.87%
Investments	5	52,050	568,311	346,594	195,194	211,610	-	1,373,759	2.74%
Life Insurance Protection Fund									
31 December 2023									
Cash and cash equivalents	4a	**6,111**	**600**	**-**	**-**	**-**	**-**	**6,711**	**2.81%**
Investments	5	**-**	**137,836**	**142,781**	**137,135**	**140,295**	**102,968**	**661,015**	**3.60%**
31 December 2022									
Cash and cash equivalents	4a	5,572	-	-	-	-	-	5,572	2.91%
Investments	5	10,635	182,638	157,759	118,305	98,686	-	568,023	2.99%

22. FINANCIAL RISK (CONT'D.)

a. Market risk (cont'd.)

ii. Interest rate risk and rate of return risk (cont'd.)

	Note	≤ 3 months RM'000	>3 - 12 months RM'000	>1 - 3 years RM'000	>3 - 5 years RM'000	>5 - 7 years RM'000	>7 - 10 years RM'000	Total RM'000	WAEYR %
General Takaful Protection Fund									
31 December 2023									
Cash and cash equivalents	4a	**606**	**-**	**-**	**-**	**-**	**-**	**606**	**2.93%**
Investments	5	**-**	**6,591**	**10,231**	**10,948**	**7,847**	**9,248**	**44,865**	**3.64%**
31 December 2022									
Cash and cash equivalents	4a	246	111	-	-	-	-	357	3.00%
Investments	5	-	18,072	7,123	9,515	3,381	-	38,091	2.87%
Family Takaful Protection Fund									
31 December 2023									
Cash and cash equivalents	4a	**1,329**	**245**	**-**	**-**	**-**	**-**	**1,574**	**2.94%**
Investments	5	**-**	**14,274**	**31,959**	**28,635**	**16,944**	**17,360**	**109,172**	**3.64%**
31 December 2022									
Cash and cash equivalents	4a	441	137	-	-	-	-	578	2.99%
Investments	5	-	44,233	16,016	25,176	7,929	-	93,354	2.90%

22. FINANCIAL RISK (CONT'D.)

a. Market risk (cont'd.)

ii. Interest rate risk and rate of return risk (cont'd.)

Based on PIDM's investment portfolio as at 31 December 2023 and 31 December 2022, the following table shows changes in the value of the investments given a shift of 100 basis points in interest rates and rate of return.

	Changes in fair value						
	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 Takaful RM'000
100 basis points increase							
31 December 2023	**(203,405)**	**(98,178)**	**(31,736)**	**(45,611)**	**(22,306)**	**(1,539)**	**(4,035)**
31 December 2022	(112,284)	(58,795)	(14,330)	(24,620)	(12,366)	(660)	(1,513)
100 basis points decrease							
31 December 2023	**203,405**	**98,178**	**31,736**	**45,611**	**22,306**	**1,539**	**4,035**
31 December 2022	112,284	58,795	14,330	24,620	12,366	660	1,513

The average duration for PIDM's investment portfolio as at 31 December 2023 is 3.16 years (2022: 1.97 years).

b. 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 to obtain required funding to meet its liquidity needs. A significant amount of funds available for investment were invested in short-term and medium-term Government securities, which are highly liquid marketable assets. In addition, PIDM has access to the repurchase agreement facilities with Bank Negara Malaysia in the event where emergency funding is required.

PIDM also continually endeavours to manage the maturity profiles of its financial assets in order to ensure that sufficient funds are available at all times to meet the day-to-day working capital requirements and to manage its financial risk exposure within approved limits.

22. FINANCIAL RISK (CONT'D.)

b. Liquidity risk (cont'd.)

The following table sets the values of these financial assets by the maturity profiles:

		2023							
	Note	Less than 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	>91 days - 3 years RM'000	>3 - 5 years RM'000	>5 - 7 years RM'000	>7 - 10 years RM'000	Total RM'000
Cash and cash equivalents	4a	38,583	12,195	15,821	36,545	-	-	-	103,144
Investments	5	-	-	20,000	3,096,865	1,440,531	997,755	855,078	6,410,229
Other assets	6a	17,956	10,236	4,497	30,187	632	373	-	63,881
Payables	11a	(150)	(211)	-	-	-	-	-	(361)
Net financial assets		56,389	22,220	40,318	3,163,597	1,441,163	998,128	855,078	6,576,893

		2022							
	Note	Less than 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	>91 days - 3 years RM'000	>3 - 5 years RM'000	>5 - 7 years RM'000	>7 - 10 years RM'000	Total RM'000
Cash and cash equivalents	4a	19,456	17,132	20,726	11,249	-	-	-	68,563
Investments	5	-	-	437,870	3,317,213	989,331	990,596	-	5,735,010
Other assets	6a	11,861	6,283	12,090	16,962	-	734	-	47,930
Payables	11a	(2)	(1,218)	-	-	-	-	-	(1,220)
Net financial assets		31,315	22,197	470,686	3,345,424	989,331	991,330	-	5,850,283

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

22. FINANCIAL RISK (CONT'D.)

b. Liquidity risk (cont'd.)

PIDM has a funding framework to deal with funding requirements relating to intervention and failure resolution activities. The main objective of the framework is to ensure that PIDM has adequate financial resources required for the effective 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 expenses. The annual net surplus is credited into the respective Protection 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 borrowing from the Government, from capital markets or other sources as deemed necessary and appropriate. 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.

There has been no change to PIDM's exposure to liquidity risks or the manner in which these risks are managed and measured.

c. Credit risk

PIDM invests primarily in Malaysian Government Securities and Government Investment Issues, 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.

In addition to Malaysian Government Securities and Government Investment Issues, PIDM holds investments in PDS, issued by government-related entities in accordance with its Investment Policy. As at 31 December 2023, the principal value of these PDS amounted to RM790 million (2022: RM505 million) or 12.3% (2022: 8.7%) of the overall investment portfolio.

PIDM continually monitors the credit standing of the issuers of the PDS for any potential downgrade in the credit ratings.

In determining the expected credit losses for these assets, PIDM have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the securities and notes operate. This information was obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The credit rating information is supplied by independent rating agencies where available and, if not available, PIDM uses other publicly available financial information and PIDM's own records to rate its major counterparties.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

22. FINANCIAL RISK (CONT'D.)

c. Credit risk (cont'd.)

PIDM's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and PIDM has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of PIDM's financial assets as well as PIDM's maximum exposure to credit risk by credit risk rating grades for the financial year ended 31 December 2023 and 31 December 2022.

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL
Malaysian Government Securities and Government Investment Issues	5	Sovereign	Performing	12-month ECL
Private Debt Securities	5	AAA	Performing	12-month ECL
Investment income receivables	6	Sovereign & AAA	Performing	12-month ECL
Deposits and other receivables	6	Not Applicable	Performing	12-month ECL

Sensitivity analysis

The basis and general description of the key inputs and assumptions in determining and measuring ECL are described in Note 2.2(a)(i) to (v) under Impairment of financial assets. As highlighted in Note 3.2 on key sources of estimation uncertainties, the ECL calculations are the output of complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies, and therefore is sensitive to changes in these key assumptions and variable inputs.

Given that PIDM's financial assets are primarily made up of investment related assets including investment income and returns receivables, the most significant assumptions affecting the ECL allowance are those affecting the PD and LGD of these assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

22. FINANCIAL RISK (CONT'D.)

c. Credit risk (cont'd.)

Sensitivity analysis (cont'd.)

PIDM's investments are primarily low risk investment comprising Malaysian Government Securities and Government Investment Issues. The only category of investments which may be more exposed to the credit risk related impairments are on PDS held by PIDM which are of minimum AAA rated. As such, for the purpose of carrying out the sensitivity analysis, the only scenario assumed is a one-level downgrade in credit rating, i.e. from AAA to AA1 and changes in the macroeconomic factors of which affect the corresponding PD. The one-level downgrade does not constitute significant credit impairment which require lifetime ECL allowance.

In respect of LGD, for the purpose of carrying out the sensitivity analysis, two scenarios are assumed which are the increase and decrease of LGD by 20% (2022: 20%) respectively.

Impact on PIDM's profit or loss arising from the assumed movements in PD and LGD as noted above are as follows:

31 December 2023	Note	LGD increased 20% RM'000	LGD decreased 20% RM'000
Malaysian Government Securities and Government Investment Issues	5	-	-
Private Debt Securities	5	(118)	(98)
Investment income receivables	6	(1)	(1)
Deposits and other receivables	6	-	-
(Decrease) in net surplus		**(119)**	**(99)**

31 December 2022	Note	LGD increased 20% RM'000	LGD decreased 20% RM'000
Malaysian Government Securities and Government Investment Issues	5	-	-
Private Debt Securities	5	(68)	(57)
Investment income receivables	6	(1)	-
Deposits and other receivables	6	-	-
(Decrease) in net surplus		(69)	(57)

23. FAIR VALUES

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 continually enhances its design and validation methodologies and processes used to produce valuations. The valuation models are 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.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments; and
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

23. FAIR VALUES (CONT'D.)

Classes and categories of financial instruments and their fair values (cont'd.)

31 December 2023	Note	Carrying value RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Financial assets - amortised cost					
Investments	5	**6,410,229**	**-**	**6,438,088**	**-**
Cash and cash equivalents	4a	**103,144**	**The fair values approximate the carrying amounts due to the short-term maturities of these instruments**		
Other financial assets	6a	**63,881**			
Total financial assets		**6,577,254**			
Financial liabilities - amortised cost					
Other financial liabilities	11a	**361**	**The fair values approximate the carrying amounts due to the short-term maturities of these instruments**		
Total financial liabilities		**361**			

31 December 2022	Note	Carrying value RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Financial assets - amortised cost					
Investments	5	5,735,010	-	5,705,677	-
Cash and cash equivalents	4a	68,563	The fair values approximate the carrying amounts due to the short-term maturities of these instruments		
Other financial assets	6a	47,930			
Total financial assets		5,851,503			
Financial liabilities - amortised cost					
Other financial liabilities	11a	1,220	The fair values approximate the carrying amounts due to the short-term maturities of these instruments		
Total financial liabilities		1,220			

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

23. FAIR VALUES (CONT'D.)

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The fair values of financial instruments classified as Level 2 above were determined using observable inputs. In particular, for investments at amortised cost, the fair values disclosed indicate their market values as at the end of the financial year and were determined by reference to indicative market prices obtained from a bond pricing agency.

The fair value of investments is slightly higher than their carrying amount due to the sensitivity of the price of these securities arising from the interest rate and rate of return movements. As these investments are held to maturity, the risk exposure arising from interest rate and rate of return movements does not have an impact to the financial statements. Refer to Note 22(a) on the disclosure of the management of interest rate risk and rate of return risk.

24. CONTINGENT LIABILITIES

Exposure to losses in administering the Protection System

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.

PIDM undertakes continual risk assessment and monitoring of all member institutions. As at the date of these financial statements, there have been no specific events involving PIDM's member institutions that would require PIDM to record a specific provision in its financial statements in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

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

Accumulated surpluses are held in each Fund to cover net losses when respective obligations arise. As discussed in Note 12 to the financial statements, PIDM has established Target Fund frameworks to determine the level of funds sufficient to cover the net expected losses from intervention and failure resolution activities.

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

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Common Equity Tier 1 (CET1) Capital Ratio
The Common Equity Tier-1 Capital Ratio is computed as a percentage of a member bank's CET1 capital to its risk-weighted assets in accordance with Bank Negara Malaysia's Capital Adequacy Framework. CET1 capital is the highest quality of capital for a member bank, whereas risk-weighted assets are calculated based on the aggregation of the bank's assets weighted by factors relating to its riskiness. The minimum regulatory requirement for CET1 Capital Ratio is 4.5%.

Conventional Deposit Insurance Fund
All premiums received by PIDM from member banks providing conventional banking services and interest earned minus the cost of operating the conventional Deposit Insurance System.

Deposit Insurance Funds
Refers to the Conventional Deposit Insurance Fund and Islamic Deposit Insurance Fund.

Deposit Insurance System
A system established to protect depositors against the loss of their insured deposits placed with member banks and to resolve member banks, in the unlikely event of a member bank failure.

Differential Levy Systems for Insurance Companies
A system where insurance companies are charged levies at differential rates, based on their risk profiles.

Differential Levy Systems for Takaful Operators
A system where takaful operators are charged levies at differential rates, based on their risk profiles.

Differential Premium Systems
A system where member banks are charged premiums at differential rates, based on their risk profiles.

Enterprise risk management
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 Takaful Protection Fund
All levies received by PIDM from insurer members conducting family takaful business and returns made minus the costs of operating the Takaful and Insurance Benefits Protection System.

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 levies received by PIDM from insurer members conducting general insurance business and interest earned minus the costs of operating the Takaful and Insurance Benefits Protection System.

General Takaful Protection Fund
All levies received by PIDM from insurer members conducting general takaful business and returns made minus the costs of operating the Takaful and Insurance Benefits Protection System.

Impairment
Refers to loss allowance for expected credit losses (ECL) on loan or financing assets in accordance with Malaysian Financial Reporting Standards (MFRS) 9.

Insurance benefits
The amounts paid under the coverage of a policy for which an insurance company is liable to any person in the usual course of the insurance business of the insurance company.

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 Bank Negara Malaysia 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 costs of operating the Islamic Deposit Insurance System.

Islamic Protection Funds
Refers to the Islamic Deposit Insurance Fund, General Takaful Protection Fund, and Family Takaful Protection Fund.

Life Insurance Protection Fund
All levies received by PIDM from insurer members conducting life insurance business and interest earned minus the costs of operating the Takaful and Insurance Benefits Protection System.

Member institutions
Members of PIDM comprising member banks and insurer members.

- ***Insurer members***
  All insurance companies licensed under the Financial Services Act 2013 to conduct life or general insurance business in Malaysia, as well as takaful operators licensed under the Islamic Financial Services Act 2013 to conduct family or general takaful business in Malaysia. Membership is compulsory under the PIDM Act. A full list of insurer members is available on PIDM's website.

- ***Member banks***
  All commercial banks 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 member banks is available on PIDM's website.

Payout Management System
An internal PIDM system used to process payments to depositors owners of takaful certificates and insurance policies in the event of a payout.

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.

Protection Funds
Refers to the Conventional Deposit Insurance Fund, Islamic Deposit Insurance Fund, General Insurance Protection Fund, Life Insurance Protection Fund, General Takaful Protection Fund, and Family Takaful Protection Fund.

Reimbursement
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.

Risk Assessment System
An internal PIDM system used to evaluate the member institutions' risk levels and controls and provides both a current (aggregate risk) and a prospective (direction of risk) view of the member institutions' risk. This is so that emerging risks can be identified and action is taken in a timely manner, before such risks materialise.

Shariah
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).

Takaful and Insurance Benefits Protection Funds
Refers to the General Insurance Protection Fund, Life Insurance Protection Fund, General Takaful Protection Fund, and Family Takaful Protection Fund.

Takaful and Insurance Benefits Protection System
A system established to protect owners of takaful certificates and insurance policies from the loss of their eligible takaful or insurance benefits and to resolve insurer members, in the unlikely event of an insurer member failure.

Takaful benefits
The amount paid under the coverage of a takaful certificate for which a takaful operator is liable to any person in the usual course of business of the takaful operator.

Takaful 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.

Takaful Protection Funds
Refers to General Takaful Protection Fund and Family 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 Insured Deposits
The sum of deposits insured by PIDM.

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