



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

ANNUAL REPORT 2022





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## PREFACE

The Perbadanan Insurans Deposit Malaysia (PIDM) Annual Report 2022 narrates the role that we play as a deposit insurer and resolution authority, what we have achieved in 2022, and what we plan for the future.

The report begins with a message from our leaders on PIDM’s state of affairs and performance. This is followed by **Part I: How PIDM Protects Financial Consumers**,<sup>ø</sup> which explains PIDM’s role and the various ways we protect financial consumers in Malaysia, including ensuring an effective resolution regime, and operational readiness to deal with crisis.

**Part II: PIDM@Work**<sup>ø</sup> gives an overview of who we are, what we have been mandated to do, and how we have put in place the requisite governance systems and structures to create value for our stakeholders, and to address our key risks. This part also highlights our achievements in 2022, both performance and financial-wise, based on our Corporate Plan 2022 – 2024, themed “**Present-Focused, Future-Ready**”.

**Part III: Our Way Forward**,<sup>ø</sup> outlines our strategy for 2023 and beyond, via our **Summary of the Corporate Plan 2023 – 2025**, themed “**Realising Readiness**”. Finally, **Part IV** sets out our **financial statements as at 31 December 2022**.<sup>ø</sup>

We hope that you will find this report helpful in understanding our role and functions, and how we contribute to financial system stability.

**Corporate Communication Department**  
**PIDM**

## GOVERNING REGULATIONS AND GUIDELINES

*The financial statements as at 31 December 2022 have been prepared in accordance with the Malaysia Deposit Insurance Corporation Act (PIDM Act) 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](mailto:info@pidm.gov.my)

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# FROM OUR LEADERSHIP



**TAN SRI DR. RAHAMAT BIVI YUSOFF**  
*Chairman*



**RAFIZ AZUAN ABDULLAH**  
*Chief Executive Officer*

The past year can be characterised as one of growth and recovery. Yet, uncertainties still persist, and as we navigate the post-pandemic landscape, we are cognisant that change is a constant we have to continuously adapt to as we strive to keep our ship steady and deliver on our mandate. While we remain steadfast in our present course, we need to keep a vigilant eye on the horizon, guided by our Corporate Plan 2022 – 2024, aptly themed “Present-Focused, Future Ready”.

## PRESENT-FOCUSED

We are committed to focus on our current path – reinforcing the confidence of Malaysian financial consumers and promoting financial system stability through being resolution-ready. In 2022, we completed the industry consultation on the resolution planning approach for member banks with the issuance of the Resolution Planning Exposure Draft. We have intensified our engagement and awareness on resolution planning during the process. This includes efforts to get relevant service providers on board and prepare them to be ready to support our resolution strategies when called upon.

In our efforts to heighten our crisis readiness, we continued to conduct our annual simulation exercises and started developing the inter-agency crisis preparedness binder which serves as a guide to implement established processes during a crisis situation. We also enhanced and tested our reimbursement capabilities during business as usual to ensure we are able to reimburse promptly and accurately when we are called into action.

## FROM OUR LEADERSHIP

We are proud to have achieved a high public awareness level of 80% and advocacy level of 59% in our annual nationwide public awareness survey. We continued with our flagship #SediaPayungKewangan campaign for the second year running in our efforts to amplify visibility and awareness of PIDM through advocating financial literacy. We also co-hosted the National Financial Literacy Symposium (NFLS) 2022 together with Bank Negara Malaysia, a symposium that brought together researchers, academics and think tanks with policymakers and industry practitioners under one roof, with the shared objective of enhancing the effectiveness of financial literacy efforts and in building better financial resilience of the public post-pandemic.

On the international front, we continued to strengthen bilateral engagements with our counterparts from other countries. As Chair of the International Forum of Insurance Guarantee Schemes (IFIGS), we hosted the 9<sup>th</sup> FIGS International Conference and Annual General Meeting in December 2022, as we continue to contribute meaningfully as well as demonstrate our leadership in the global arena.

## FUTURE-READY

As we set sail on our long-term digital transformation journey, we implemented the digital and sustainability mindset framework to inculcate a digital and sustainable culture amongst our people. We further enhanced our cybersecurity capabilities and started our journey towards the adoption of cloud technology for enhanced efficiency, productivity and agility. In order to prepare and equip our workforce for this journey, we have rolled out the future-ready skills framework to further enhance our employees’ digital, sustainability and smart skills.

We have also begun to place more emphasis on our environmental sustainability journey in 2022, while maintaining our commitment to social sustainability. We initiated activities that incorporate environmental considerations into relevant aspects of our operations which will contribute to climate resilience for the long haul. Correspondingly, we commenced the adoption of broader sustainable practices by organising various employee awareness programmes and focused our efforts in gathering data to determine the baseline of PIDM’s carbon footprint and to identify the gaps in meeting our environmental sustainability objectives.

## KEEPING STEADY

From our inception, we have recognised governance as a key foundation and given it our utmost focus. As we brace ourselves for changes and developments, it is important for us to keep enhancing and strengthening our governance over time. In this regard, during the year we have established a dedicated Integrity and Governance Department led by the Chief Integrity and Governance Officer (CIGO), who reports directly to the Board, as part of our continuous effort to ensure that we stay focused and maintain our high standards of good governance.

As leaders, we are aware of our responsibility to run a steady ship and steer it towards the right direction, but we will not get anywhere if not for our crew, our people – who are the backbone of our operations. We have continued our efforts to ensure that PIDM’s operations remain resilient and agile, including the implementation of a hybrid work environment and the migration of part of our workforce to the AICB Building. We worked hard to ensure the continuity of our operations, the safeguard of critical and confidential information, and most importantly, the safety and security of our employees.

We would like to take this opportunity to thank our employees for their tireless effort, commitment and resilience and the Board for their strategic views, guidance and support.

We must ensure that we maintain a strong foundation, so that we can navigate the twists and turns of the ever-changing financial regulatory landscape with purpose and clarity. We cannot dictate where the wind blows but we can adjust the sails to go where we want or need to journey to, as we adapt and evolve to meet the needs of those we serve. By staying true to our mandate and core values, we can ensure that as we move full speed ahead into the future, our actions and decisions will continue to flow in the right direction.



**TAN SRI DR. RAHAMAT BIVI YUSOFF**  
*Chairman*



**RAFIZ AZUAN ABDULLAH**  
*Chief Executive Officer*

# PART I

# HOW PIDM PROTECTS FINANCIAL CONSUMERS

PIDM Protects Deposits and Takaful and Insurance Benefits

PIDM Creates Awareness and Enhances Trust

PIDM Provides Incentives for Member Institutions to Remain Safe and Sound

PIDM Ensures Member Institutions Can Be Resolved Effectively

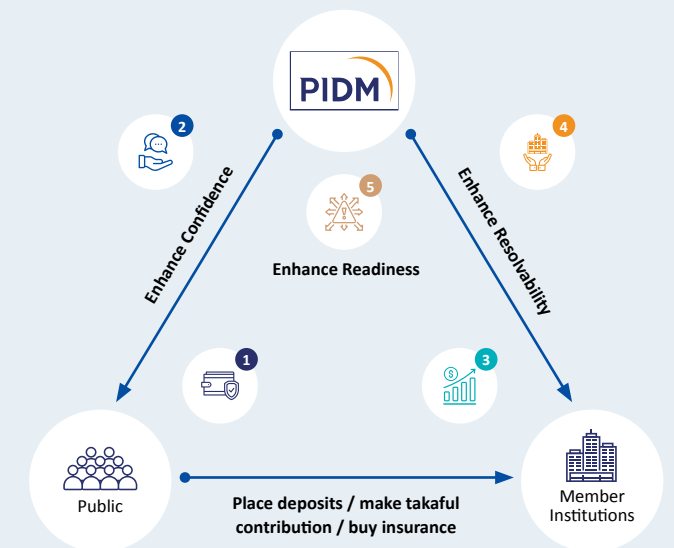
PIDM Enhances Readiness for Crisis

*One Small Step, One Giant Leap – Anything Worth Doing At All, Is Worth Doing Well*

## HOW PIDM PROTECTS FINANCIAL CONSUMERS

PIDM is a statutory body established in 2005 under the Malaysia Deposit Insurance Corporation Act<sup>1</sup> (PIDM Act).<sup>2</sup> In fulfilling our mandate as a financial consumer protection authority and resolution authority for our member institutions, PIDM protects financial consumers in Malaysia by:

- 1 Protecting deposits and takaful and insurance benefits
- 2 Creating awareness and enhancing trust
- 3 Providing incentives for member institutions to remain safe and sound
- 4 Ensuring member institutions can be resolved effectively
- 5 Enhancing readiness for crisis



### 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 need not pay a single sen for it. PIDM has 42 member banks and 50 insurer members.<sup>3</sup>

#### PIDM Protection for Depositors in Member Banks

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

Currently, PIDM's deposit coverage protects 96% of depositors in full. PIDM's coverage remains high and is above the recommended coverage level in the **International Association of Deposit Insurers' (IADI)**<sup>4</sup> Core Principles for Effective Deposit Insurance Systems. 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 non-profit organisation formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation.

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

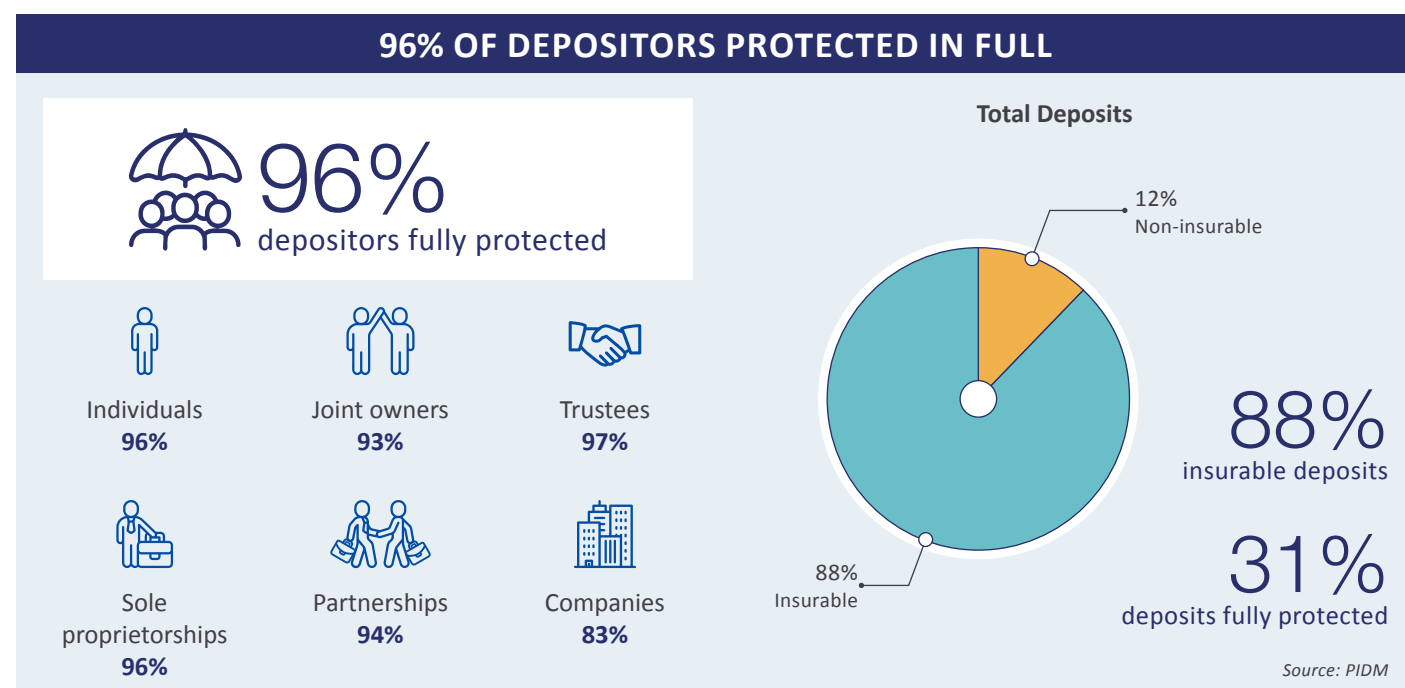
<sup>1</sup> The Malaysia Deposit Insurance Corporation Act 2005

<sup>2</sup> The latest Act following various amendments is the Malaysia Deposit Insurance Corporation Act 2011

<sup>3</sup> Data as at 31 December 2022

<sup>4</sup> Refer to the IADI website [www.iadi.org](http://www.iadi.org)

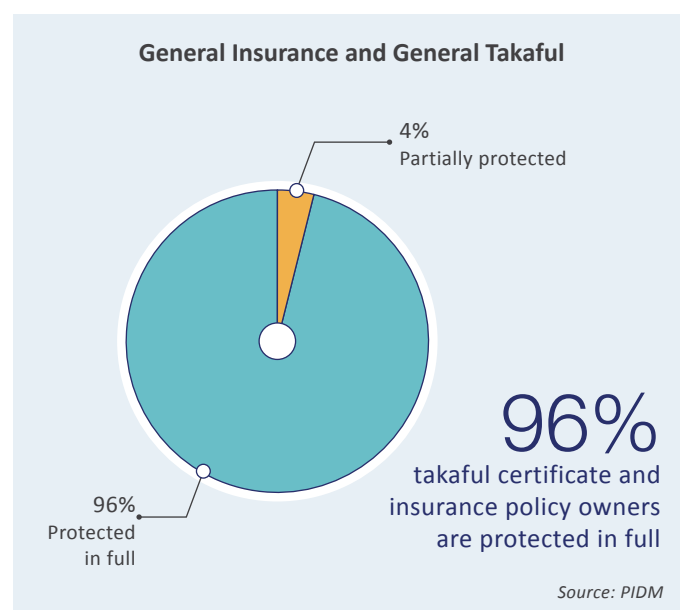
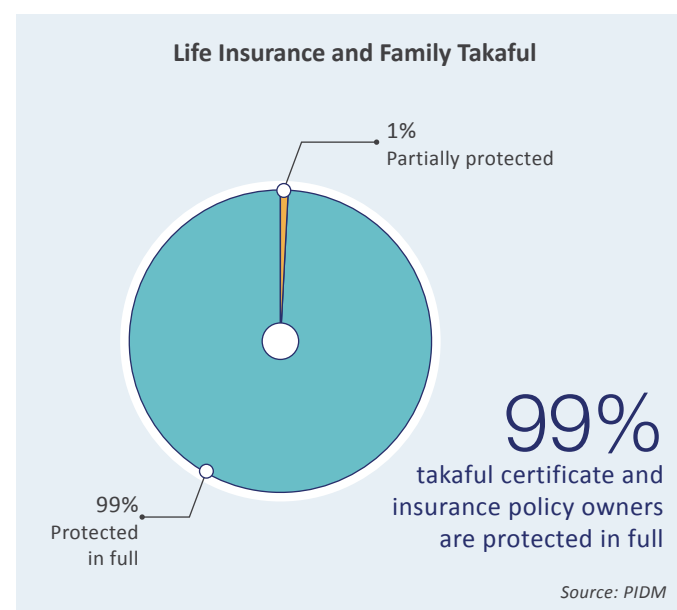
## HOW PIDM PROTECTS FINANCIAL CONSUMERS



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

PIDM protects eligible takaful or insurance benefits up to RM500,000. Effective 1 January 2021, PIDM further enhanced our protection to takaful certificate and insurance policy owners. 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).<sup>5</sup>

Currently, this 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. There is separate protection for conventional and takaful certificates held by individuals and groups as well as for own damage and third-party claims.



## HOW PIDM PROTECTS FINANCIAL CONSUMERS

## 2 PIDM CREATES AWARENESS AND ENHANCES TRUST

PIDM carries out extensive public awareness activities to ensure that consumers are aware of our protection systems and understand their benefits and limitations. This is crucial in providing financial consumers with clarity, reassurance and confidence to mitigate the risk of runs on our member institutions during situations of stress or uncertainty. Our public awareness efforts also seek to build financial resilience among Malaysians and enhance confidence in our ability to carry out our mandate, including our role as a resolution authority, as we strive to transcend from mere awareness to trust, in the eyes of the public.

## Awareness of PIDM and Our Protection Systems

We continued to promote awareness of PIDM via radio, print and digital advertisements, while enhancing public's understanding of our protection systems through engagements and collaborations with media partners, and online publishers. The awareness level of PIDM achieved an all-time high of 81% in 2021 and remained strong at 80% in 2022.

## Financial Resilience Campaign [🔗](#)

In 2022, we continued the use of social media and on-ground activities, particularly for the #SediaPayungKewangan financial resilience campaign, to engage the public. This approach contributed to a higher level of advocacy (2022: 59%; 2021: 47%), and the campaign obtained an *overall reach* of 15.2 million.

The digital component of our campaign included new videos in the Borak BerUang series, financial literacy videos, collaboration with content creators and social media activities, including financial literacy-related webinars. The on-ground activities via the PIDM Kombi Van, also saw PIDM bringing the campaign to members of the public across the Klang Valley, Seremban, Melaka and Johor.

### WHAT IS OVERALL REACH?

The total number of people who have seen our #SediaPayungKewangan content online and at physical events.



PIDM's good financial management icon, Chief BerUang, also expanded his reach and visibility to Instagram audiences (@chief.beruang) <sup>8</sup> in 2022.

Moving forward, we will continue to leverage on financial literacy content to promote knowledge of PIDM as a regulatory body. As a key objective of PIDM's communication strategy is to generate long-term public trust and confidence in PIDM, we will look into other ways of communicating with the public effectively and to increase their familiarity with PIDM's role, and ultimately, their trust in PIDM.

<sup>5</sup> Refer to [www.pidm.gov.my](http://www.pidm.gov.my) for more details




# HOW PIDM PROTECTS FINANCIAL CONSUMERS

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

PIDM supports overall financial system stability by promoting the safety and soundness of our member institutions by giving 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 we collect funds in the form of premiums and levies from our member institutions in advance, during business as usual.*

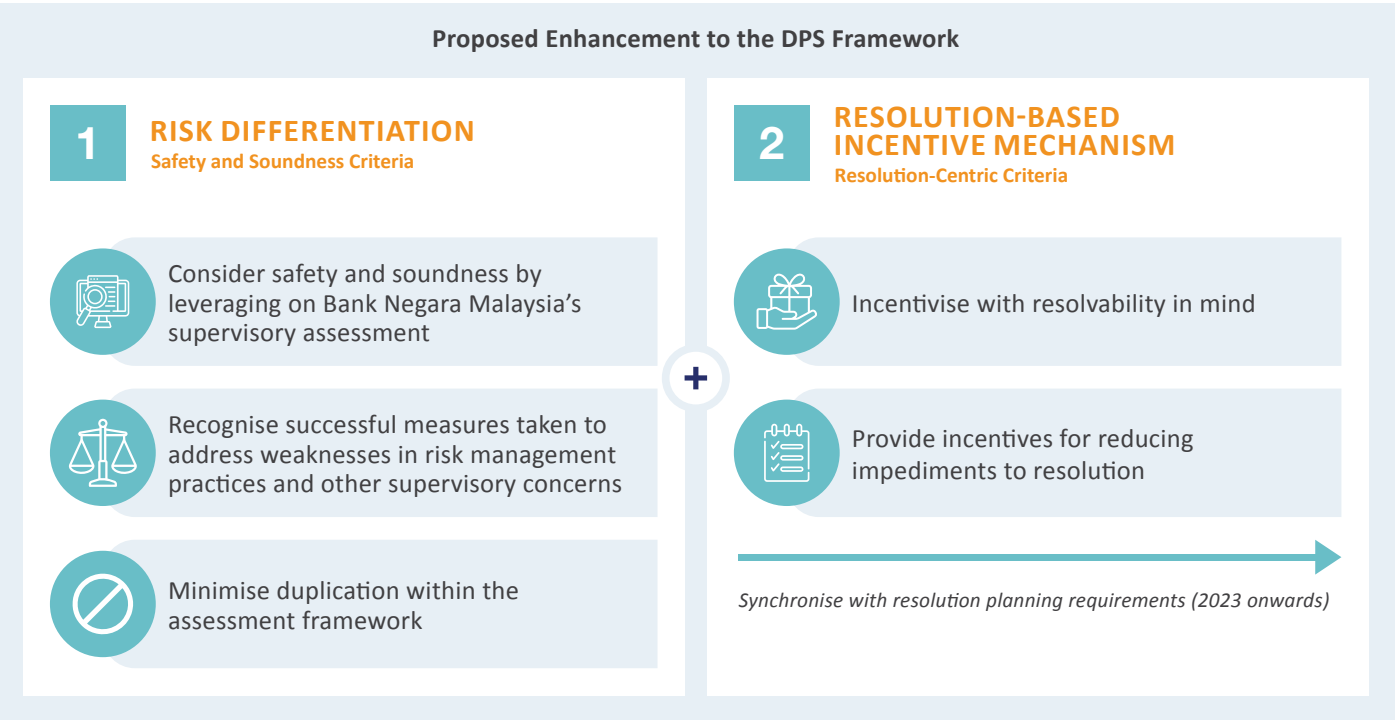
### The Riskier You Are, the More You Pay

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 a 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 Incorporate Resolvability**

In order to adapt to the changes in the operating environment and the regulatory landscape, PIDM has proposed further enhancements<sup>6</sup> to the DPS framework that are expected to take effect in Assessment Year 2025. The proposed 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 will follow suit. Ultimately, future enhancements look to contribute to the overall stability of the financial system.



## 5 PIDM ENHANCES READINESS FOR CRISIS

Moving forward, PIDM will continue on the reimbursement readiness journey to ensure that all external parties involved in the process are also in a state of enhanced readiness to support PIDM's reimbursement activities and strategy.

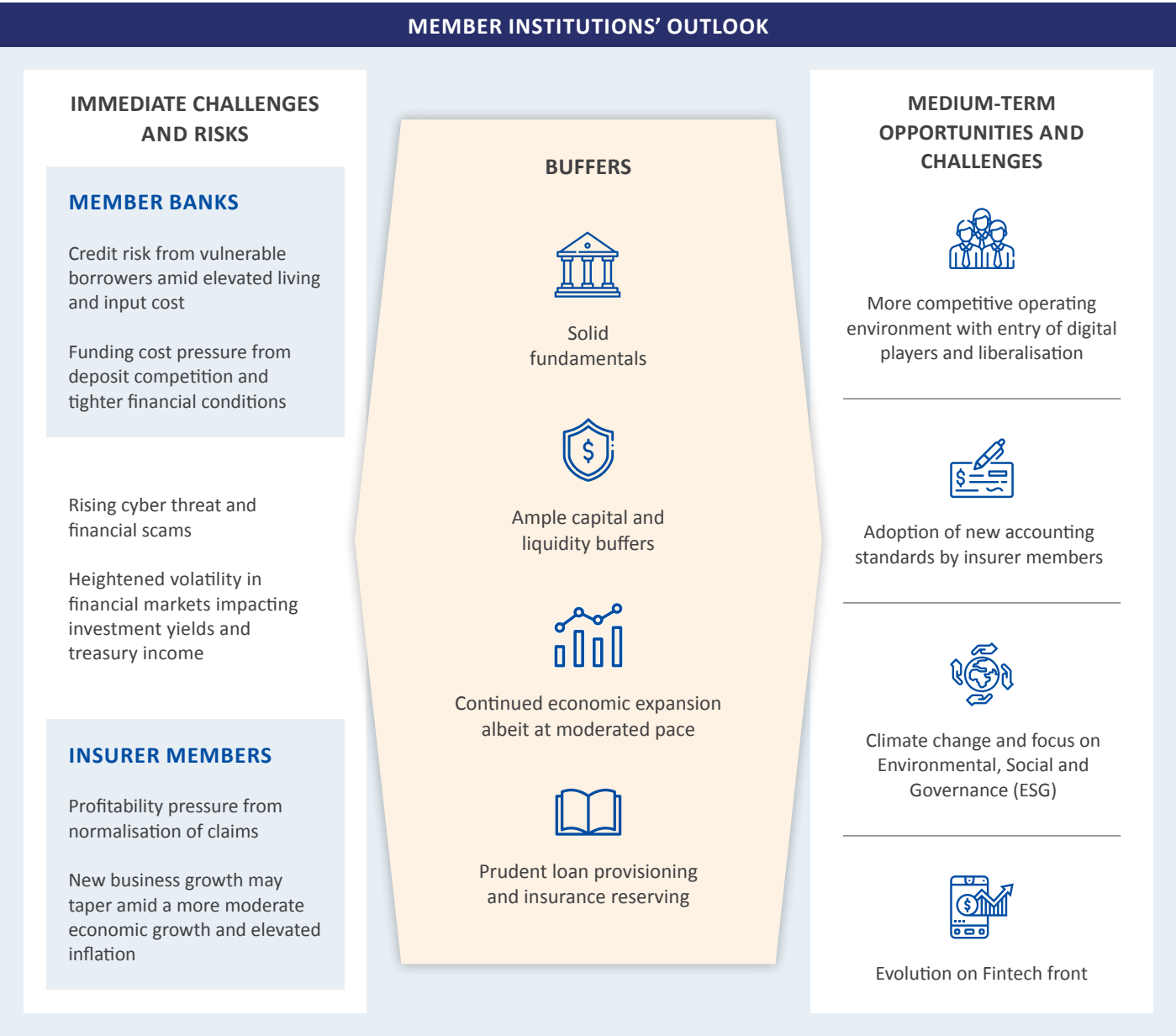
INSURER MEMBERS			
<b>Capital Adequacy Ratio</b> <div>                     Insurers  <b>225.2%</b>                      (2021: 222.4%)                 </div> <div>                     Takaful Operators  <b>229.8%</b>                      (2021: 224.3%)                 </div>	<b>Total Asset Growth</b> <div>                     Insurers  <b>1.1%</b>                      (2021: 2.5%)                 </div> <div>                     Takaful Operators  <b>8.9%</b>                      (2021: 9.4%)                 </div>	<b>Net Premium Growth</b> (Life Insurance and Family Takaful) <div> <b>4.0%</b>                      (2021: 7.7%)                 </div>	<b>Gross Premium Growth</b> (General Insurance and General Takaful) <div> <b>11.7%</b>                      (2021: 4.0%)                 </div>

• Higher gross premiums / contributions growth for general insurers and takaful operators  
 • Healthy net premiums / contributions growth for life insurers and family takaful operators in line with higher consumer awareness  
 • Slower asset growth given more volatile financial markets  
 • Sound capital positions to sustain new business growth and withstand potential shocks

Source: PIDM, Bank Negara Malaysia  
 Note: Data as at December 2022



Looking ahead, member institutions are well-positioned to withstand risks and challenges given their solid fundamentals and ample buffers.



PIDM member institutions have been able to support financial intermediation amid the adverse economic and financial shocks during the pandemic. They continued to play their role in supporting post-pandemic economic recovery. Nonetheless, the RSP and crisis preparedness initiatives are aimed at enhancing operational resolution readiness in preparation for any eventuality or financial crisis.

# ONE SMALL STEP, ONE GIANT LEAP

## ANYTHING WORTH DOING AT ALL, IS WORTH DOING WELL

“ **THAT’S ONE SMALL STEP FOR A MAN, ONE GIANT LEAP FOR MANKIND**

*Neil Alden Armstrong,  
first man to walk on the Moon*

In 1961, the United States announced its plan to send man to the Moon after the Soviet Union successfully sent the first man into space. The plan was driven by the fact that if the United States could reach the Moon first, it would demonstrate that the United States was a leader in science and technology.

But why the Moon? In his famous speech in support of the space programme, President John F. Kennedy made the following remark, “*We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organise and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one we intend to win...*”. President Kennedy’s daunting challenge to his countrymen was met just eight years later when Apollo 11 astronauts Neil Armstrong and Buzz Aldrin became the first men to walk on the Moon on 20 July 1969.

When PIDM took the first step in our resolution planning journey in 2016, it may not have been as daunting as going on a trip to the Moon was back in the 1960s. However, just like Kennedy, we knew it was going to be a complex and challenging task that requires a significant level of commitment and determination. Resolution planning entails the drawing up of a resolution plan which is customised for each of PIDM’s member institutions.

*A resolution plan includes a preferred resolution strategy and an operational plan which aims to articulate how the preferred resolution strategy is to be implemented during a resolution.*

As part of the resolution planning process, a clear understanding of the member institution would be required and this may be garnered by way of a thorough assessment of the business model critical functions and interdependencies of the member institution.

PIDM would also need to ensure that the preferred resolution strategy for the member institution remains feasible and credible for implementation. Resolution planning hence requires careful preparation and close coordination between PIDM and our various stakeholders, including the member institution itself and the other regulatory authorities such as Bank Negara Malaysia, for it to be effective.

The Americans rejoiced in achieving the major milestone of being the first nation to send man to the Moon, but it was not without controversy. As anticipated by President Kennedy, the journey was indeed a hard and costly one. Critics felt that the cost was too high; the Apollo programme costs approximately \$20 billion dollars between 1961 and 1973. However, proponents argued otherwise; they agreed with President Kennedy that the difficult challenge may give rise to other consequential benefits and advantages, especially in the area of technological advancements. Technologies developed from the space programme were subsequently applied to many innovations which influence the daily lives of humankind. For example, the suit developed for astronauts to be worn under extreme weather conditions was also used to make suits to protect firefighters. Imaging and satellite technology used for space exploration was used in the medical scanning industry to save lives. The reverse osmosis technology that was used to recycle waste water in outer space has also helped to transform global waste water into clean and drinkable water.

Just as the difficulties posed by the mission to the Moon led to various technological advancements, the benefits that would be derived from the resolution planning exercise by PIDM’s member institutions could be immense, if done well.

“ **IN TRUTH, WHATEVER IS WORTH DOING AT ALL, IS WORTH DOING WELL; AND NOTHING CAN BE DONE WELL WITHOUT ATTENTION**

*Philip Dormer Stanhope, 4<sup>th</sup> Earl of Chesterfield, in his letters to his son on the fine art of becoming a man of the world and a gentleman*

Resolution planning would help member institutions develop capability to support the implementation of prompt and orderly resolution. The information and insights gathered from member institutions through the resolution planning process would also help facilitate swift and informed decision-making by PIDM in a resolution. Early preparation, coupled with swift decision-making by PIDM, would in turn preserve the value of member institutions during times of crises. Insights gained during early preparation would also improve member institutions’ ability to undertake business as usual transactions, including for recovery planning.

And that is why – just as Kennedy chose to put man on the Moon more than 60 years ago – PIDM, as a strategic objective, has decided to embark on the resolution planning journey with member institutions. Even though it may be a complex and challenging endeavour, the outcome would be beneficial as preparatory efforts undertaken could be applied during a resolution. Just as mankind’s mission to the Moon has inspired man to reach new heights and achieve great things, what started as a small step in our resolution planning journey can help us build a stronger and more resilient financial system for all – as we brace ourselves, in multiple facets of readiness, to take a giant leap into the future.



# PART II

# PIDM@WORK

[Governance](#)

[Stakeholders](#)

[IFIGS Chairmanship 2022 – A Testament to PIDM’s Expertise and Thought Leadership](#)

[National Financial Literacy Symposium \(NFLS\) 2022 – Advancing Financial Literacy in Malaysia](#)

[Material Matters](#)

[Target Fund – In Review](#)

[Performance](#)

[AICB Building – A Step into the Future](#)

## GOVERNANCE

### OVERVIEW OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

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

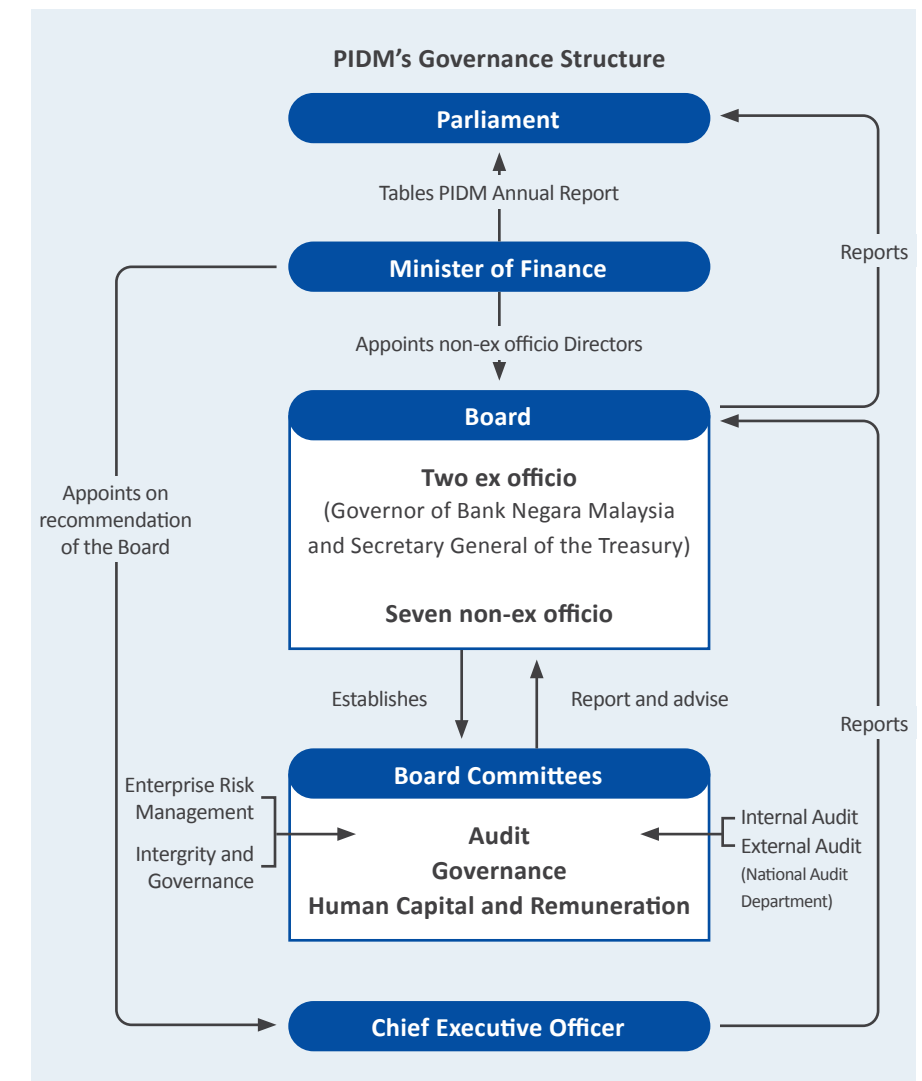
MANDATE			
Administer two financial consumer protection systems	Provide protection against the loss of	Provide incentives to	Promote or contribute to
<div>A</div> Deposit Insurance System <div>B</div> Takaful and Insurance Benefits Protection System	<div>A</div> deposits in member banks <div>B</div>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

By virtue of the amendments to the PIDM Act in 2022, the ex officio directors are allowed to appoint an alternate director from within their organisation, i.e. from BNM and from the Ministry of Finance. The alternate director would attend Board meetings in place of the ex officio directors when required. This is to ensure that the views of a senior officer from BNM and the Ministry of Finance continue to be taken into account during Board meetings. In 2022, Datuk Jessica Chew Cheng Lian and Dato’ Shahrol Anuwar Sarman were appointed as the alternate directors to the Governor of BNM and the Secretary General of the Treasury respectively.

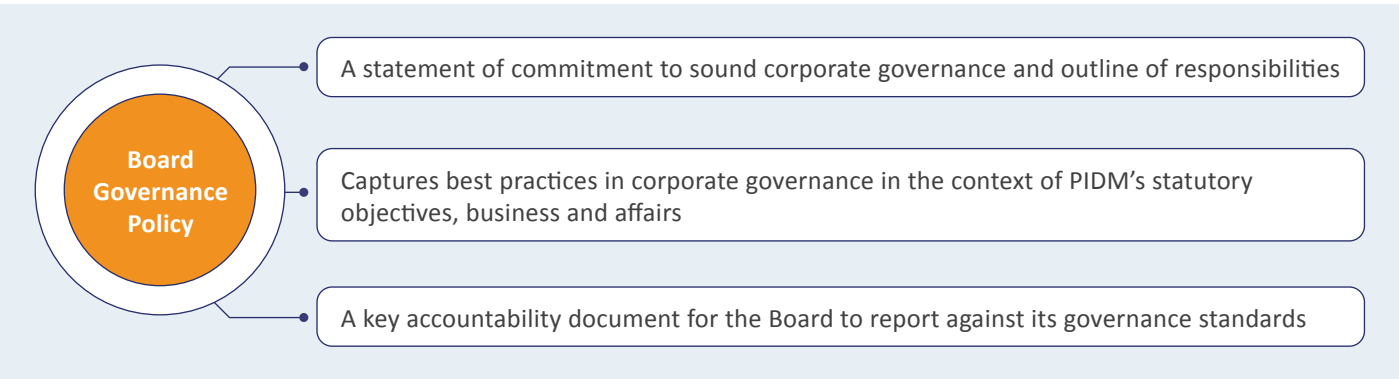



# GOVERNANCE

## 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.



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

## Board Attendance

In 2022, the meeting attendances of Board members were as follows:

Board Member	Meeting attendances			
	Board	Audit Committee	Governance Committee	Human Capital and Remuneration Committee
Tan Sri Dr. Rahamat Bivi Yusoff	8/8	-	2/2	-
Tan Sri Nor Shamsiah Mohd Yunus	7/8 <sup>2</sup>			
Alternate: Datuk Jessica Chew Cheng Lian <sup>1</sup>		-	-	-
Datuk Seri Asri Hamidin @ Hamidon <sup>3</sup>	3/8 <sup>5</sup>			
Alternate: Dato’ Shahrol Anuwar Sarman <sup>4</sup>		-	-	-
Datuk Dr. Yacob Mustafa	7/8	7/7	-	-
Puan Suhara Husni	8/8	-	2/2	-
Dato Dr. Nik Ramlah Mahmood	7/8	-	2/2	2/2
Dato’ Dr. Gan Wee Beng	7/8	7/7	-	2/2
Ms. Gloria Goh Ewe Gim	8/8	7/7	2/2	-
Mr. Lee Kong Eng	8/8	7/7	-	2/2

<sup>1</sup> Datuk Jessica Chew was appointed as the alternate director on 14 July 2022

<sup>2</sup> Datuk Jessica Chew attended two of the Board meetings

<sup>3</sup> Datuk Seri Asri Hamidin retired from the Board on 3 January 2023

<sup>4</sup> Dato’ Shahrol Anuwar was appointed as the alternate director on 15 June 2022

<sup>5</sup> Dato’ Shahrol Anuwar attended all three of the Board meetings

# GOVERNANCE

## Board Committees

The composition of the Board Committees and their activities in 2022 were as follows:

Audit Committee	Governance Committee	Human Capital and Remuneration Committee
7 meetings	2 meetings	2 meetings
<b>Chair:</b> Ms. Gloria Goh Ewe Gim	<b>Chair:</b> Dato Dr. Nik Ramlah Mahmood	<b>Chair:</b> Dato’ Dr. Gan Wee Beng
<b>Members:</b> Mr. Lee Kong Eng (Vice Chair) <sup>6</sup> Datuk Dr. Yacob Mustafa Dato’ Dr. Gan Wee Beng	<b>Members:</b> Tan Sri Dr. Rahamat Bivi Yusoff Ms. Gloria Goh Ewe Gim Puan Suhara Husni	<b>Members:</b> Dato Dr. Nik Ramlah Mahmood Mr. Lee Kong Eng
<b>Key activities in 2022</b>  Reviewed the following: <ul style="list-style-type: none"> <li>Financial Statements 2021 and Annual Report 2021</li> <li>Statement on Risk Management and Internal Control</li> <li>PIDM’s investment approach and expense parameter</li> <li>Revisions to the authorised signatories and conditions for authorisation in respect of PIDM’s operation and investment accounts</li> <li>Procurement Policy, enterprise risk management-related policies and charter</li> <li>Reports on enterprise risk management, Shariah risk management, cyber and information security risk management, integrity and governance</li> <li>Compliance with laws, internal audit plans and reports</li> <li>Reports on expenses, investments and cash management</li> <li>Updates on the corporate plan and financial plan as well as reports on procurements</li> </ul>	<b>Key activities in 2022</b>  Reviewed the following: <ul style="list-style-type: none"> <li>corporate governance disclosures</li> <li>governance approach</li> <li>governance policies and procedures including Policy Against External Interference, Policy on Reimbursement of Directors’ Expenses by the Corporation, Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors</li> <li>corporate social responsibility objectives and activities</li> <li>action plans arising from the 2021 Board assessment results</li> <li>Board education programme</li> <li>Board succession plan</li> <li>Directors’ remuneration</li> </ul>	<b>Key activities in 2022</b>  Reviewed the following: <ul style="list-style-type: none"> <li>key human capital initiatives including a digital and sustainability mindset-driven culture, bonus and increments for employees</li> <li>the Chief Executive Officer (CEO)’s key performance indicators</li> <li>compliance with human capital policies and legal requirements</li> <li>succession planning for key senior management</li> <li>report on PIDM’s scholarship programme</li> </ul>

<sup>6</sup> Mr. Lee Kong Eng was appointed as the Vice Chair on 8 September 2022



# GOVERNANCE

## Risk Management

PIDM recognises that effective risk management and a sound system of internal control are integral parts 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 ERM 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 Part II of this Annual Report.

## Internal Control

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

The independent internal audit function provides reasonable assurance that internal control and risk management systems are effective. The Chief Internal Auditor reports to the Board through the Audit Committee.

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.

# GOVERNANCE

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.

The ACS Department noted the following key control updates for 2022:

**Transition into endemic phase of COVID-19.** During the year, Management continued its efforts to ensure that PIDM’s operations remained resilient and agile while adapting to the transition into the endemic phase of COVID-19, including the implementation of a hybrid work environment. Management has implemented measures, based on its robust business continuity management and plan, to ensure the safety and security of employees, the continuity of its operations, the safeguard of critical and confidential information, and effective internal and external communications. Management ensured the alignment of these measures with the relevant Government regulations required under the endemic phase of COVID-19.

**Strengthen processes and practices on integrity and governance.** In 2022, PIDM established the Integrity and Governance Department following the Malaysian Anti-Corruption Corporation (MACC)’s recommendation pursuant to MACC’s Guidelines for the Management of Integrity and Governance Unit issued in 2019. This function oversees and implements relevant integrity and ethics-related codes, policies and guidelines, and is led by the Chief Integrity and Governance Officer (CIGO), who reports directly to the Board. The Board, through the Audit Committee, receives reports on compliance and whistleblower complaints, if any. The CIGO also submits to the Malaysian Anti-Corruption Commission, a report on the implementation of the integrity and governance function’s activities every four months.

**Implement digital transformation roadmap and strengthen information management and cybersecurity.** PIDM commenced the phased implementation of a long-term journey that is aimed to transform our overall technology and digital setup with a focus on process efficiency, and without compromising internal control and governance. PIDM maintained the Information Security Management System (ISMS) ISO/IEC 27001<sup>7</sup> certification to elevate our cybersecurity posture as well as to strengthen our governance, risk management and control processes on information management. This has ensured that key strategic and operational policies, processes, practices and tools are effective in mitigating relevant evolving risks impacting PIDM’s information and information assets.

**Effectiveness assessment on internal audit activities.** An external and internal Quality Assessment Review (QAR) is carried out periodically to assess the effectiveness of the internal audit activities performed by PIDM’s internal audit function. A QAR helps organisations enhance the effectiveness, quality and value received from their internal audit function. The external assessment is conducted once every five years whereas the internal assessment is conducted annually. The last external assessment was carried out in 2020 by an independent external assessor. For 2022, an internal QAR was conducted in the area relating to internal audit employees. PIDM’s 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.

In conclusion, for 2022, based on the assessment performed by PIDM’s internal audit function on the state of internal controls, 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](http://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 transactions. We comply with the requirements under the Malaysian Financial Reporting Standards (MFRS) in respect of specific reporting and disclosure obligations on related party transactions. PIDM’s internal audit function reviews all related party transactions, and its audit report is considered by the Audit Committee and the Board. Refer to Note 20 (a) to the financial statements for details.

<sup>7</sup> International Organisation for Standardization (ISO) / International Electrotechnical Commission (IEC)

# GOVERNANCE

## 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.

## 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. Safety and health remains a priority and trainings were conducted as and when required. There were also regular communications with employees to ensure people engagement and productivity.

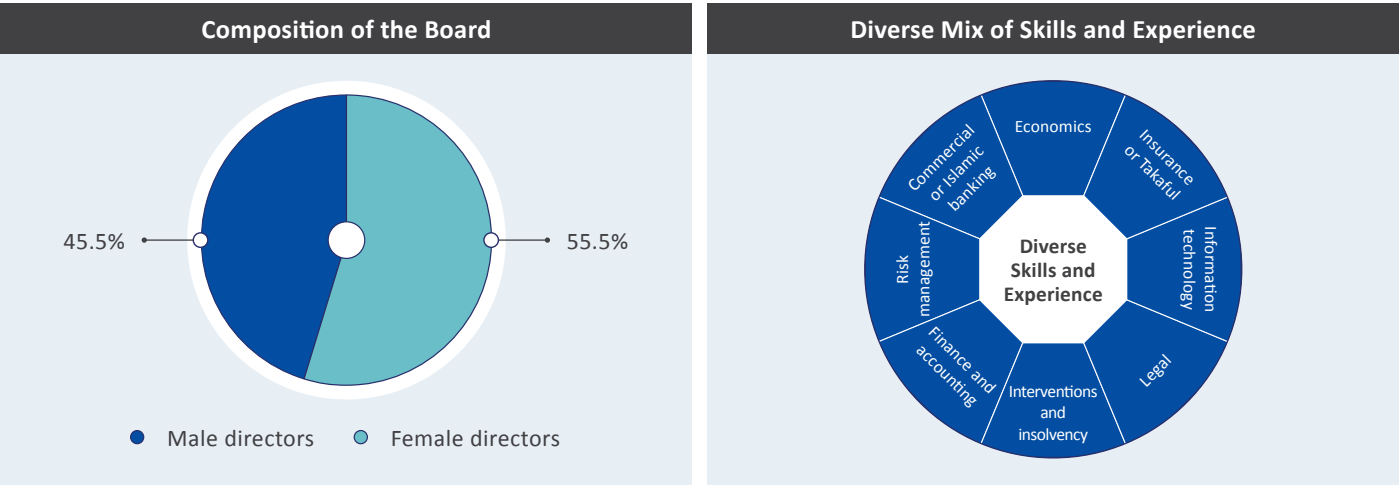
## Social Capital and Stakeholder Engagements for Effective Decision-Making

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.

## APPROACH TO DIVERSITY AND INCLUSION

PIDM subscribes to the principles of diversity and inclusion and recognises the immense benefits brought to us by 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 mix of skills and experience.



PIDM’s workforce comprises people from different cultures and disciplines as well as employees with special needs. Our senior management comprises 43% female and 57% male, and the average age of our employees is 42.

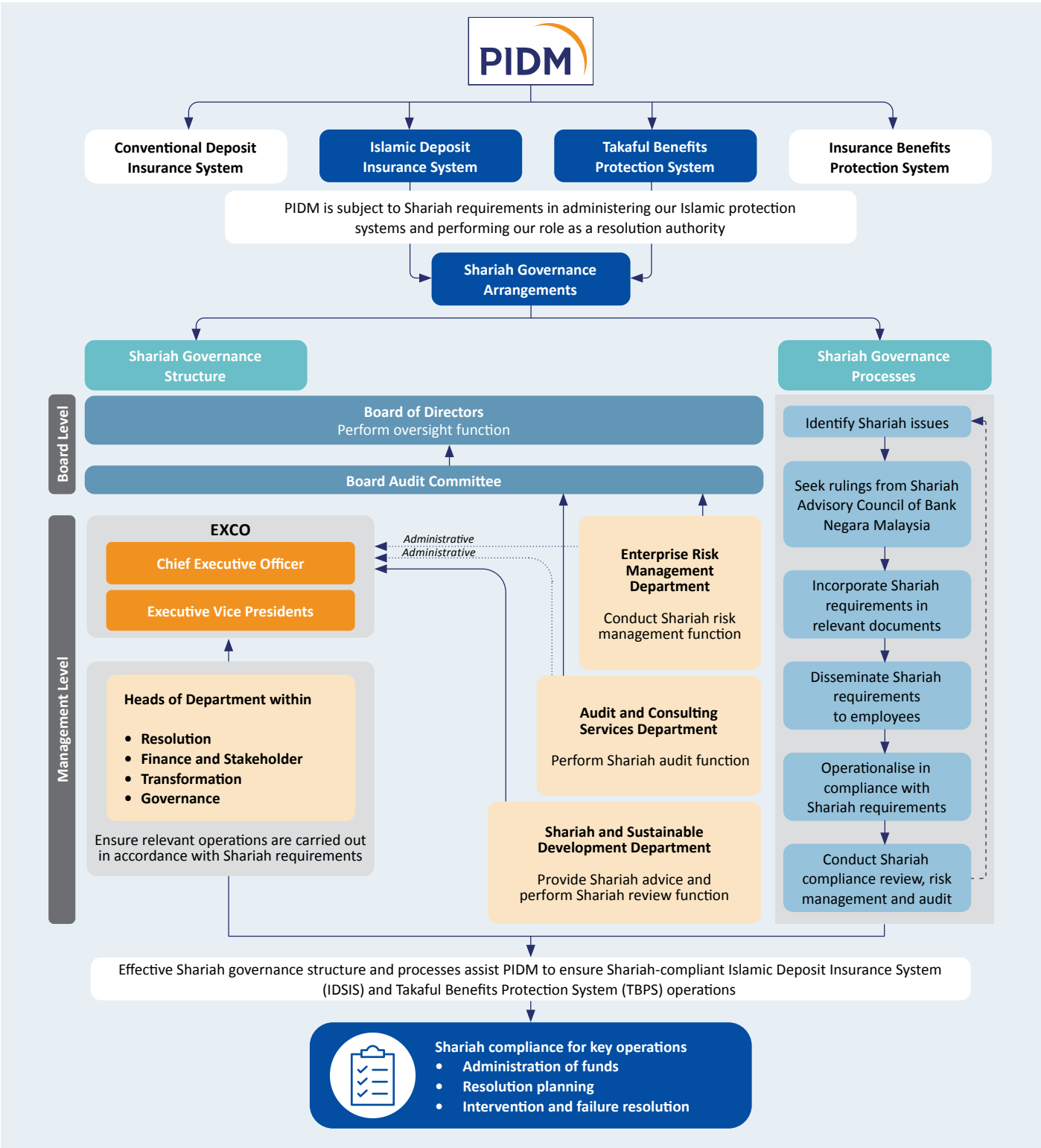
## APPROACH TO GOVERNANCE AND ACCOUNTABILITY

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 publishes our corporate plan on an annual basis, and reports our progress against the plan 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

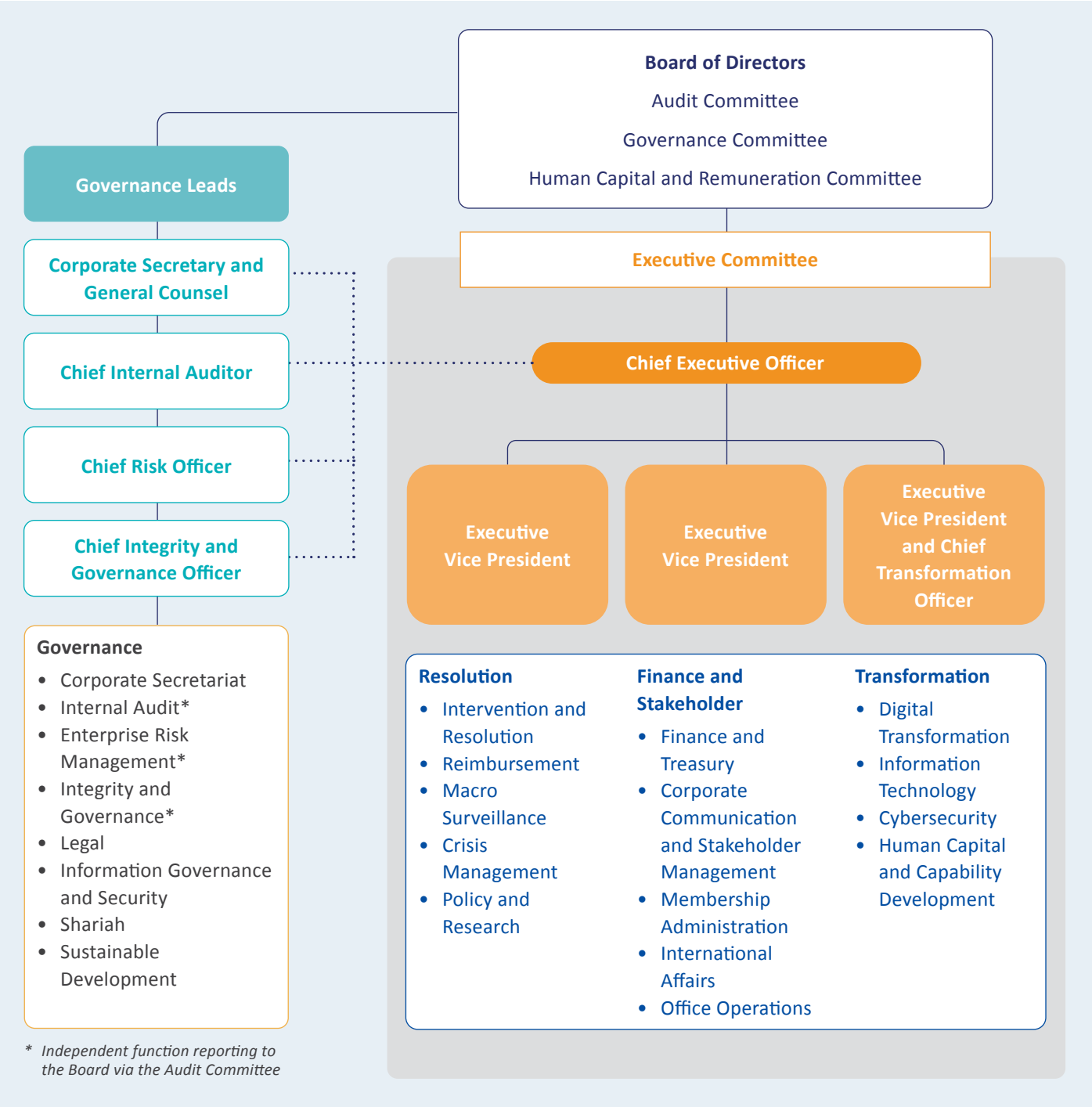
## SHARIAH GOVERNANCE ARRANGEMENTS

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, we are guided by the rulings of BNM’s Shariah Advisory Council (SAC). PIDM’s Shariah governance arrangements are depicted in the following diagram.



GOVERNANCE

ORGANISATION STRUCTURE



GOVERNANCE

BOARD OF DIRECTORS – MEMBERS AND PROFILES

TAN SRI DR. RAHAMAT BIVI YUSOFF

Chairman



Appointed to the Board: January 2012  
Appointed as Chairman of the Board: August 2017

MEMBERSHIP OF BOARD COMMITTEES

- Chairman of PIDM’s Board of Directors
- Member of Governance Committee

QUALIFICATIONS

- PhD, Australian National University, Australia
- Masters of Economics, Western Michigan University, United States
- Bachelor of Social Sciences (Economics) (Honours), Universiti Sains Malaysia, Malaysia

AREA OF EXPERTISE

- Economics

CURRENT APPOINTMENT

- Chairperson, Board of Governors, Multimedia University, Malaysia

DIRECTORSHIPS

- Co-Chairperson, Malaysia-Thailand Joint Authority
- Independent Non-Executive Director of IOI Corporation Berhad

PAST EXPERIENCE

- Director General, Economic Planning Unit
- Deputy Secretary General of Treasury, Ministry of Finance, in charge of the Systems and Controls Division

TAN SRI NOR SHAMSI AH MOHD YUNUS

Ex Officio Director



Appointed to the Board: July 2018

MEMBERSHIP OF BOARD COMMITTEES

Nil

QUALIFICATIONS

- Bachelor of Arts in Accountancy, University of South Australia, Australia

PROFESSIONAL MEMBERSHIP

- CPA Australia
- Malaysian Institute of Accountants

AREA OF EXPERTISE

- Accounting and finance, regulation of banking and financial services, crisis management, insurance, human resource management

CURRENT APPOINTMENT

- Governor, Bank Negara Malaysia

DIRECTORSHIPS

- Chairman, Board of Directors, South East Asian Central Banks (SEACEN)

PAST EXPERIENCE

- Assistant Director, Monetary and Capital Markets Division, International Monetary Fund
- Deputy Governor, Bank Negara Malaysia
- Chairman, Board of Directors, International Centre for Education in Islamic Finance (INCEIF)



GOVERNANCE

BOARD OF DIRECTORS – MEMBERS AND PROFILES

DATUK JOHAN MAHMOOD MERICAN

Ex Officio Director



Appointed to the Board: February 2023

DATUK DR. YACOB MUSTAFA

Public Sector Director



Appointed to the Board: November 2019<sup>8</sup>

MEMBERSHIP OF BOARD COMMITTEES

Nil

QUALIFICATIONS

- Bachelor of Arts in Economics, University of Cambridge, United Kingdom

PROFESSIONAL MEMBERSHIP

- Institute of Chartered Accountants in England and Wales

AREA OF EXPERTISE

- Economics, accounting and finance, and human resource management

CURRENT APPOINTMENT

- Secretary General of Treasury, Ministry of Finance

DIRECTORSHIPS

- Chairman, Lembaga Hasil Dalam Negeri
- Director, Bintulu Port Holding Berhad
- Director, Samalaju Industrial Port Sdn Bhd
- Director, Malaysia Airports Holding Berhad
- Director, Kumpulan Wang Simpanan Pekerja
- Director, Pengurusan Aset Air Berhad
- Director, Govco Holdings Berhad
- Director, MyDIGITAL Corporation

PAST EXPERIENCE

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

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

CURRENT APPOINTMENT

- Accountant General of Malaysia

DIRECTORSHIPS

- Director, Lembaga Hasil Dalam Negeri
- Director, Retirement Fund (Incorporated) (KWAP)
- Director, Lembaga Pembiayaan Perumahan Sektor Awam
- Director, Prasarana Berhad
- Director, DanaInfra Nasional Berhad

PAST EXPERIENCE

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

PUAN SUHARA HUSNI

Public Sector Director



Appointed to the Board: August 2020

MEMBERSHIP OF BOARD COMMITTEES

- Member of Governance Committee

QUALIFICATIONS

- Master of Business Administration, Universiti Kebangsaan Malaysia, Malaysia
- Bachelor of Laws (Honours), International Islamic University of Malaysia, Malaysia
- Bachelor of Laws (Shari'ah) (Honours), International Islamic University of Malaysia, Malaysia
- Diploma in Public Administration, the National Institute of Public Administration, Malaysia

AREA OF EXPERTISE

- Public finance and budgeting

CURRENT APPOINTMENT

- Head of Disbursement, Monitoring and Loan Recovery Sector, Strategic Investment Division, Ministry of Finance

PAST EXPERIENCE

- Registrar, Registrar Office of Credit Reporting Agencies, Ministry of Finance
- Principal Assistant Director of National Budget, Ministry of Finance
- Principal Assistant Secretary, Department of Higher Education, Ministry of Higher Education
- Assistant Secretary, Prime Minister's Department

DATO DR. NIK RAMLAH MAHMOOD

Private Sector Director



Appointed to the Board: August 2016

MEMBERSHIP OF BOARD COMMITTEES

- Chairman of Governance 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), Universiti Malaya, Malaysia

AREA OF EXPERTISE

- Legal, capital market and financial services regulation, corporate governance

DIRECTORSHIPS

- Director, Institute Capital Market Research
- Director, International Centre for Education in Islamic Finance (INCEIF)
- Director, Permodalan Nasional Berhad
- Director, Amanah Saham Nasional Berhad
- Director, Dialog Axiata PLC (Sri Lanka)
- 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, Universiti Malaya, Malaysia

<sup>8</sup> 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

BOARD OF DIRECTORS – MEMBERS AND PROFILES

DATO’ DR. GAN WEE BENG

Private Sector Director



Appointed to the Board: August 2016

MS. GLORIA GOH EWE GIM

Private Sector Director



Appointed to the Board: February 2017

MEMBERSHIP OF BOARD COMMITTEES

- Chairman of Human Capital and Remuneration Committee
- Member of Audit Committee

QUALIFICATIONS

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

AREA OF EXPERTISE

- Economics, risk management, commercial banking

PAST EXPERIENCE

- 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)

MEMBERSHIP OF BOARD COMMITTEES

- Chairman of Audit 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
- President, Information Systems Audit and Control Association Malaysia Chapter

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 Tan Sri Nor Shamsiah Mohd Yunus



Appointed to the Board: July 2022

MEMBERSHIP OF BOARD COMMITTEES

Nil

QUALIFICATIONS

- Bachelor 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, finance, regulation and supervision of financial sector

CURRENT APPOINTMENT

- Deputy Governor, Bank Negara Malaysia

PAST EXPERIENCE

- Assistant Governor, Bank Negara Malaysia

# GOVERNANCE

## BOARD OF DIRECTORS – MEMBERS AND PROFILES

### DATUK SERI ASRI HAMIDIN @ HAMIDON

*Ex Officio Director*

**Appointed to the Board:** May 2020

**Retired from the Board:** January 2023

### MEMBERSHIP OF BOARD COMMITTEES

Nil

### QUALIFICATIONS

- Harvard Premier Business Management Program
- Masters in Economics, Hiroshima University, Japan
- Bachelor in Economics (Hons), Universiti Malaya, Malaysia
- Diploma in Public Administration, the National Institute of Public Administration, Malaysia

### AREA OF EXPERTISE

- Economics

### PAST EXPERIENCE

- Secretary General of Treasury, Ministry of Finance
- Deputy Secretary General (Policy) of Treasury, Ministry of Finance
- Assistant Director, Economic Planning Unit
- Chairman, Board of Directors, Retirement Fund (Incorporated) (KWAP)
- Chairman, Digital Nasional Berhad
- Non-Independent and Non-Executive Director, Tenaga Nasional Berhad
- Director, Bina Darulaman Berhad
- Director, DanaInfra Nasional Berhad
- Director, GovCo Holdings Berhad
- Director, Aset Tanah Nasional Berhad
- Director, Johor Corporation (JCorp)
- Chairman and Director, 1Malaysia Development Berhad

### DATO’ SHAHROL ANUWAR SARMAN

*Alternate Director to Datuk Seri Asri Hamidin<sup>9</sup>*

**Appointed to the Board:** June 2022

**Retired from the Board:** January 2023

### MEMBERSHIP OF BOARD COMMITTEES

Nil

### QUALIFICATIONS

- Senior Leadership Programme 2021 (Judge Business School) Cambridge University, United Kingdom
- Advanced Management and Leadership Programme (Saïd Business School), Oxford University, United Kingdom
- Master in Business Administration (MBA), Cardiff University, Wales, United Kingdom
- Diploma in Public Administration, National Institute of Public Administration, Malaysia
- BBA (Hons) Finance, Universiti Teknologi MARA (UiTM), Malaysia
- Diploma in Banking, Universiti Teknologi MARA (UiTM), Malaysia

### AREA OF EXPERTISE

- Finance

### CURRENT APPOINTMENT

- Director, National Budget Office, Ministry of Finance

### PAST EXPERIENCE

- Undersecretary, Strategic Investment Division, Ministry of Finance
- Undersecretary, Statutory Bodies Strategic Management Division, Ministry of Finance
- Senior Private Secretary to the Secretary General of Treasury, Ministry of Finance
- Senior Advisor to Executive Director, The World Bank Group

# 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  
ZOOKIFLI**

*Chief Internal Auditor*



**ZUFAR SULEIMAN  
ABU BAKAR**

*Chief Risk Officer*



**ALEX LESLEY  
BALAGURUSAMY**

*Chief Integrity and  
Governance Officer*

<sup>9</sup> Dato’ Shahrol Anuwar was appointed as the alternate director to Datuk Seri Asri Hamidin on 15 June 2022, who retired from the Board on 3 January 2023

Detailed profiles of the Executive Committee <sup>9</sup> and Governance Leads <sup>9</sup> can be found at [www.pidm.gov.my](http://www.pidm.gov.my)






# STAKEHOLDERS




## STAKEHOLDERS – DEEPENING COLLABORATION

We continued to prioritise stakeholder engagement in 2022, recognising the essential roles and contributions of various parties towards the achievement of our mandate. Building the understanding, trust and confidence of stakeholders in PIDM during good times is especially important, in order for us to effectively safeguard the stability of the financial system and protect financial consumers in a crisis scenario.

Our approach and strategies to communicate, consult and engage with the public, corporate stakeholders and our employees are summarised below. This includes feedback mechanisms which enable us to constantly enhance the effectiveness of our engagement practices. More details of our key initiatives are also available in the Performance section in Part II of this Annual Report.

KEY STAKEHOLDER	ENGAGEMENT TOUCHPOINTS	WHAT WE DO
 <p>Members of the public and media</p>	<ul style="list-style-type: none"> <li>Awareness and trust index survey</li> <li>Surveys or questionnaires</li> <li>Focus group feedback</li> <li>Media engagement sessions</li> <li>One-on-one engagements with our media spokespersons</li> </ul>	<p>We carry out public awareness programmes, including leveraging digital channels and promoting financial literacy. This includes amplifying our social media presence, focusing on targeted engagements, and delivering initiatives to build the financial resilience of public consumers in collaboration with the Financial Education Network (FEN). We also engage with media organisations to promote and create awareness on topics and information relating to PIDM that are relevant and beneficial to public interest.</p>
 <p>Financial safety net players and Government agencies</p>	<ul style="list-style-type: none"> <li>Ex officio Board members</li> <li>Coordination committees with the Ministry of Finance and Bank Negara Malaysia (BNM)</li> <li>External audits by the National Audit Department</li> <li>Engagements with senior officials in the Government and at working levels, including various agencies</li> <li>Stakeholder perception audit</li> </ul>	<p>The Secretary General of the Treasury and the Governor of BNM are ex officio Board members of PIDM, and our Chief Executive Officer is a member of the Financial Stability Executive Committee established under the Central Bank Act 2009. We also organise inter-agency crisis simulation exercises and relevant knowledge sharing sessions with financial safety net players. These institutional arrangements and efforts support effective crisis and regulatory coordination among the financial safety net players.</p> <p>We also have a Strategic Alliance Agreement with BNM that is regularly reviewed, and we continue to strengthen relationships, for instance through the secondment of our employees to financial safety net players and other agencies. In addition, we conducted briefings in 2022 to government agencies interested in our protection systems.</p>
 <p>Member institutions and industry associations</p>	<ul style="list-style-type: none"> <li>Consultations</li> <li>Industry dialogues, forums, briefings and focus groups</li> <li>One-to-one engagements at senior levels of member institutions and industry associations</li> <li>Stakeholder perception audit</li> </ul>	<p>We consult the industry on proposed policies, including our resolution planning approach for member banks in 2022. Our engagements with the industry include the issuance of an exposure draft on resolution planning, as well as various briefings and training sessions with industry leaders and employees on recovery and resolution planning (RRP). These efforts involved close collaboration with BNM, including an industry forum with Directors and Senior Management of member banks, and an article on RRP in BNM’s Financial Stability Review: First Half 2022.</p>

# STAKEHOLDERS

KEY STAKEHOLDER	ENGAGEMENT TOUCHPOINTS	WHAT WE DO
 <p>Strategic service providers and partners</p>	<ul style="list-style-type: none"> <li>One-to-one senior level engagements with leaders of service providers and partners</li> <li>Participation in PIDM’s training and knowledge sharing sessions</li> <li>Stakeholder perception audit</li> </ul>	<p>We interact with leaders and employees of various professional financial services firms and payment system operators, to familiarise them with our legislation, mandate, strategies and processes to maintain resolution readiness. This includes our approach to resolution planning and their key roles during a resolution event, for instance to execute resolution transactions or maintain the continuity of critical services. As part of our simulation exercises, we also conduct knowledge sharing sessions and involve service providers to enhance their readiness to support our resolution strategies.</p>
 <p>International counterparts</p>	<ul style="list-style-type: none"> <li>Appointments onto executive and other committees of international institutions</li> <li>Hosting of international conferences, and senior-level invitations to speak</li> <li>Participation in crisis management groups and hosting of resolution focus groups</li> <li>Requests for technical assistance and knowledge sharing sessions</li> <li>Secondments to counterpart organisations</li> <li>Stakeholder perception audit</li> </ul>	<p>We execute memoranda of understanding and engage bilaterally with foreign authorities for knowledge and expertise sharing, as well as cross-border resolution. We also engage international organisations to provide and exchange views on global standards, policies and matters relevant to our mandate.</p> <p>In 2022, as Chair of the International Forum of Insurance Guarantee Schemes (IFIGS), we hosted the 9<sup>th</sup> IFIGS International Conference and Annual General Meeting in Kuala Lumpur.</p> <p>We also actively contribute to regional and global initiatives to advance deposit insurance and resolution. In 2022, this included participation in a regional crisis simulation exercise and crisis management groups for cross-border resolution planning, leading the Research Technical Committee of the International Association of Deposit Insurers (IADI) Asia Pacific Regional Committee, and providing technical assistance on Differential Premium Systems for deposit insurance to our counterparts in the region. Besides IADI, we also engage with the Financial Stability Institute of the Bank for International Settlements, the Study Group on Resolution of the Executives’ Meeting of East Asia Pacific Central Banks, and other multilateral institutions.</p>
 <p>Employees</p>	<ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Senior management-led town hall engagement sessions</li> <li>Sports, recreation and welfare activities</li> </ul>	<p>We continued to provide various platforms for active engagement with Management and employees, including an employee voice survey in 2022 and activities held by our employee-led Kelab Sukan, Rekreasi dan Kebajikan. Other key areas of employee engagement were on our corporate reorganisation exercise, hybrid working arrangements, and fostering a digital and sustainability mindset towards developing future-ready skills for our employees.</p>

## IFIGS CHAIRMANSHIP 2022 – A TESTAMENT TO PIDM’S EXPERTISE AND THOUGHT LEADERSHIP



Afiza Abdullah (Executive Vice President, PIDM and Chair, IFIGS) moderating a panel discussion at the IFIGS conference

In 2022, we continued our momentum to promote and position PIDM in the international arena as a thought leader in relevant topics of importance. PIDM participated actively in the international fora and is visible among the members of the International Association of Deposit Insurers (IADI) and the International Forum of Insurance Guarantee Schemes (IFIGS). We served in various leadership roles in these international organisations – of significance, as the Chair of IFIGS for 2022.

PIDM, via the IFIGS chairmanship, enhanced engagement opportunities with international stakeholders in developing and maintaining stronger relations. These include the International Association of Insurance Supervisors (IAIS), the Financial Stability Board (FSB), the World Bank, the Toronto Centre and the European Insurance and Occupational Pensions Authority (EIOPA). PIDM was invited to speak at various international events on the topic of insurance guarantee schemes (IGS), and worked with these international organisations on their draft policy papers on IGS. PIDM also contributed to the research work of IFIGS on the topics of insurance resolution and crisis preparedness, and shared the Malaysian IGS and our approaches with other jurisdictions who are interested to establish a new IGS. Such opportunities to share know-how, as well as to address current issues and challenges, are a recognition of PIDM’s technical expertise and thought leadership. It also enabled PIDM to stay at the forefront of global policy developments on IGS and resolution frameworks.

During the year, PIDM successfully organised and hosted a 1.5-day hybrid IFIGS conference in Kuala Lumpur. The conference, titled “Insurance Reimagined: Are We Ready for the New Realities and Uncertainties?”, was attended by 250 participants from 34 jurisdictions around the world, including officials from the Ministry of Finance, Bank Negara Malaysia, and insurer members. The conference discussed the key trends and their strategic impact from the different lenses of industry members, regulators, IGS and resolution authorities. It covered diverse topics on risks, challenges, opportunities and outlook in the new landscape, underpinned by climate change, lifestyle change, digitalisation and technologically-driven innovations. One of the highlights was a panel discussion moderated by PIDM and participated by several IFIGS members from different regions, which contemplated strategies to recalibrate IGS’s role and readiness in the new and rapidly evolving operating environment. The conference was well received by the attendees, who found the topics discussed informative, relevant and interesting. Our employees also benefited from the engagement with the speakers and diverse groups of attendees with various experience, and have strengthened our ties with international counterparts.

In 2023, PIDM will continue to enhance our leadership and build our reputation in the international arena, as well as work with our international stakeholders on various topics, especially in the area of crisis and resolution preparedness, and emerging trends.



## NATIONAL FINANCIAL LITERACY SYMPOSIUM (NFLS) 2022 - ADVANCING FINANCIAL LITERACY IN MALAYSIA

Under the auspices of the Financial Education Network (FEN), PIDM and Bank Negara Malaysia, in collaboration with the Malaysian Economic Association (MEA), organised a two-day National Financial Literacy Symposium (NFLS) 2022 on 11 and 12 October 2022 in Sasana Kijang, Kuala Lumpur. The hybrid-format symposium was also held in conjunction with FEN’s Financial Literacy Month (FLM) 2022, a month-long event held every October.

Themed “Advancing Financial Literacy Towards Rebuilding Financial Resilience Post-Pandemic”, the symposium brought together 380 researchers, academics and think tanks with policymakers, industry practitioners, associations and other stakeholders from various organisations. The audience also included in-person attendees from the United Kingdom, Hong Kong, Singapore, the Philippines and Qatar.

The aim of the NFLS 2022 was to provide a platform to generate new ideas towards achieving the strategic outcomes envisioned in the Financial Sector Blueprint 2022 - 2026 and the National Strategy for Financial Literacy 2019 - 2023. The symposium also shed light on the strategic landscape for financial literacy as well as practical challenges and potential solutions, by looking into three areas. First, a baseline assessment of financial literacy in Malaysia, particularly in the post-pandemic context. Second, socio-demographics and characteristics of vulnerable groups. And third, policy and behavioural interventions that have worked including opportunities to advance digital financial literacy.

Prior to the symposium, there was a call for papers which garnered 62 abstract submissions on topics relating to financial literacy. A scientific committee further narrowed down the submissions to 20 selected papers to be presented at the symposium. The research studies covered contemporary themes of financial inclusion, digital financial literacy, vulnerable groups, behavioural interventions and others.

Researchers were incentivised to advance research in financial literacy through best paper awards and the opportunity for papers to be published in renowned academic journals or an edited publication of the NFLS 2022.

The three best papers awarded were:

- *Does Financial Literacy improve Financial Inclusion in Developing Countries? A Nonlinearity and Quantile Regression Analysis* by Abd Rahim Md Jamil, Law Siong Hook and Mohamad Khair Afham (Universiti Putra Malaysia, Malaysia);
- *The Impact of Classroom Financial Education Program: An Experimental Study Among Low Self-Control Young Adults* by Amer Azlan Abd Jamal (Universiti Malaysia Sabah, Malaysia), Karen Rowlingson (University of York, United Kingdom) and Lee Gregory (University of Nottingham, United Kingdom); and
- *Supporting SMEs Financial Resilience during Crises: A Framework to Evaluate the Effectiveness of Financial Literacy Programs Targeting SMEs* by Dalal Aassouli (Hamad bin Khalifa University, Qatar) and Habib Ahmed (Durham University, United Kingdom).

Through the NFLS 2022, stakeholders benefited from strategic discourse and insights to bridge the theory and practice in applying financial literacy strategies for improved outcomes. Moving forward, these are expected to improve the effectiveness of the financial literacy efforts, and further heighten the levels of financial literacy among Malaysians.



Keynote Speaker Datuk Abdul Rasheed Ghaffour, Deputy Governor, Bank Negara Malaysia. Inset: Guest Speaker Caroline Siarkiewicz, Chief Executive Officer, The Money and Pensions Service United Kingdom



**NATIONAL FINANCIAL  
LITERACY SYMPOSIUM**  
Advancing Financial Literacy Towards Rebuilding  
Financial Resilience Post-Pandemic



# MATERIAL MATTERS



*PIDM identifies and prioritises material matters. These are issues that can or have the potential to substantially affect our strategies, business model, or certain forms of our resources or capitals,<sup>1</sup> 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

MANDATE AND STATUTORY OBJECTS	PREAMBLE TO THE MALAYSIA DEPOSIT INSURANCE CORPORATION ACT (PIDM ACT)
<ul style="list-style-type: none"> <li>Protect depositors, takaful certificate and insurance policy owners in relation to a member institution failure</li> <li>Administer the Deposit Insurance System and the Takaful and Insurance Benefits Protection System</li> <li>Provide incentives for sound risk management in the financial system</li> <li>Promote or contribute to financial system stability</li> </ul>	<p><i>“Whereas the stability of the financial system is a key determinant of the economic growth and prosperity of Malaysia:</i></p> <p><i>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”</i></p>
VALUE DRIVERS	REPORTING BOUNDARIES
<ul style="list-style-type: none"> <li>Clear legislative mandate and wide powers</li> <li>Corporate governance (accountability)</li> <li>Talents (competence and agility)</li> <li>Stakeholder engagement</li> </ul>	<p>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 <a href="#">↗</a> on our financial reporting practices with regard to these subsidiaries.</p>

# MATERIAL MATTERS

## MANAGING RISK IN 2022: LIVING WITH COVID-19 – TRANSITIONING TO THE ENDEMIC PHASE

The measures implemented over the last two years to stem the spread and impact of the COVID-19 pandemic accelerated technological and digital advancements to facilitate and promote the changes forced upon the working landscape. PIDM has begun to upgrade our information technology (IT) infrastructure to take advantage of the latest technology equipment and solutions in our effort to future-proof ourselves and enhance the efficiency and effectiveness of our operations. At the same time, we will need to consider the implications and the upskilling required for employees in response to these strategic plans. PIDM has also moved into a hybrid work arrangement, with continued remote access, and we are considering the “Future of Work” trends under the changing working landscape. Exposure and vulnerabilities to cyberattacks remain a threat as PIDM moves towards digital transformation.

Malaysia is transitioning towards coronavirus endemicity, with the Government focusing its efforts on reviving the economy and addressing the gaps and consequences arising from the earlier pandemic measures. However, uncertainties and volatilities in the environment continue to prevail, and as such, PIDM continues our efforts towards realising heightened focus on our state of readiness, so that we can quickly move into position if called upon to deploy our powers.

A summary of our principal risks for the year 2022 is set out in the table below.

PRINCIPAL RISKS	CONTEXT
<b>Future Ready and Adapting to the Changing Digital and Working Landscape</b> – Operational Risk	Key operational risks include: <ul style="list-style-type: none"> <li>hybrid working arrangements and continued remote access in an environment with increasing cyber and information security threats;</li> <li>upgrading and evolving our IT systems and processes through the adoption of technological advancements arising from the changing digital working environment; and</li> <li>ensuring a safe working environment and the physical safety of employees.</li> </ul>
<b>Realising Readiness to Carry Out Our Mandate</b> – Insurance Risk	Uncertainties continue to linger over the Malaysian economy as the country shifts into the endemic phase of the COVID-19 pandemic and seeks to recover from the impact and repercussions arising from the earlier measures taken to address the COVID-19 pandemic.
<b>Future Proofing Our Human Capital</b> – People Risk	<p>PIDM will need to manage the implications and the upskilling required for our employees as we move towards the adoption of technological advancements arising from the changing digital working environment, including providing the support required by our employees as they adapt to the changes, whilst ensuring that morale and productivity remain intact.</p> <p>Other challenges include managing employee performance and expectations as PIDM explores the “Future of Work” trends under the changing working landscape.</p>
<b>Damage to Image and Reputation</b> – Reputation Risk	<p>PIDM’s credibility as a statutory body depends on the trust and confidence of a diverse group of stakeholders, especially during an intervention and failure resolution. Sufficient support from key stakeholders is also important for PIDM to fulfil our corporate initiatives and mandate effectively.</p> <p>PIDM continues our efforts to enhance relationships with stakeholders, including elevating the importance of online and social media as a means of communicating and engaging with stakeholders.</p>

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.






<sup>1</sup> 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

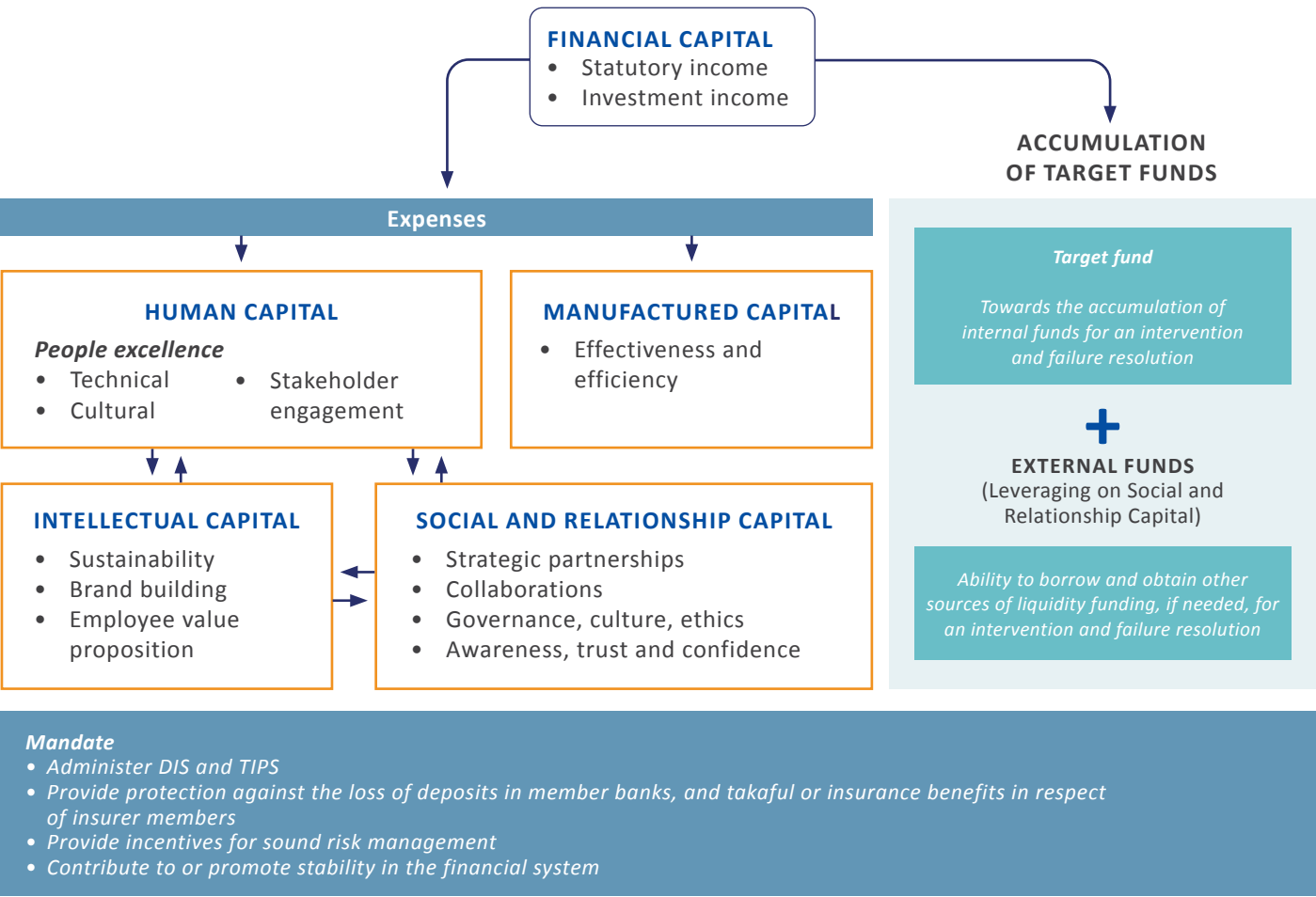


# MATERIAL MATTERS

## 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.

OUR CAPITALS AND HOW THEY ARE INTERLINKED AND TRANSLATED TO ACHIEVE OUR MANDATE		
	<b>Human capital</b>	<ul style="list-style-type: none"> <li>Competencies, capabilities and experience of employees</li> </ul>
	<b>Social and relationship capital</b>	<ul style="list-style-type: none"> <li>Strong relationship within PIDM and with our external stakeholders</li> <li>Reputation and image</li> </ul>
	<b>Financial capital</b>	<ul style="list-style-type: none"> <li>Statutory income from premiums and levies collected from our member institutions and investment income from the protection funds</li> <li>Ability to borrow to carry out our statutory functions</li> </ul>
	<b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>Knowledge and expertise in DIS and TIPS</li> <li>Knowledge of corporate governance practices in the public sector</li> <li>Knowledge acquired and captured through our learning organisation initiatives</li> </ul>
	<b>Manufactured capital</b>	<ul style="list-style-type: none"> <li>System and infrastructure for our day-to-day operations and for intervention and failure resolution</li> <li>Disaster recovery centre and information technology security infrastructure</li> </ul>



# MATERIAL MATTERS

## 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 respective funds are collected before a failure of any member institution (ex-ante). The target fund size is determined by reference to what is considered sufficient to meet PIDM’s expected future obligations and to cover PIDM’s operational and related costs. The target funds are not intended to cover all of the insured deposits or insurance or takaful liabilities. This is to avoid PIDM holding funds that are not needed and that could be better used by the industry for lending and other business purposes. This means, then, for PIDM to be able to promptly carry out our obligations during an intervention and failure resolution, we must have access to prompt liquidity funding should there be a shortfall in our internal funds.

A comprehensive review of the target fund framework was undertaken in 2022. Refer to the article in Part II [on the new target fund framework](#).

## Financial and Relationship Capitals are Translated into Intellectual, and Other Capitals for Creation of Value [↗](#)

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 PIDM’s 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. PIDM’s plans going forward include a digital transformation plan to help guide how we manage and use the data and information we collect (e.g. from member institutions, Bank Negara Malaysia (BNM) and other resolution authorities), and to carry out more research, in particular on data and information that we and others can analyse and use, with a view to facilitating the creation of value for society.

# MATERIAL MATTERS

## MATERIAL MATTERS

As highlighted below, material matters include concerns that may 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.

CAPITALS




Human capital


Social and relationship capital





Financial capital


Intellectual capital


Manufactured capital


MATERIAL MATTER	DEFINITION	STAKEHOLDER / CAPITAL AFFECTED / PRINCIPAL RISKS	STRATEGY
Preparedness	<p>Achieving a high-level state of preparedness to enable PIDM to meet our mandate effectively and efficiently, from the perspectives of:</p> <p>(a) legislative framework, systems and processes;  (b) competence and capability of our people;  (c) financial safety net coordination and cooperation; and  (d) funding.</p>	<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>Government</li> <li>BNM</li> <li>Public</li> <li>Strategic partners</li> </ul> <p><b>Capitals</b></p>  <p><b>Principal risks</b></p> <ul style="list-style-type: none"> <li>Insurance risk</li> <li>People risk</li> <li>Reputation risk</li> <li>Operational risk</li> </ul>	<p>Ensure protocols and arrangements among key financial safety net players and strategic partners to enhance coordination, and continue to simulate and test various aspects of PIDM’s contingency plans.</p> <p>Ensure alignment of people, processes and systems to the changing industry landscape – digital transformation.</p>
	<p>Related to preparedness, resolution planning refers to “A plan intended to facilitate the effective use of Resolution Powers by the Resolution Authority, with the aim of making feasible the resolution of any financial institution without severe systemic disruption ... while protecting systemically important functions.”<sup>2</sup></p>	<p><b>Stakeholders</b></p> <ul style="list-style-type: none"> <li>Industry</li> <li>BNM</li> <li>Financial consumers of member institutions</li> <li>Foreign counterparts</li> <li>Employees</li> <li>Shareholders and creditors of member institutions</li> </ul> <p><b>Capitals</b></p>  <p><b>Principal risks</b></p> <ul style="list-style-type: none"> <li>Insurance risk</li> <li>People risk</li> <li>Reputation risk</li> </ul>	<p>Early engagement and buy-in from relevant stakeholders.</p>

# MATERIAL MATTERS

MATERIAL MATTER	DEFINITION	STAKEHOLDER / CAPITAL AFFECTED / PRINCIPAL RISKS	STRATEGY
Awareness, trust and confidence, and crisis communication	<p>Achieving public awareness and understanding, and trust, so that there can be confidence among depositors and other financial consumers in the stability of the financial system, and sufficient credibility to help calm the public during times of uncertainty.</p> <p>Having contingency plans so that PIDM is in a state of readiness to communicate effectively in crisis situations to avert or mitigate risks.</p>	<p><b>Capitals</b></p>  <p><b>Principal risks</b></p> <ul style="list-style-type: none"> <li>Reputation risk</li> <li>Insurance risk</li> </ul>	<p>Increase visibility and understanding among the public as well as targeted stakeholders, to elevate PIDM’s reputation and credibility, as well as preparedness for crisis communication by working with strategic partners.</p>
Leadership, employee engagement and development	<p>Commitment to employee engagement, succession planning and skills development for current and future needs.</p>	<p><b>Capitals</b></p>  <p><b>Principal risks</b></p> <ul style="list-style-type: none"> <li>People risk</li> <li>Operational risk</li> </ul>	<p>Ensure that human capital strategy and plans are aligned with PIDM’s strategic direction, corporate objectives, and needs.</p> <p>Ensure ongoing employee engagement and management of employee welfare.</p> <p>Ensure alignment of people, processes and systems to the changing operating environment – digital transformation.</p>
Corporate governance	<p>Commitment to transparency, accountability and integrity, and ensuring strategic management and sound management practices</p>	<p><b>Capitals</b></p>  <p><b>Principal risks</b></p> <ul style="list-style-type: none"> <li>Operational risk</li> <li>Reputation risk</li> </ul>	<p><b>Adopt best practice management</b></p> <p>Ensure data and knowledge are organised effectively, leveraging on technology whilst ensuring IT and cybersecurity.</p> <p><b>Strategy focus</b></p> <p>Other opportunities for value creation including in partnership with others.</p>

<sup>2</sup> International Association of Deposit Insurers’ definition at <https://www.iaai.org>

MATERIAL MATTERS

MATERIAL MATTER	DEFINITION	STAKEHOLDER / CAPITAL AFFECTED / PRINCIPAL RISKS	STRATEGY
Future ready operations	Shifting towards a more cyber and digital working environment, and enhancing the efficiency and effectiveness of PIDM’s operations to be better equipped and ready for the future.	<div>Capitals</div> <div></div> <div>Principal risks</div> <ul style="list-style-type: none"><li>Operational risk</li><li>Reputation risk</li><li>People risk</li><li>Strategic risk</li></ul>	<p>Modernising PIDM’s IT infrastructure, processes and security to augment future readiness, including ensuring a resilient cyber defence to deal with the increasing cyber and information security threats in a digital working environment.</p> <p>Expand PIDM’s resolution capabilities and effectiveness by leveraging on digital applications as well as enhanced data management and analytics.</p> <p>Ensuring strong talent and capabilities, and strengthening PIDM’s culture including getting our workforce ready to embrace digitalisation and the “Future of Work” culture.</p>

Looking forward, the principal risks are also mapped to the corporate plan for the planning period 2023 – 2025. Refer to Part III of this Annual Report.

TARGET FUND – IN REVIEW

Pre-emptive building of funds collected from the industry (or referred to as “ex-ante funding”) is a key concept of a deposit insurance system and in accordance with the International Association of Deposit Insurer (IADI) Core Principles 9 – Sources and Uses of Funds.

An extract of the “Enhanced Guidance for Effective Deposit Insurance Systems: Ex Ante Funding”<sup>1</sup> reads as follows:

“One of the main public policy objectives of a deposit insurer is to contribute to the stability of a financial system. Operational readiness is integral to building public confidence in a financial system, and sound funding arrangements are essential aspects of such readiness. Inadequate funding, on the other hand, can lead to delays in reimbursing depositors / resolving failed member banks, resulting, eventually, in significant increases in resolution costs and undermining the credibility of a jurisdiction’s financial system.”

For PIDM, ex-ante premium collection is one of the key features of PIDM operations since our inception. The objective is to build a reasonable level of protection funds from the industry during good times to be used in a crisis or in carrying intervention and resolution actions. Ex-ante funding lessens the reliance on public funds and ensures that the failed institution contributes to the funds that will be used in its demise.

As the operating and industry landscape evolves, PIDM must ensure sufficient financial resources and an effective funding mechanism to undertake our mandate.

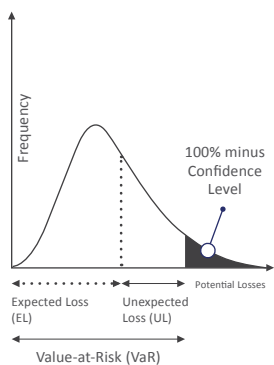
Ex-Ante Funding and the Target Fund

It is not economical nor is it intended for a deposit insurer to cover fully the exposures through an ex-ante collection from the industry. Instead, a deposit insurer typically 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”.

The Target Fund generally represents the level of internal funds that a deposit insurer aims to maintain to be able to fulfil its obligations and mandate. For PIDM, the Target Fund frameworks aim to accumulate funds to cover the net expected losses arising from any intervention failure resolution activity. PIDM applies a combination of statistical and discretionary approaches in determining the Target Fund levels and ranges:

- Value-at-Risk (VaR) is determined to assess PIDM’s exposure to net losses based on estimates of the member institution (MI)’s Probability of Default (PD), Loss Given Default (LGD) and Exposure-at-Default (EAD) with the possible recoveries in any given intervention and failure resolution action on a non-viable MI.
- PIDM then conducts back-tests on the statistical results using sensitivity analysis based on the total exposure amount of each MI. The purpose of this is to estimate the size of financial exposure in intervention or failure resolution activities, taking into account, among others, economic conditions and the profile of the individual MI.

TARGET FUND / FUNDING NEEDS



PD

What is the likelihood of failure?

PIDM assesses PD based on:

- Risk assessment
- Differential premium / levy system (DPS / DLS(T))

x

LGD

How much is the loss in a failure, net of recovery?

PIDM reduces losses through prompt actions and has in place sufficient resources:

- DPS / DLS(T)
- Early intervention
- Resolution readiness including resolution planning
- Inter-agency crisis simulation

x

EAD

How much is the financial exposure in a failure?

Minimise exposure: Payout vs least cost approach by PIDM

<sup>1</sup> Extract of the Executive Summary of the “Enhanced Guidance for Effective Deposit Insurance Systems: Ex Ante Funding” issued by the International Association of Deposit Insurer (IADI), June 2015



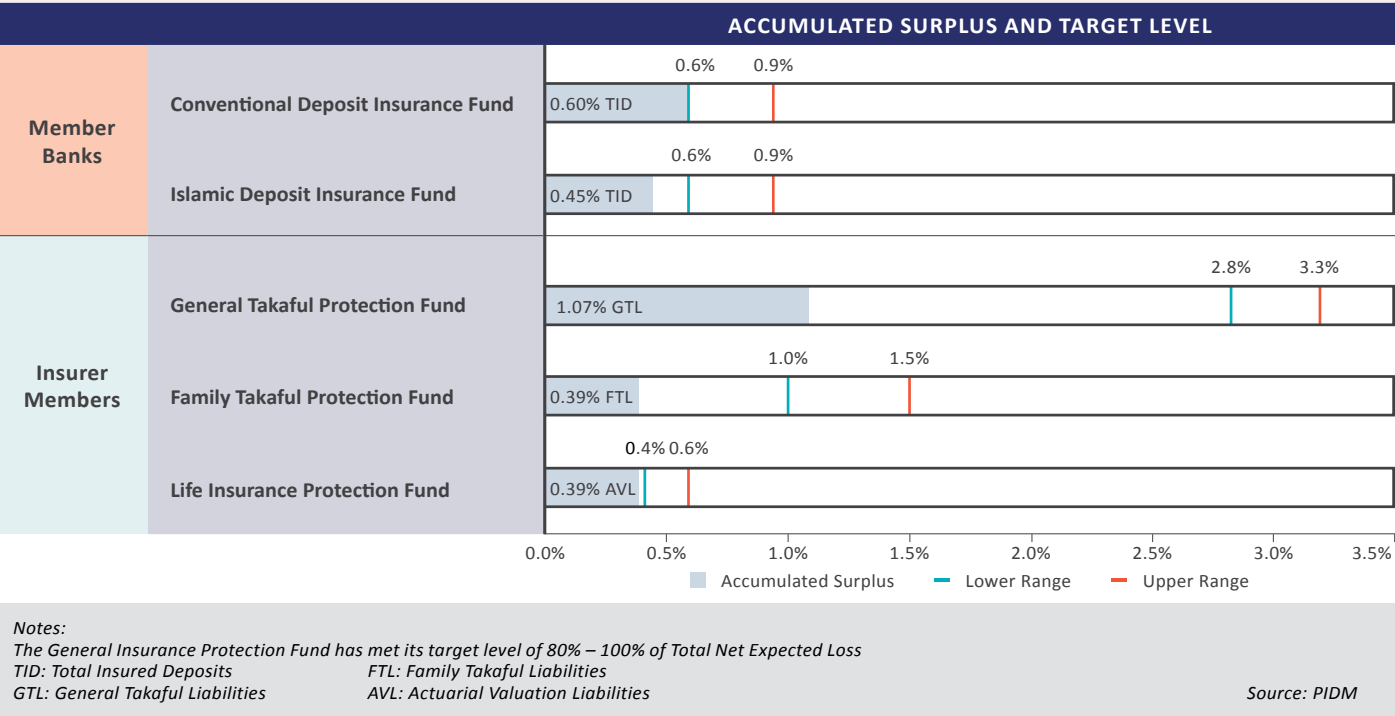
The target fund levels are reviewed annually to ensure the model and assumptions used remain relevant.

PIDM manages six separate and distinct funds – two for deposit insurance protection and four for takaful and insurance benefits protection. We established a target fund framework for the Deposit Insurance Funds (DIFs), both conventional and Islamic, in 2011 followed by the target fund framework for the General Insurance Protection Fund (GIPF) and Life Insurance Protection Fund (LIPF) in 2015 and 2016, respectively. Finally, the target fund framework for the General Takaful Protection Fund (GTPF) and Family Takaful Protection Fund (FTPF) was implemented in 2018.

Where Are We Now?

The accumulation of PIDM’s ex-ante internal funding to achieve the target fund levels are based on the premium 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). The frameworks enable the collection of premiums and levies to be differentiated according to the risk profile of each MI. These frameworks incentivise MIs to enhance their risk management practices, thereby increasing their resilience and preventing failure, while at the same time promoting stability in the financial system.

The accumulated surplus and target levels of the DIS and TIPS funds for the year 2022 are depicted in the chart below:



The target fund framework is also used as a key consideration in setting the premium and levy rates in order to accumulate and achieve the targeted levels within a specified timeframe. This timeframe in achieving the targeted levels is generally known as “Time-to-Fund”, and is also predicated upon and is sensitive to several factors including growth in the exposure base (i.e. EAD), the levels of premiums and levies assessed, investment income derived from funds being invested, and the operating costs.

TARGET FUND FRAMEWORK REVISITED

Target Fund – DIFs

Since the introduction of the target fund framework for DIFs in 2011, substantive regulatory framework enhancements have been implemented to improve the safety and soundness of banking institutions. These enhancements include the introduction of resolution planning frameworks by PIDM, with focus on maintaining financial system stability and managing LGD post-resolution. This is also accompanied by an enhanced intervention and resolution framework, including enhancements of PIDM’s resolution powers and toolkit incorporated into the revised PIDM Act. The banking system has also grown significantly, in terms of size, complexity, and interconnectedness within the economy, and greater levels of crisis preparedness was required.

Hence, in 2022, a comprehensive review of the target fund was undertaken to align the target fund with the current size and complexity of the banking system, as well as the various resolution options being developed.

Arising from these developments, PIDM recalibrated our target fund for DIFs to align it with the enhancements of our intervention and resolution framework and approaches, and to reaffirm the objective of the DIFs as a key source of funding for restructuring and resolution of MIs rather than only to fund reimbursements of insured deposits.

Consequently, the review of the target fund for the DIFs based on the above developments led to a higher range as compared to the current target fund levels of 0.6% to 0.9% of total insured deposits.

Target Fund – TIPFs

PIDM has also revalidated the objectives of target fund frameworks for TIPFs, i.e. GIPF, LIPF, GTPF, FTFP – to be in line with PIDM’s mandate to act in such a manner that minimises costs and impact to the financial system. We considered the latest developments in the resolution approach to insurer members (IMs), that emphasises on ensuring continuity of insurance and takaful coverage and minimising industry impediments.

Even though the 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, instead of an individual fund level assessment with a different target fund level and range as per the existing target fund framework and for the DIFs. The rationale for the consolidated fund assessment is as follows:

- It is consistent with PIDM’s resolution approach for IMs which aims to minimise impediments at the industry level rather than having an individual resolution plan for each IM; and
- It aims to optimise the collection of levies from IMs through the inter-fund borrowing mechanism during intervention and resolution activities.

Going Forward


Based on the comprehensive review of target fund frameworks undertaken by PIDM in 2022, a recalibration of the target fund range is required for both DIFs and TIPFs. For DIFs, a higher range is expected, ranging between of 1.5% to 1.8% of total insured deposits. For the funds under TIPFs on the other hand, we expect to introduce a new consolidated target fund range of 0.3% to 1% of the total insurance or takaful liabilities. At these levels, the funds are expected to be more reflective of the target fund objectives for PIDM for our current operating environment.

# PERFORMANCE

For the year 2022, in addition to the follow through of our work from prior years, we also incorporated new priorities to respond to future strategic shifts. The Corporate Plan 2022 – 2024, themed “Present-Focused, Future-Ready”, is anchored upon three strategic pillars, namely Resolution Readiness, Stakeholder Trust and Organisational Capabilities. The following highlights our key achievements in 2022 against our three strategic pillars and plans.

RESOLUTION READINESS	
PLAN AND CORPORATE INITIATIVES	KEY ACHIEVEMENTS IN 2022
<p><b>PREPAREDNESS PLAN</b></p> <p><b>Crisis preparedness</b></p> <p>Enhance PIDM’s crisis preparedness through the development of an inter-agency crisis preparedness binder, and execution of the risk-based, multi-year programme that identifies and prioritises activities for periodic testing and training through simulations, table-top or other validation exercises.</p> <p>Status : <span>🟡</span></p>	<p><b>Continued to enhance preparedness and response plans</b></p> <p>We continued to conduct our annual simulation exercises and have completed the planned simulation and table-top exercises relating to cybersecurity and crisis communication. We also participated in the Financial Stability Institute (FSI)’s regional crisis simulation exercise together with other financial safety net players. We have also completed the planning for a crisis simulation exercise on intervention and failure resolution (IFR) with the Board.</p> <p><b>Commenced development of inter-agency crisis preparedness binder</b></p> <p>We have further progressed on the work to enhance understanding among the financial safety net players during crisis via regular engagement and discussion sessions, including our participation in the regional simulation exercise. Learnings and discussion points gathered were considered and used for the drafting of the crisis binder, which will be further deliberated with the financial safety net players in 2023.</p>
<p><b>RESOLUTION PLAN</b></p> <p><b>Resolution planning</b></p> <p>Prepare for industry consultation on, and rollout of, resolution planning (including refining the resolution planning guidelines based on the feedback received from pilot banks), intensify engagement with member institutions, continue to work on resolution cross-border arrangement, and continue to build the resolution technology (ResTech) platform to increase efficiency, improve strategic analysis and decision-making.</p> <p>Status : <span>🟡</span></p>	<p><b>Issued the Resolution Planning Exposure Draft</b></p> <p>As part of the overall recovery and resolution planning framework (RRP), resolution planning is an advanced planning tool to strengthen member banks’ as well as PIDM’s preparedness to respond in carrying out a resolution of a member bank when it becomes non-viable. The resolution planning approach focuses on ensuring that member banks are resolvable with minimal impact to the financial system. Resolution planning also complements PIDM’s role in building a resilient financial sector and contributing to financial system stability in Malaysia. In 2022, we have completed the industry consultation on the resolution planning approach for member banks through the issuance of the Resolution Planning Exposure Draft.</p> <p><b>Intensified engagement and awareness sessions on resolution planning</b></p> <p>Following the issuance of the Resolution Planning Exposure Draft, we conducted various engagement sessions, including organising the PIDM Industry Forum and technical briefings. This forms part of our continuous efforts to introduce and educate the industry and key stakeholders on the subject of resolution planning. We also continued to actively participate in relevant crisis management group discussions on international cross-border resolution arrangements.</p> <div>   </div> <p><b>Continued with the phased development and implementation of ResTech</b></p> <p>We have enhanced our analytics capabilities via the phased implementation of ResTech, including the digitalisation of annual information submissions by member institutions via the Industry Portal as well as the first iteration of the IFR dashboards of member institutions.</p> <p>Status : <span>🟡</span></p>

# PERFORMANCE

RESOLUTION READINESS	
PLAN AND CORPORATE INITIATIVES	KEY ACHIEVEMENTS IN 2022
<p><b>RESOLUTION PLAN</b></p> <p><b>Service providers and payment system operators’ readiness</b></p> <p>Enhance the level of readiness among relevant service providers and payment system operators for effective execution during an IFR event, via engagement sessions and knowledge accentuation programmes.</p> <p>Status : <span>🟡</span></p>	<p><b>Established relationships and augmented awareness and knowledge of service providers</b></p> <p>We established relationships with relevant service providers that would be supporting PIDM during an IFR event. This includes the actuarial firms, accounting firms, asset management companies, law firms and contact centres. In augmenting their awareness and level of knowledge, particularly in relation to PIDM’s role and related functions, we have conducted a knowledge accentuation programme on the topic of due diligence, with several other topics planned for the coming years. We have also engaged with the payment system operators with the objective to formalise a working arrangement to ensure continuous access to the financial market infrastructure during an IFR event.</p>
<p><b>RESOLUTION PLAN</b></p> <p><b>Reimbursement readiness</b></p> <p>Implement the new electronic payment platform to allow PIDM to make insured deposit payments electronically without active involvement of the depositor in the transaction.</p> <p>Status : <span>🟢</span></p>	<p><b>Enhanced reimbursement capabilities</b></p> <p>We tested and updated our reimbursement process and procedures following the adoption of PayNet’s DuitNow payment option (using MyKad as proxy). We have also incorporated the relevant messaging and information on DuitNow as PIDM’s preferred reimbursement payment channel, which is secured and swift. In addition, we have also enhanced the features of our reimbursement system for the management of depositors’ requests and queries during reimbursement.</p> <div>  </div>

🟢 Target achieved; initiative completed
🟡 Progressing as scheduled; and / or within budget

FINANCIAL REVIEW

KEY COST DRIVERS

- Crisis management table-top reviews and simulations
- Development of an inter-agency crisis preparedness binder
- Knowledge accentuation programme with the service provider
- Subscription and outsourcing fees for an electronic payment platform and integration to the reimbursement systems

**Resolution Readiness**

Year	Resolution plan	Preparedness plan	Total
2021	RM0.5 mil	RM1.8 mil	RM2.1 mil
2022	RM1.1 mil	RM1.6 mil	RM2.9 mil

Legend: Resolution plan (orange), Preparedness plan (blue)

## Moving Forward

In the next planning period, we will intensify and deepen our capabilities to intervene and resolve our member institutions. This will see PIDM further enhancing our own 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 situations of crisis. Refer to Part III of this Annual Report for an overview of our plans moving forward.

PERFORMANCE

STAKEHOLDER TRUST			
PLAN AND CORPORATE INITIATIVES	KEY ACHIEVEMENTS IN 2022		
<b>AWARENESS PLAN</b>			
<b>Public awareness initiatives</b>			
Carry out public awareness initiatives through multiple channels and approaches, including the rolling out of PIDM’s financial resilience campaign for 2022 and a financial literacy symposium for the public. Continue strong collaborations with the Financial Education Network (FEN) and other strategic partners. Sustain public awareness index of at least 75% and achieve public advocacy level of 50%.			



ORGANISATIONAL CAPABILITIES

PLAN AND CORPORATE INITIATIVES	KEY ACHIEVEMENTS IN 2022
<p><b>ORGANISATIONAL TRANSFORMATION PLAN</b></p> <p><b>Digitalisation and cybersecurity</b></p> <p>Undertake a digital transformation journey guided by the roadmap developed in 2021. This includes the formulation and transformation of corporate culture, consideration of cloud technology, as well as ensuring a resilient cyber defence against cyber threats.</p>	<p><b>Inculcating digital culture</b></p> <p>As we embarked on the long-term digital transformation journey, we implemented the digital and sustainability mindset framework to inculcate a digital and sustainable culture as well as to encourage and embrace change management. In relation to this, we also launched an innovation lab through multiple approaches (research, experimentation and sandbox) to encourage transformation ideas.</p> <p><b>Commenced development of cloud policy</b></p> <p>We have worked on the establishment of a cloud adoption and governance framework in guiding PIDM's journey towards cloud technology. This also supports the modernisation of our infrastructure, process and security for enhanced efficiency, productivity and agility.</p> <p><b>Continued to enhance cybersecurity</b></p> <p>In ensuring a resilient cyber defence, we further enhanced our cybersecurity capabilities on monitoring and identifying vulnerabilities that may exist in our network and infrastructure, and unauthorised or malicious usage of PIDM's intellectual properties on the internet or social media.</p> 
<p>Status : <span>🟡</span></p>	
<p><b>ORGANISATIONAL TRANSFORMATION PLAN</b></p> <p><b>Deposit insurance operations and enhancements</b></p> <p>Continue to review and enhance the assessment approach, methodology and indicators in the differential premium and levy systems frameworks, in consultation with the industry. Implement the Digital Bank Membership Requirements, as part of the inclusion of digital banks into PIDM's membership.</p>	<p><b>Enhanced the Differential Premium Systems Framework</b></p> <p>We have completed the enhancement to the framework, which incorporated, among others, several resolution-centric criteria. The framework will be implemented from the assessment year 2025, with the issuance of relevant regulations in 2023.</p> <p><b>Implemented the Digital Bank Membership Requirements</b></p> <p>We have conducted bilateral engagements with all five prospective digital banks to facilitate their onboarding as PIDM's member banks, upon operational readiness validation by BNM. The five successful applicants for the digital bank licences as approved by the Minister of Finance was announced by BNM in April 2022.</p>
<p>Status : <span>🟡</span></p>	
<p><b>ORGANISATIONAL TRANSFORMATION PLAN</b></p> <p><b>Strategic human capital</b></p> <p>Update PIDM's human capital strategies with a focus on succession planning, talent development and retention, refreshed culture and new skills of work in embracing digitalisation.</p>	<p><b>Established PIDM's future-ready skills framework</b></p> <p>In line with our digital transformation journey, we have implemented the future-ready skills framework, which sets out the minimum skills required for employees in the aspect of smart skills, digital transformation skills and sustainability skills.</p> <p><b>Continued focus on employee engagement</b></p> <p>We conducted the periodic employee voice survey, which was administered by an independent service provider. The survey incorporated questions relating to post-pandemic work arrangements and digitalisation, which indicated favourable scores.</p>  
<p>Status : <span>🟡</span></p>	

PLAN AND CORPORATE INITIATIVES	KEY ACHIEVEMENTS IN 2022
<p><b>ORGANISATIONAL TRANSFORMATION PLAN</b></p> <p><b>Sustainability and corporate social responsibility (CSR)</b></p> <p>Adopt broader sustainable practices, with particular focus on the environment commencing with identifying the current state or baseline of PIDM's carbon footprint, and develop long-term targets and various action plans, as well as inculcate a sustainability culture.</p>	<p><b>Inculcating sustainability culture</b></p> <p>We have commenced the adoption of broader sustainable practices by organising various employee awareness programmes and activities including an internal sustainability challenge. We also focused our efforts on gathering data to identify the baseline of PIDM's carbon footprint. In addition, we carried out several other sustainability initiatives relating to office work arrangements. Refer to article in Part III <a href="#">🔗</a> for details.</p> <p><b>Continued with the PIDM Undergraduate Scholarship Programme</b></p> <p>We have awarded scholarships to 20 deserving external applicants. Our scholarship programme provides support for deserving students with financial needs to pursue their tertiary education in Malaysia.</p> 
<p>Status : <span>🟡</span></p>	

✔ Target achieved; initiative completed
🟡 Progressing as scheduled; and / or within budget

FINANCIAL REVIEW

KEY COST DRIVERS

- Cyber defence and cybersecurity infrastructure enhancement
- Subscription to a technology research and advisory services platform
- Professional and consultancy fees for deposit insurance operations and enhancements
- Development of cloud policy
- Education scholarship
- Sustainability programmes and activities

**Organisational Capabilities**

Category	2021 (RM mil)	2022 (RM mil)
Scholarship programme	RM0.4	RM1.0
Digitalisation and cybersecurity	RM1.1	RM0.7
Other sustainability and CSR	RM0.9	RM0.1
Deposit insurance operations and enhancement	RM0.8	RM0.1
Others	RM0.1	RM0.1
<b>Total</b>	<b>RM2.9</b>	<b>RM3.3</b>

Legend:

- Scholarship programme
- Digitalisation and cybersecurity
- Other sustainability and CSR
- Deposit insurance operations and enhancement
- Others

Moving Forward

In the next planning period, we aim to build a solid foundation for change. This includes inculcating the fundamentals of a digital and sustainability culture among our employees, equipping them with future-ready skills, using data analytics for better decision-making, re-engineering our core operational processes and technological infrastructure, and modernising our applications with strengthened security. Refer to Part III [🔗](#) of this Annual Report for an overview of our plans moving forward.

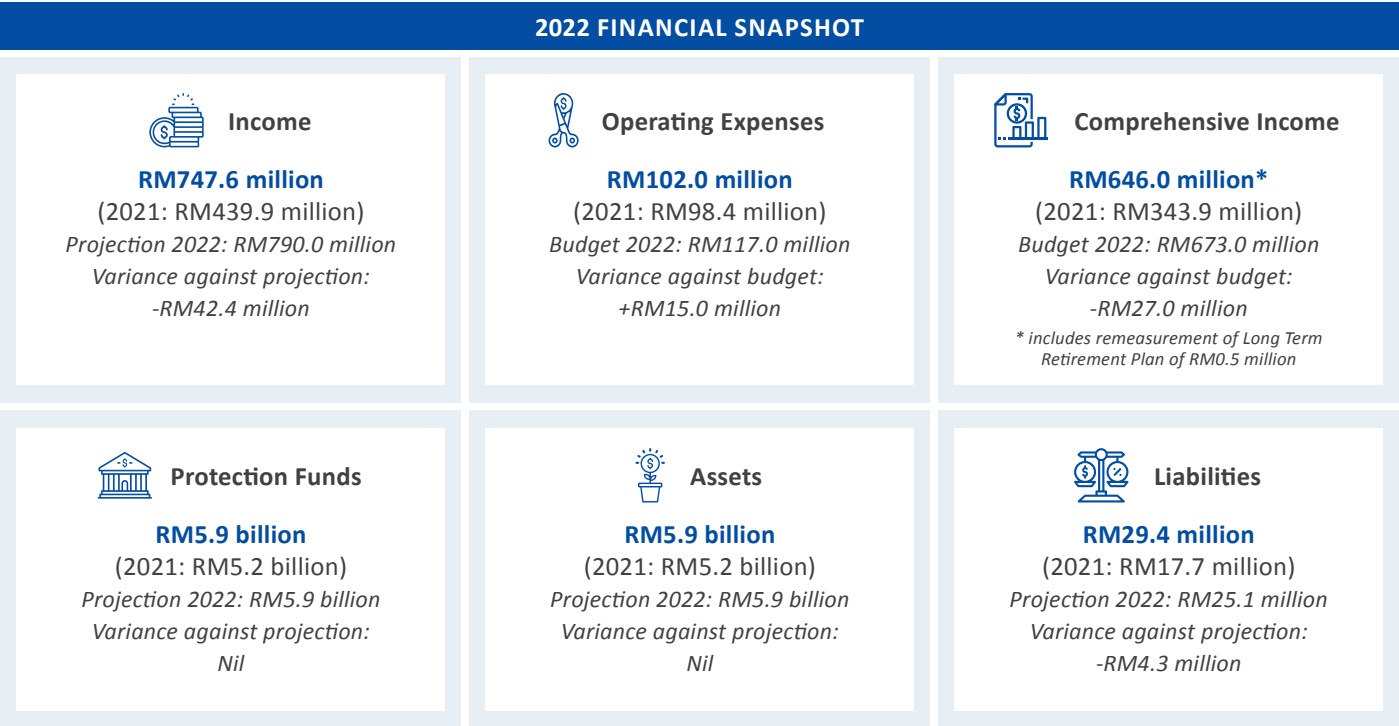
# PERFORMANCE

## SUMMARY OF FINANCIAL PERFORMANCE

### At a Glance

For 2022, PIDM’s income level went back to normal after a period of reduced income due to the implementation of the regulatory relief measures relating to the assessment of premiums and levies in 2020 and 2021. Overall operating expenses remained stable year-on-year, as we continued to optimise available resources and adopt a prudent stance in our spending.

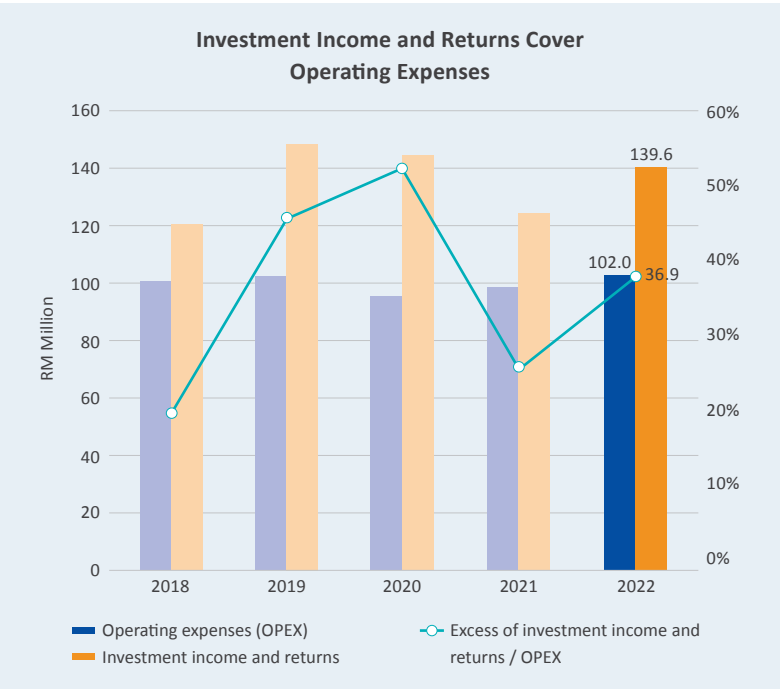
Total comprehensive income for the year was 4.0% lower than budget, primarily attributed to the lower premium and levy revenues, offset by the lower operating expenses.



### Key Highlights

The total comprehensive income of PIDM for 2022 amounted to RM646.0 million (2021: RM343.9 million) on the back of increased premium and levy revenues as well as increased investment income and returns, coupled with a stable operating expenses, bringing the total Protection Funds to RM5.9 billion (2021: RM5.2 billion). Our investment income and returns continued to cover our operational expenditures. PIDM also continued to operate within the budget as set out in our Corporate Plan.

The total Protection Funds is backed by total assets of RM5.9 billion, mainly comprising liquid financial assets, which represent 99.2% of the total assets of PIDM.



### Income

Total income for the year was RM747.6 million (2021: RM439.9 million), an increase of RM307.7 million or 70.0% from the previous financial year, primarily attributed to the premium and levy revenues, which comprise 81.3% of total income (2021: 71.9%).

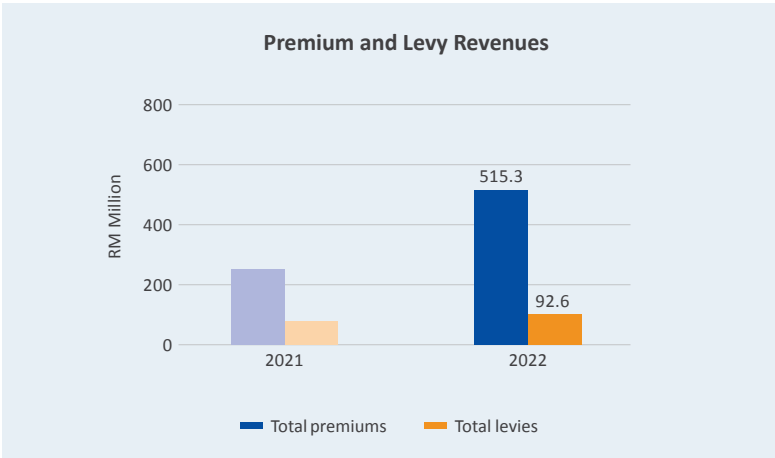
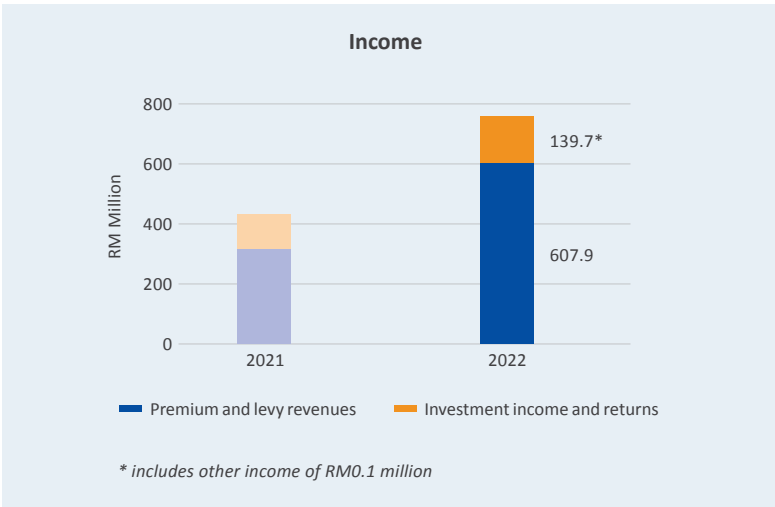
In 2022, the premium and levy rates reverted to their original levels pursuant to the cessation of PIDM’s regulatory relief measures provided to member institutions for the past two financial years. Consequently, the premiums and levies collected almost doubled to RM607.9 million (2021: RM316.2 million).

The investment income and returns continued to be impacted by the lower interest rates, particularly in the earlier part of the financial year before recording some improvement following the gradual increase in the Overnight Policy Rate (OPR).

### Premium and levy revenues

Our Differential Premium Systems and Differential Levy Systems frameworks provide incentives for member institutions to enhance their risk management practices through premium rates prescribed to them for each assessment year.

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

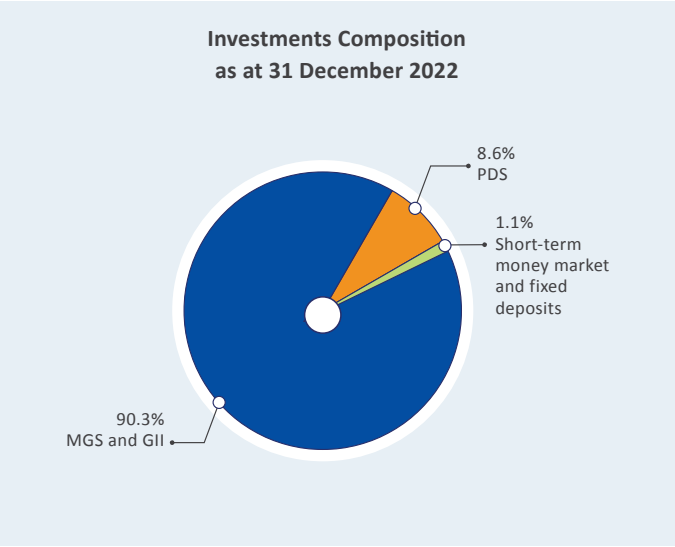
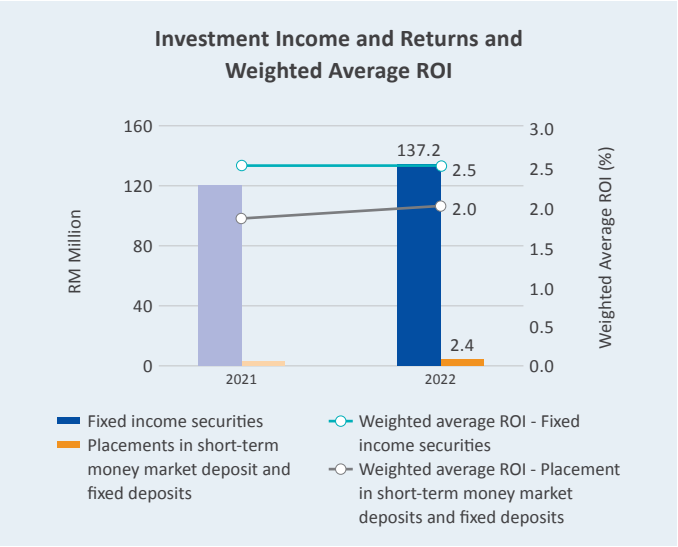


# PERFORMANCE

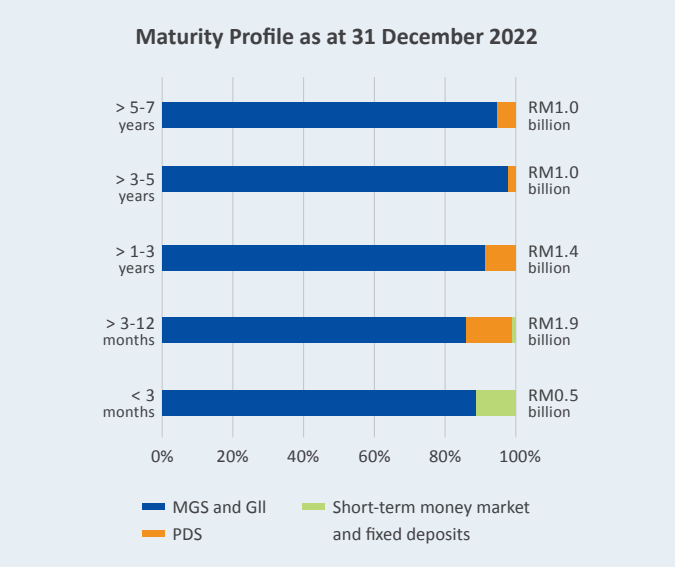
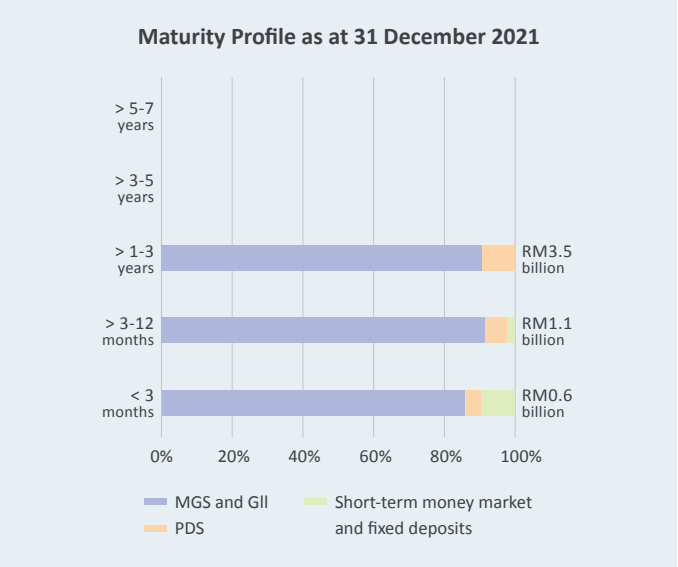
## Investment income and returns

Our investment income and returns are from secured investment securities, namely Malaysian Government Securities (MGS) and Government Investment Issues (GII) as well as Private Debt Securities (PDS) of AAA rating issued by Government-related entities.

Investment income and returns grew by 12.9% to RM139.6 million from RM123.7 million in 2021. The improvement of RM15.9 million was mainly due to growth in the investment portfolio as a result of increased premium and levy revenues. The weighted average return on investments (ROI) for the fixed income investment portfolio for 2022 remained largely similar to 2021 at 2.5%, while the weighted average ROI for placements in short-term money market and fixed deposits increased to 2.0% from 1.8% in the prior financial year. The flattish weighted average ROI for the fixed income investment portfolio was attributable to the lower-yielding investments undertaken during the pandemic years, with some matured and reinvested into rising investment yields in the second half of 2022.

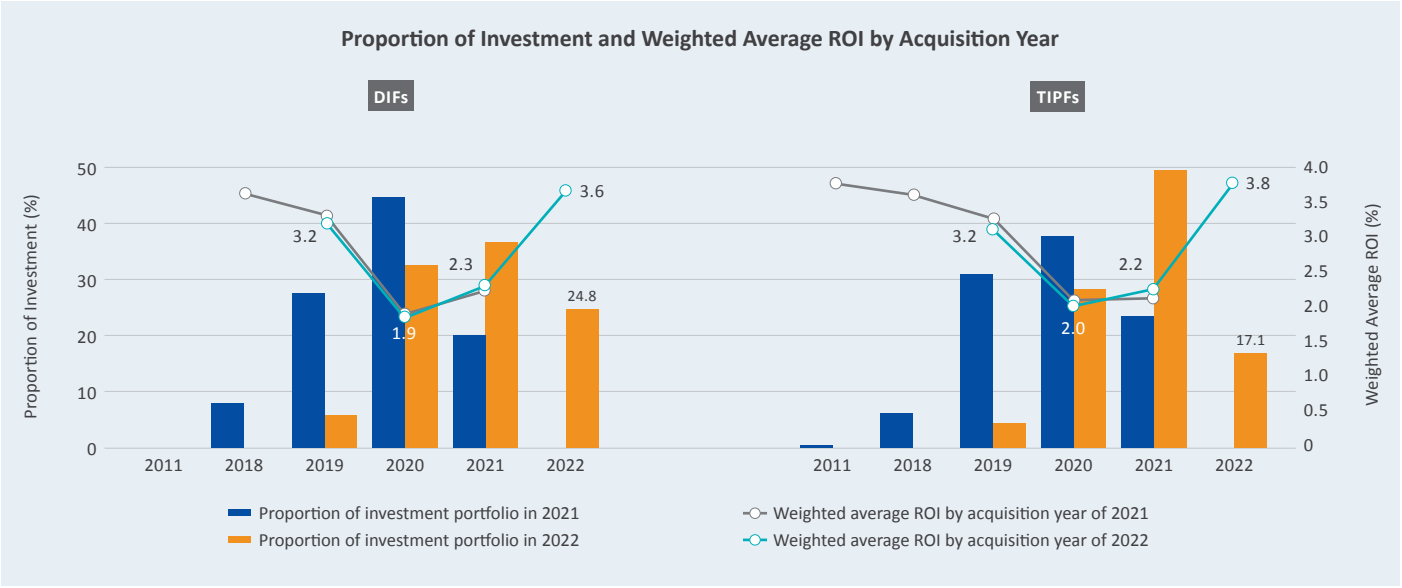


During the year, we invested in higher-yielding investments, given the rising trend in interest rates in tandem with the series of increments in the OPR in the months of May, July, September and November 2022. Additionally, in line with the revised Investment Policy, which allows for the holding of investments with tenures up to seven years, the average tenure of the investment portfolio as at the end of 2022 has been extended from 1.3 years to 2.0 years. This in turn also contributed to the increase in the average portfolio yield, in line with the rates on the yield curve of the respective investment instruments.



# PERFORMANCE

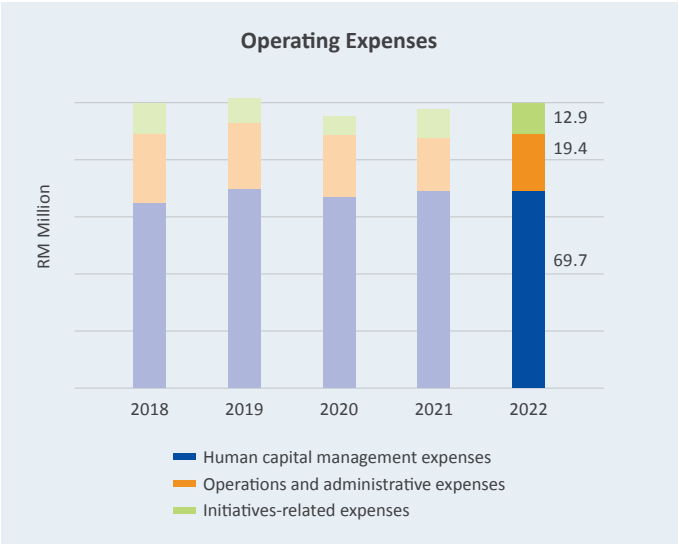
The overall fixed income investment securities weighted average ROI for the Deposit Insurance Funds (DIFs) rose marginally by seven basis points (bps) to 2.57% for 2022, while the weighted average ROI for the Takaful and Insurance Benefits Protection Funds (TIPFs) deteriorated by 12 bps to 2.49%. The weighted average ROI for investments made in 2022 had risen to 3.6% and 3.8% for the DIFs and TIPFs, respectively. The ROI of the portfolio was mainly impacted by the yields on investments made during the pandemic years. Nevertheless, there were some compensating returns from investments made in 2018 and 2019 that had high ROIs of over 3.0%. We expect to see continued improvements in the ROI of the portfolio in line with the increased interest rates from the second half of 2022.



## Operating Expenses

2022 expenses were predominantly for our day-to-day operations, human capital expenses, and initiatives that supported our strategic pillars, i.e. resolution readiness, stakeholder trust and organisational capabilities.

Our operating expenses continued to operate at a consistent level, with our expenses for 2022 totalling RM102.0 million, a slight increase of 3.7% compared to RM98.4 million in 2021.



## Human capital management expenses

In fulfilling PIDM’s mandate and strategic focus, our human capital is key, and continues to be a significant driver of PIDM’s operating expenses, representing approximately 68.3% of our total expenses.

Our bench strength increased to 190 as at the end of 2022, compared to 176 in the previous financial year. However, the cost impact for new hires in 2022 will only be fully reflected in 2023.





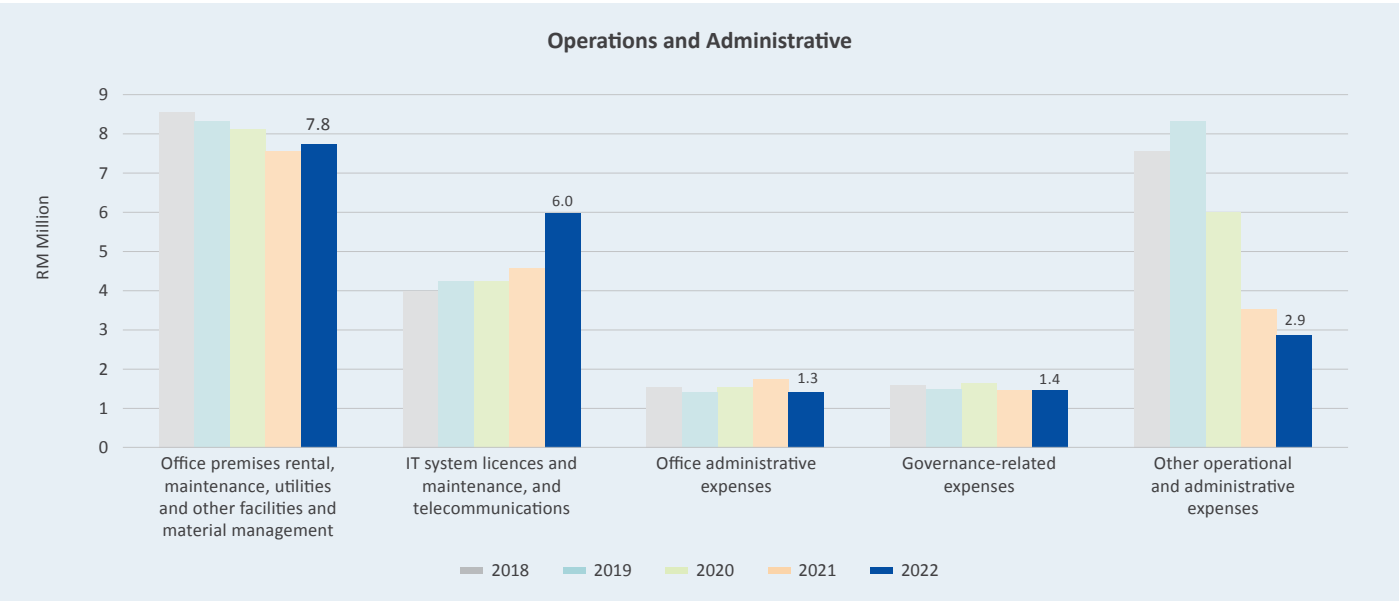
# PERFORMANCE

## Operations and administrative expenses

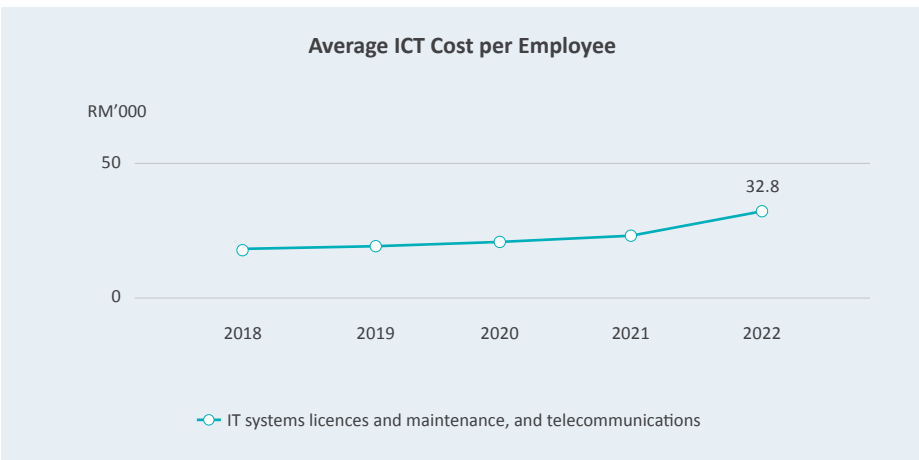
In spite of the country’s transition to the endemic phase on 1 April 2022, we continued to operate on a hybrid work model. Our operations and administrative expenses remained relatively stable as we continued to practise prudent financial management.

On aggregate, our operations and administrative expenses increased by RM0.5 million or 2.8% compared to the previous financial year. Total IT system licences and maintenance, and telecommunications (ICT) expenses expanded by 32.3% compared to the prior financial year in line with our digital transformation efforts. The expenses were partly offset by the lower office administrative and depreciation expenses.

Besides the cost of maintaining our existing IT system applications, additional expenses were for enhancements of technology capabilities to support hybrid work arrangements, relocation of the data centre and additional lease lines for a new PIDM corporate office. We also continued to invest in up-to-date softwares, technological peripherals and devices as well as IT security and cybersecurity measures to ensure operational resilience and a secure IT environment.



An analysis of ICT expenses against the key cost driver, namely the number of employees, indicates an upward trend as we continue to invest in enhancing our technology capabilities and infrastructure, in line with our digital transformation plan.



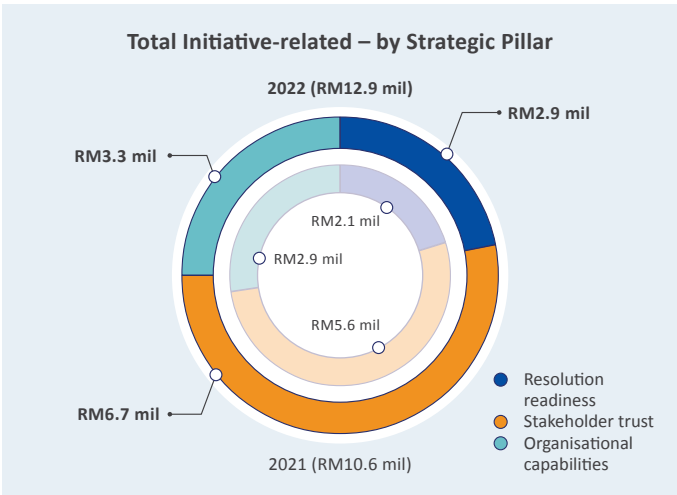
# PERFORMANCE

## Initiative-related expenses

These are expenses to support the implementation of corporate initiatives in line with our strategic pillars and key result areas planned for 2022 in the Corporate Plan.

In aggregate, initiative-related expenses increased by RM2.3 million or 21.7% more than the prior financial year. The increase was largely to support our work with the public and key stakeholders as well as the continuation of our digital transformation journey.

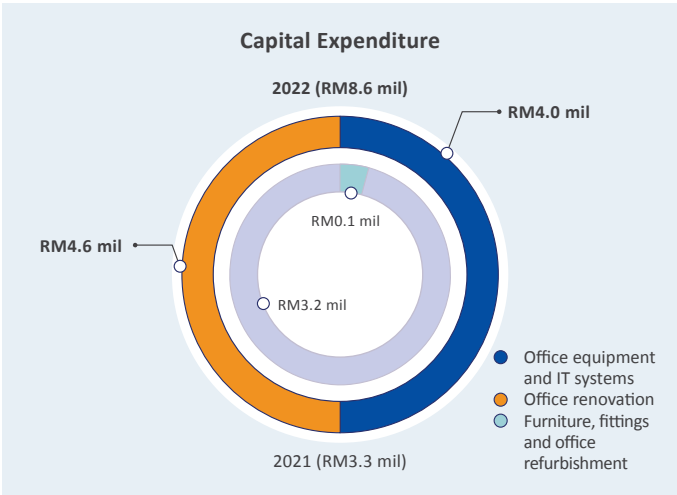
Refer to our Key Achievements in 2022 [↗](#) in this Part for more details of the corporate initiatives carried out in 2022.



## Capital Expenditure

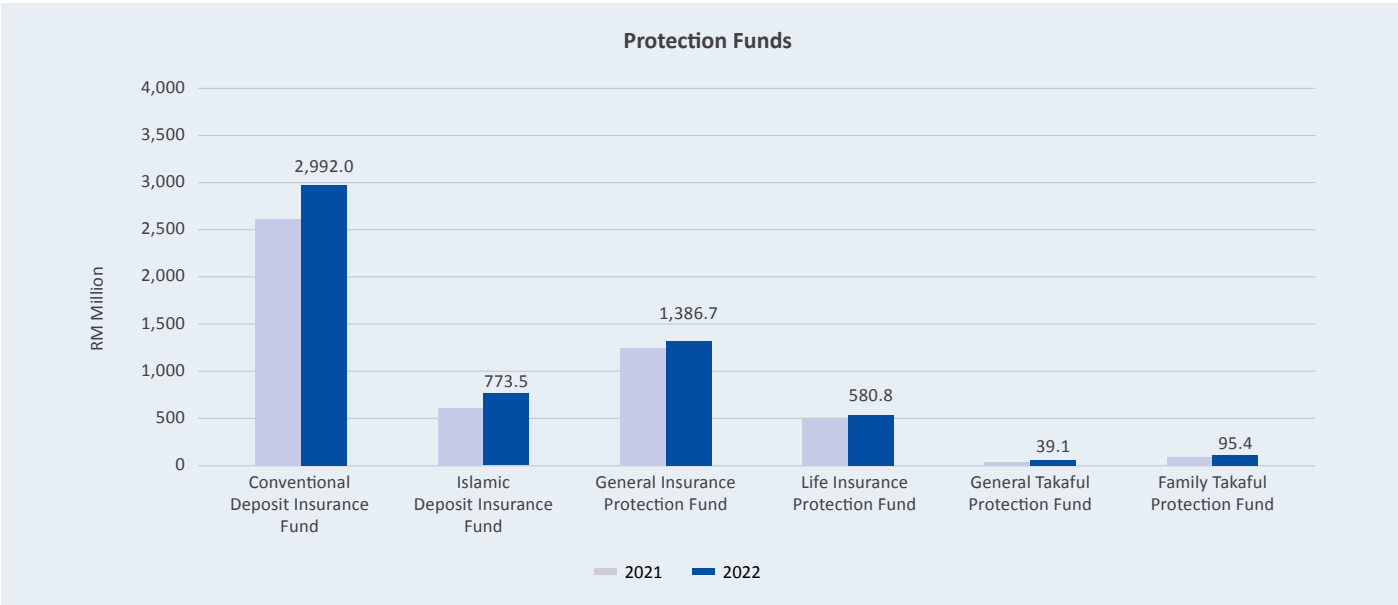
As at 31 December 2022, we contracted RM8.6 million for capital expenditure, representing 79.6% of the capital expenditure budget for 2022 of RM10.8 million.

Expenditures were primarily for the continuation of work in building a Resolution Technology (ResTech) platform and refreshed operational infrastructure in support of our efforts to be future-ready. In addition, we invested in establishing a new PIDM corporate office.



## Statement of Financial Position

PIDM’s Total Protection Funds as at 31 December 2022 amounted to RM5.9 billion, on the back of total assets of RM5.9 billion and net of liabilities of RM0.03 billion.

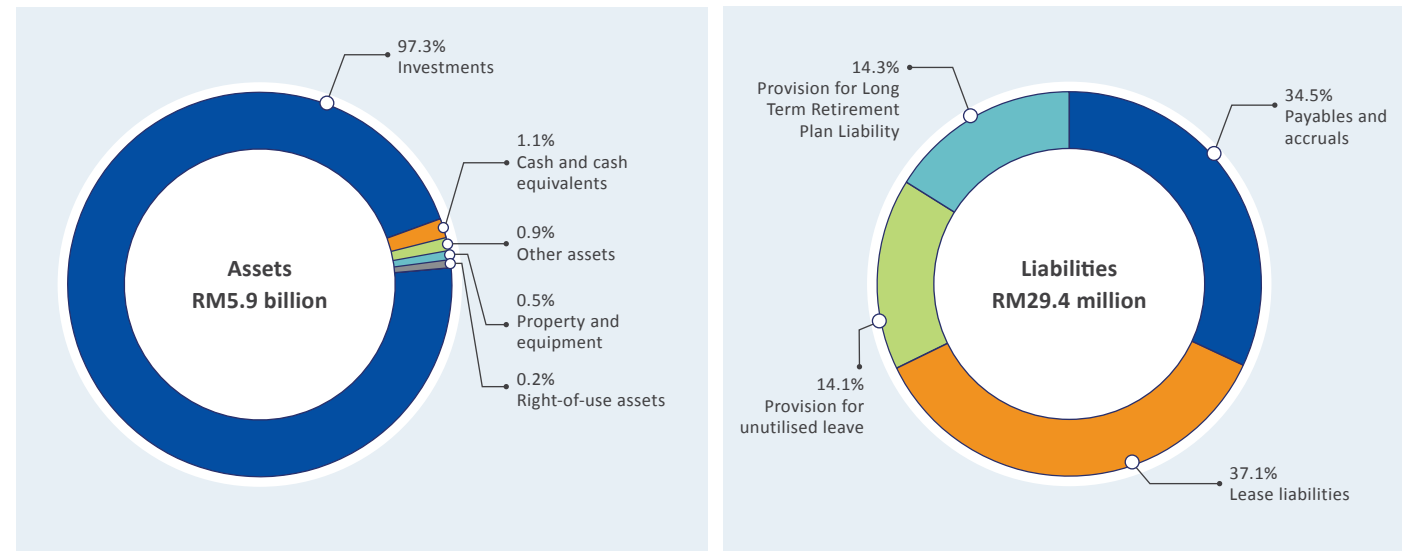


## PERFORMANCE

Our assets remained liquid, with financial assets comprising cash, cash equivalents, investments as well as investment income receivables. These financial assets stood at RM5.9 billion, representing 99.2% of our total assets as at 31 December 2022. The remaining non-financial assets are mainly related to property and equipment, which amounted to RM0.03 billion as well as RM0.01 billion of right-of-use assets mainly for the lease of our offices.

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

Details of the items within the Statement of Financial Position are in the Notes to the Financial Statements. [↗](#)



## AICB BUILDING A STEP INTO THE FUTURE



## LESS WALLS, BETTER RELATIONSHIPS



In December 2022, PIDM migrated part of our workforce to the Asian Institute of Chartered Bankers (AICB) Building. This move is significant as it reflects the growing importance of a new hybrid working model that promotes flexibility and agility within a safe and secure workspace, that leverages on modern technological infrastructure and facilities. With an overall reduction in floor space and a more competitive lease, we were also able to reduce our office operating costs. The office arrangement also takes into consideration operational resilience and business continuity requirements to mitigate any operational shocks or disruptions.

The AICB Building is situated in a secluded enclave belted by a green reserve within an area that includes notable buildings such as Sasana Kijang and the Asia School of Business. PIDM occupies Levels 9 and 10 of the building with a total floor area of 21,122 square feet. Level 9 encompasses hot desk workstations for employees of PIDM, whilst Level 10 is designated as the executive area.

This office also functions as a centre for business engagement that builds and enhances PIDM's relationships with industry partners, fostering collaborations and innovations. Our migration to this green building allows us to be closer to our stakeholders in the financial industry, enabling us to work closer together under one roof in the development of the financial industry, in the spirit of "less walls, better relationships".

# PART III

## OUR WAY FORWARD

Strategy

Summary of the Corporate Plan 2023 – 2025

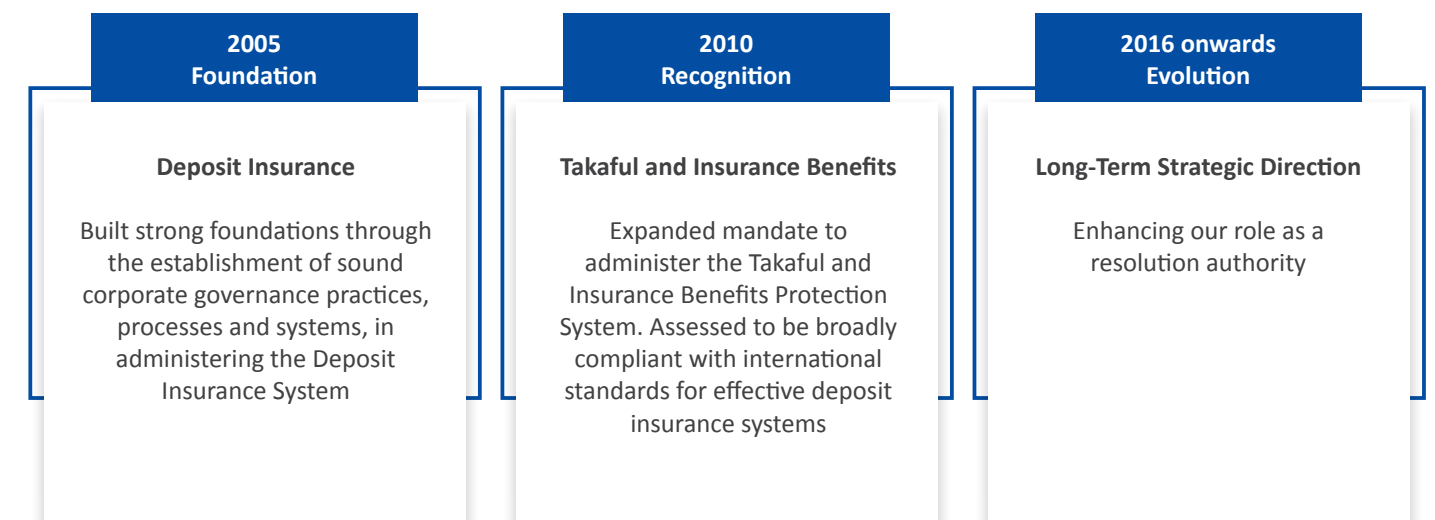
*In Focus: An Inclusive and Progressive Sustainability Commitment*

## 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.





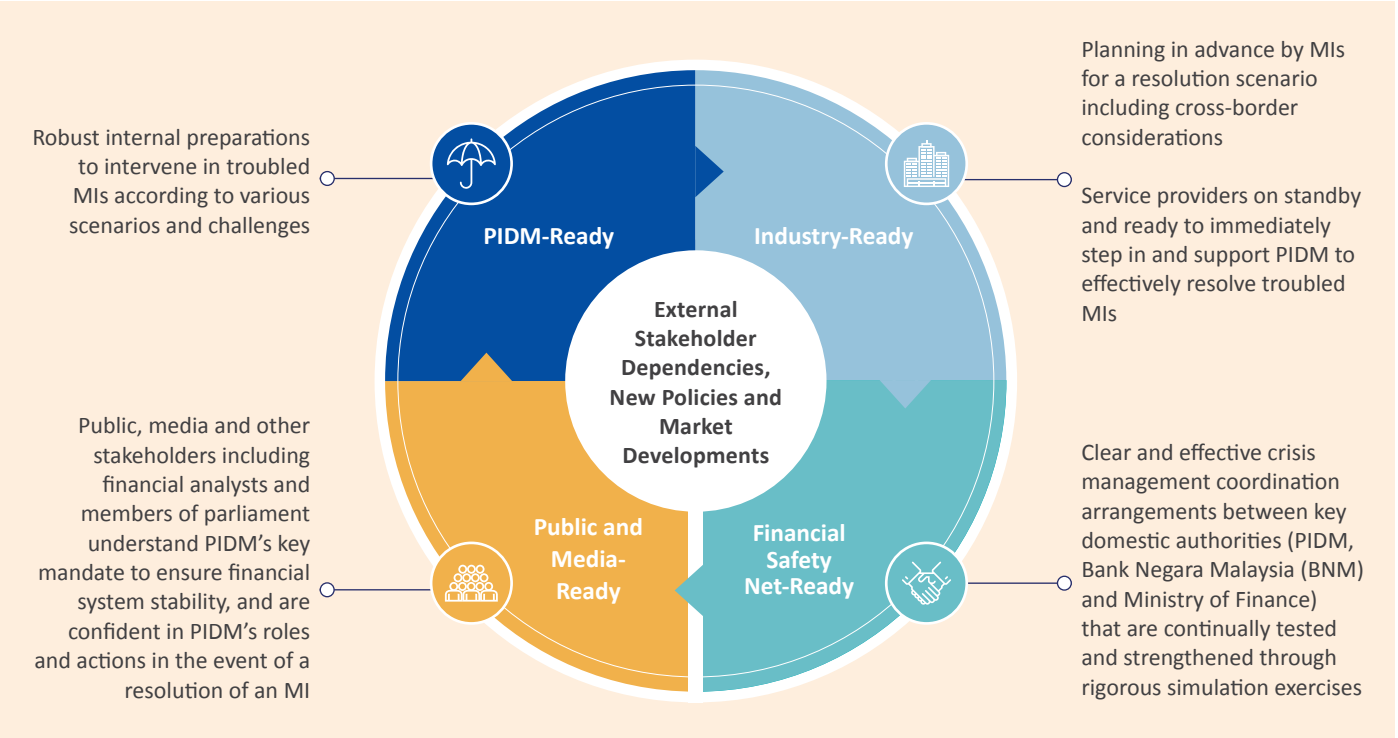
STRATEGY

SUMMARY OF THE CORPORATE PLAN 2023 – 2025

PIDM’S CORPORATE PLAN 2023 – 2025: REALISING READINESS

PIDM’s Corporate Plan 2023 – 2025, themed “Realising Readiness”, reflects the strategic intent to intensify our focus on resolution readiness. This will be achieved through enhancements to PIDM’s internal preparedness, as well as collaborative and complementary readiness with our stakeholders to effectively resolve troubled member institutions (MIs). Ensuring effective execution of PIDM’s resolution actions will require not only internal capacity building, but also in-depth understanding and readiness of financial safety net (FSN) players, the industry (MIs and service providers), and other stakeholders including the media and public at large.

Realising Readiness – PIDM’s Internal and External-Collaborative Stakeholder Readiness



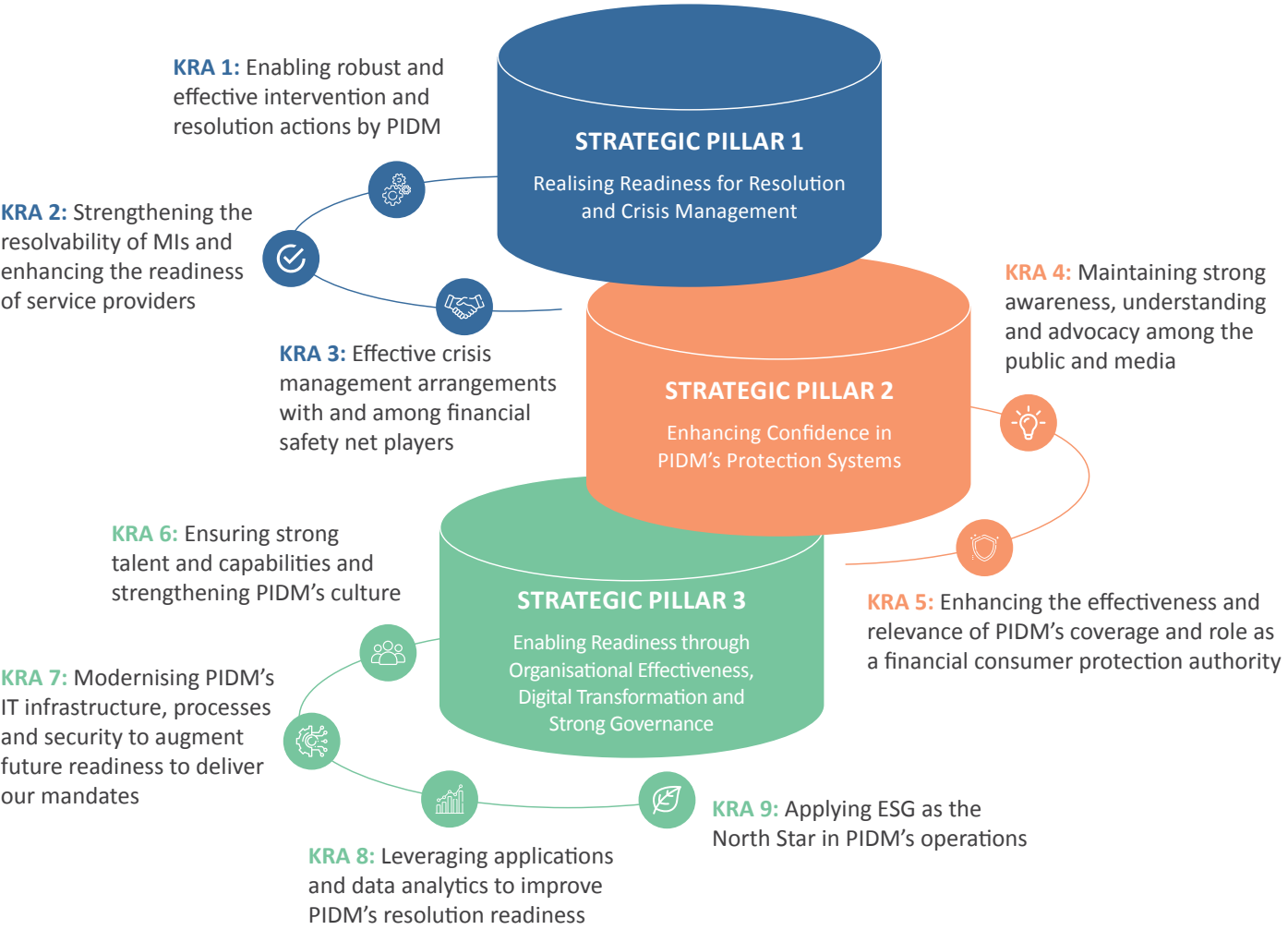
Our strategic aim is for PIDM, FSN players and service providers to be “action-ready” at any time. This means PIDM is able to execute our resolution plans effectively, supported by robust crisis coordination actions among the FSN players and implementation of resolution transactions by service providers. At the same time, PIDM will continuously enhance our internal readiness, leveraging on technological and digital advancements.

Through PIDM’s efforts on resolution planning (RSP), MIs are envisaged to be “transfer-ready” and clear of regulatory expectations to support the implementation of PIDM’s resolution strategies. This involves MIs planning in advance and being ready for the transfer of all or parts of their businesses, assets, liabilities and shares to another party. As for other stakeholders such as the media, analysts and the public, we intend to develop “knowledge-readiness” and inculcate broad understanding of resolution, including PIDM’s roles and functions.

In summary, the Corporate Plan reflects the alignment of our key stakeholders – in various roles and capacities – to support the effective implementation of PIDM’s intervention, resolution and crisis management strategies.

STRATEGY

The Corporate Plan is anchored on three strategic pillars, which are supported by nine key result areas, as well as initiatives and plans to address identified risks and material matters. The strategic pillars aim to sharpen PIDM’s focus on resolution readiness, ensure our financial consumer protection systems remain adequate and implement digital transformation effectively. The highlights of these plans are summarised as follows:



CORPORATE PLAN 2023 – 2025	STRATEGIC OUTCOMES
Strategic Pillar 1	<ul style="list-style-type: none"> <li>Agile to execute and respond to different intervention and resolution scenarios</li> <li>MIs and service providers well-placed to support resolution actions</li> <li>Clear and effective crisis coordination arrangements among FSN</li> </ul>
Strategic Pillar 2	<ul style="list-style-type: none"> <li>Adequate knowledge of the public, media and other stakeholders on resolution of MIs and higher levels of public advocacy</li> <li>Adequate protection coverage for financial consumers</li> </ul>
Strategic Pillar 3	<ul style="list-style-type: none"> <li>Strong talent pipeline with right culture, and employees equipped with future-ready skills</li> <li>Effective cloud infrastructure, safe, efficient processes and improved data driven decision-making for resolution</li> <li>Strong governance and effective operations and administration</li> </ul>

## STRATEGY

## Highlights of 2023 Financial Plan

The 2023 Financial Plan comes with an operational expenditure (OPEX) budget of RM126.7 million and capital expenditure (CAPEX) budget of RM7.3 million to cater predominantly to build bench strength with new and more specialised skills, support new transformational initiatives as well as to continue initiatives in the existing plans. Our human capital expenses, which are encapsulated within KRA 6, remain the primary cost driver of our financial plan.

## Key Cost Drivers

## Strategic Pillar 1

OPEX: RM8.8 mil  
CAPEX: RM0.4 mil

- Intervention and resolution as well as funding initiatives
- Crisis management simulations and engagements with FSN players
- Knowledge accentuation programmes with key service providers and other strategic partners
- Reimbursement system enhancements

## Strategic Pillar 2

OPEX: RM6.9 mil

- Continue to optimise digital channels for communication initiatives
- Financial resilience campaign
- On-ground public and key stakeholder engagements
- Research and behavioural studies
- International engagements, collaborations and activities

### Strategic Pillar 3

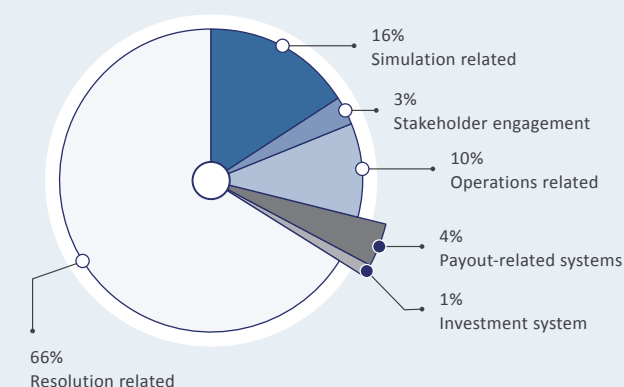
- Business process review and re-engineering to build future-ready infrastructure

- Ongoing human capital-related expenses
- Talent acquisition and capabilities development
- Initiatives and activities to strengthen PIDM's culture through a digital and sustainability mindset
- Business process review and re-engineering to build future-ready infrastructure
- Initiatives to strengthen cyber resilience
- Data analytics and resolution technology capabilities enhancements

## 2023 Financial Plan

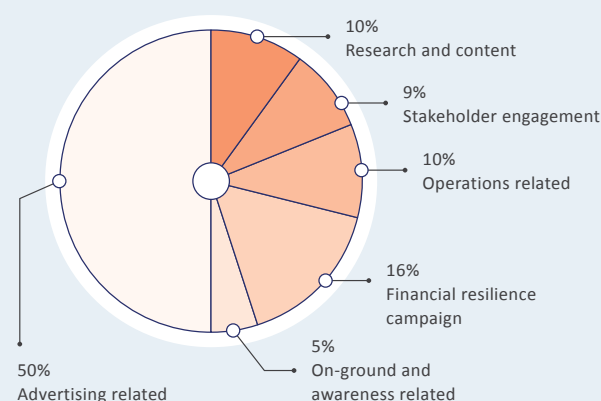
## STRATEGIC PILLAR 1

RM9.2 million



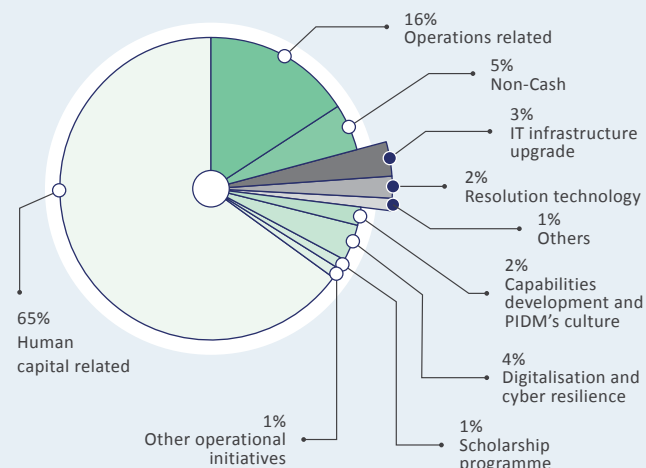
## STRATEGIC PILLAR 2

RM6.9 million



### STRATEGIC PILLAR 3

RM117.9 million



○ Operational expenditure      ● Capital expenditure

### Income Projection

Total income is projected to be at RM788.0 million, comprising premiums and levies of RM530.0 million and RM90.0 million from our member banks and insurer members respectively as well as RM168.0 million of investment income and returns.

Investment income is expected to benefit from the increased yields carrying over from the higher yields experienced in the second half of 2022 and going into the initial quarters of 2023. Nonetheless, we expect the potential for yields to moderate in anticipation of a global economic slowdown.

The pro forma depicting PIDM's income projection as well as operating and capital expenditure budgets for 2023 are set out below.

### Income Projection and Operating Expenditure Budget

	2023 Budget		2022 Budget	
	RM'000	%	RM'000	%
Premiums and levy revenues	620,000	79	650,000	82
Investment income and returns from cash equivalents and investment securities	168,000	21	140,000	18
<b>Total income</b>	<b>788,000</b>	<b>100</b>	<b>790,000</b>	<b>100</b>
Human capital management expenses	77,000	61	72,000	61
Operations and administrative expenses	20,637	16	19,500	17
Initiatives-related expenses	23,063	18	20,000	17
<b>Total operating expenditure before non-cash expenses</b>	<b>120,700</b>	<b>95</b>	<b>111,500</b>	<b>95</b>
Non-cash expenses	6,000	5	5,500	5
<b>Total operating expenditure</b>	<b>126,700</b>	<b>100</b>	<b>117,000</b>	<b>100</b>
<b>Net surplus for the year</b>	<b>661,300</b>		<b>673,000</b>	

### Capital Expenditure Budget

	2023 Budget		2022 Budget	
	RM'000	%	RM'000	%
Furniture, fittings and office refurbishment	-	-	5,090	47
Computer systems and office equipment	7,000	96	5,710	53
Motor vehicle	300	4	-	-
<b>Total capital expenditure</b>	<b>7,300</b>	<b>100</b>	<b>10,800</b>	<b>100</b>

### Monitoring Progress against the Approved Plan

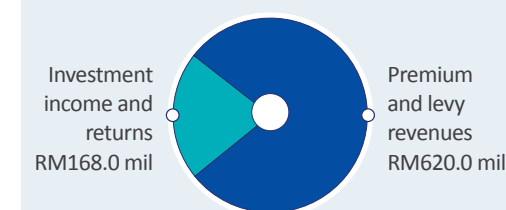
The corporate initiatives will be cascaded throughout PIDM for the development of individual key performance indicators. PIDM's pay and rewards programme is linked to the achievement of the initiatives and milestones set out in the Corporate Plan.

The progress of the corporate initiatives will be monitored and reported to both the Audit Committee and the Board of Directors.

## Corporate Plan Derailment

Drastic changes in the operating environment, an intervention or failure resolution of a troubled MI, or the loss of key employees, could necessitate a reprioritisation of PIDM's planned initiatives and available resources for the task at hand. If there is a risk of derailment, PIDM will reprioritise our planned initiatives and realign available resources while maintaining operations in all critical functions. Whilst such events are not entirely within our control, PIDM will continue to monitor such risks, continue to review our contingency plans, and ensure their effects are mitigated.

## STRATEGY

**TOTAL INCOME**










RM788.0 million  
**income projection**





# PART IV

# FINANCIAL STATEMENTS

- Directors’ Report 
- Statement by Directors 
- Statutory Declaration 
- Certificate of the Auditor General 
- Statement of Financial Position 
- Statement of Profit or Loss and Other Comprehensive Income 
- Statement of Changes in Funds and Reserves 
- Statement of Cash Flows 
- Notes to the Financial Statements 

## DIRECTORS’ REPORT

The Directors hereby submit their report and the audited financial statements of Perbadanan Insurans Deposit Malaysia ("PIDM") for the financial year ended 31 December 2022.

### 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 ensure that concerns about the business and affairs of member institutions are addressed promptly.

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

	2022 RM’000	2021 RM’000
<b>Total Comprehensive Income for the financial year:</b>		
Deposit Insurance Funds	<b>531,639</b>	253,160
Takaful and Insurance Benefits Protection Funds	<b>114,396</b>	90,744
	<b>646,035</b>	343,904

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 other than as disclosed in items of an unusual nature in this report.

# DIRECTORS' REPORT

## FINANCIAL RESULTS (CONT'D.)

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

	2022 RM'000	2021 RM'000
<b>Deposit Insurance Funds:</b>		
Conventional Deposit Insurance Fund	2,991,960	2,613,909
Islamic Deposit Insurance Fund	773,468	619,880
<b>Total Deposit Insurance Funds</b>	<b>3,765,428</b>	3,233,789
<b>Takaful and Insurance Benefits Protection Funds:</b>		
General Insurance Protection Fund	1,386,739	1,357,402
Life Insurance Protection Fund	580,767	517,212
General Takaful Protection Fund	39,099	33,372
Family Takaful Protection Fund	95,428	79,651
<b>Total Takaful and Insurance Benefits Protection Funds</b>	<b>2,102,033</b>	1,987,637

## DIRECTORS

The names of the Directors of PIDM in office during the financial year ended 31 December 2022 were:

- Tan Sri Dr. Rahamat Bivi binti Yusoff (Chairman)
- Tan Sri Nor Shamsiah binti Mohd Yunus
- Datuk Seri Asri bin Hamidin @ Hamidon
- Dato Dr. Nik Ramlah binti Nik Mahmood
- Dato' Dr. Gan Wee Beng
- Ms. Gloria Goh Ewe Gim
- Datuk Dr. Yacob bin Mustafa
- Puan Suhara binti Husni
- Mr. Lee Kong Eng
- Dato' Shahrol Anuwar bin Sarman (appointed on 15 June 2022) (alternate Director to Datuk Seri Asri bin Hamidin @ Hamidon)
- Datuk Jessica Chew Cheng Lian (appointed on 14 July 2022) (alternate Director to Tan Sri Nor Shamsiah binti Mohd Yunus)

Datuk Seri Asri bin Hamidin @ Hamidon and Tan Sri Nor Shamsiah binti Mohd Yunus are *ex officio* Directors by virtue of their office, in accordance with subsection 11(2) of the PIDM Act. Members of the Board of Directors of PIDM other than *ex officio* Directors are appointed by the Minister of Finance in accordance with subsection 11(2) of the PIDM Act.

Dato' Shahrol Anuwar bin Sarman and Datuk Jessica Chew Cheng Lian 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' REPORT

## 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.

## ITEMS OF AN UNUSUAL NATURE

On 1 April 2022, Malaysia began its transition into the endemic phase of COVID-19 with the increase in economic activity and re-opening of international borders. These have positively contributed to the recovery of business operating environment and facilitated the growth of Malaysian economy.

During the financial year 2022, PIDM business operations remained resilient and agile in adapting to the constant changes in policy responses to COVID-19. The digital transformation, virtual operating platforms, and robust business continuity plans enable PIDM to operate in "work from home" mode during the pandemic and transition smoothly into endemicity. Moreover, the increase in economic and social activities and the re-opening of international borders allowed PIDM to resume face-to-face engagements with its key stakeholders locally and internationally.

In terms of PIDM's financial performance, the investment return for the financial year ended 31 December 2022 continued to be impacted by the low rate environment during the first half of the year before recording some improvement following the gradual increase in the Overnight Policy Rate in the second half of the year. Furthermore, pursuant to the expiry of PIDM's regulatory relief measures provided in 2020, the premium and levy rates reverted to their original rates for the assessment year 2022 as described in Note 13 of the financial statements.

## DIRECTORS' REPORT

### ITEMS OF AN UNUSUAL NATURE (CONT'D.)

Given the continued uncertainty in the operating environment and the downside risks to Malaysia's economic growth, PIDM continues to closely monitor the credit risk of its investments. Nonetheless, PIDM does not expect the carrying value of its investment portfolio to be significantly impacted given the conservative investment policy governing its investment strategies.

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 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.

As at the date of this report, Malaysia is transitioning into endemic phase of COVID-19. Nevertheless, PIDM continues to undertake 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 the Malaysian Financial Reporting Standards ("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 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 or 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 or 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 or 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 2022, 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



**Tan Sri Dr. Rahamat Bivi binti Yusoff**  
Chairman of the Board of Directors

Kuala Lumpur, Malaysia  
28 February 2023



**Ms. Gloria Goh Ewe Gim**  
Chairman of the Audit Committee



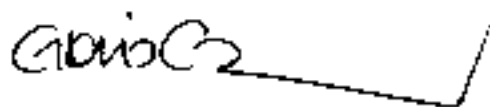
## STATEMENT BY DIRECTORS

We, Tan Sri Dr. Rahamat Bivi binti Yusoff and 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 2022, the results of its operations and its cash flows for the year ended on that date. The Directors are also of the opinion that the Islamic Deposit Insurance Fund as well as the Takaful Protection Funds are maintained and administered in accordance with Shariah requirements, as set out in the PIDM Act.

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



**Tan Sri Dr. Rahamat Bivi binti Yusoff**  
Chairman of the Board of Directors



**Ms. Gloria Goh Ewe Gim**  
Chairman of the Audit Committee

Kuala Lumpur, Malaysia  
28 February 2023

## 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 2022, 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 28 February 2023.

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 28 February 2023

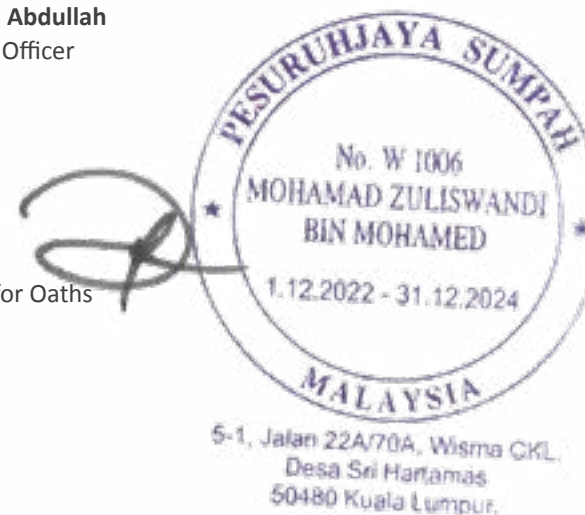


**Rafiz Azuan bin Abdullah**  
Chief Executive Officer



**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  
ON THE FINANCIAL STATEMENTS OF  
PERBADANAN INSURANS DEPOSIT MALAYSIA  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Certificate on the Audit of the Financial Statements****Opinion**

I have audited the Financial Statements of the Perbadanan Insurans Deposit Malaysia. The financial statements comprise the Statement of Financial Position as at 31 December 2022 of the Perbadanan Insurans Deposit Malaysia and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Funds and Reserves and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 96.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Perbadanan Insurans Deposit Malaysia as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the Malaysia Deposit Insurance Corporation Act 2011 [Act 720] requirements.

**Basis for Opinion**

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Independence and Other Ethical Responsibilities*

I am independent of the Perbadanan Insurans Deposit Malaysia and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

## CERTIFICATE OF THE AUDITOR GENERAL

**Information Other than the Financial Statements and Auditor's Certificate Thereon**

The Board of Directors of the Perbadanan Insurans Deposit Malaysia is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Perbadanan Insurans Deposit Malaysia does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

**Responsibilities of the Board of Director for the Financial Statements**

The Board of Directors is responsible for the preparation of Financial Statements of the Perbadanan Insurans Deposit Malaysia that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the Malaysia Deposit Insurance Corporation Act 2011 [Act 720] requirements. The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Financial Statements of the Perbadanan Insurans Deposit Malaysia that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Perbadanan Insurans Deposit Malaysia, the Board of Directors is responsible for assessing the Perbadanan Insurans Deposit Malaysia's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Perbadanan Insurans Deposit Malaysia as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. identify and assess the risks of material misstatement of the Financial Statements of the Perbadanan Insurans Deposit Malaysia, whether due to fraud or error, design and



## CERTIFICATE OF THE AUDITOR GENERAL

perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- b. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Perbadanan Insurans Deposit Malaysia's internal control;
- c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- d. conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Perbadanan Insurans Deposit Malaysia's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Perbadanan Insurans Deposit Malaysia or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate. However, future events or conditions may cause the Perbadanan Insurans Deposit Malaysia to cease to continue as a going concern; and
- e. evaluate the overall presentation, structure and content of the Financial Statements of the Perbadanan Insurans Deposit Malaysia, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

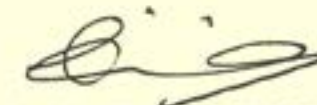
The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

## CERTIFICATE OF THE AUDITOR GENERAL

**Other Matters**

This certificate is made solely to the Board of Directors of the Perbadanan Insurans Deposit Malaysia in accordance with the Malaysia Deposit Insurance Corporation Act 2011 [Act 720] requirements, and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



(NOR AZIAN BINTI NORDIN)  
ON BEHALF OF AUDITOR GENERAL

PUTRAJAYA  
22 MARCH 2023





## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2022 RM'000	2021 RM'000 Restated
<b>ASSETS</b>			
Cash and cash equivalents	4a	68,563	94,392
Investments	5	5,735,010	5,063,096
Other assets	6	51,741	50,540
Investment in subsidiaries	7	_*	_*
Property and equipment	8	31,737	25,161
Right-of-use assets	9	9,825	5,908
<b>Total Assets</b>		<b>5,896,876</b>	5,239,097
<b>LIABILITIES</b>			
Payables	11	18,511	10,503
Lease liabilities	10	10,904	7,168
<b>Total Liabilities</b>		<b>29,415</b>	17,671
<b>FUNDS AND RESERVES</b>			
Deposit Insurance Funds			
<i>Accumulated surpluses</i>	12a	3,765,428	3,233,789
Takaful and Insurance Benefits Protection Funds			
<i>Accumulated surpluses</i>	12b	2,102,033	1,987,637
<b>Total Funds and Reserves</b>		<b>5,867,461</b>	5,221,426
<b>Total Liabilities, Funds and Reserves</b>		<b>5,896,876</b>	5,239,097

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	Note	2022 RM'000	2021 RM'000 Restated
Premium and levy revenues	13	607,884	316,144
Investment income and returns from cash equivalents and investment securities	14	139,624	123,725
Other income		68	-
<b>Total income</b>		<b>747,576</b>	439,869
Human capital management expenses	15	69,699	68,945
Operations and administrative expenses	16	19,397	18,869
Initiatives related expenses	17	12,918	10,571
<b>Total expenses</b>		<b>102,014</b>	98,385
<b>Net surplus for the year</b>		<b>645,562</b>	341,484
<b>Other comprehensive income</b>			
Remeasurement of Long Term Retirement Plan Liability	11ii	473	2,420
<b>Total comprehensive income for the year</b>	21	<b>646,035</b>	343,904

## 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
<b>Accumulated Surpluses</b>				
As at 1 January 2021	12a	2,424,703	555,926	2,980,629
Total comprehensive income for the year		189,206	63,954	253,160
As at 31 December 2021	12a	2,613,909	619,880	3,233,789
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

### 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
<b>Accumulated Surpluses</b>						
As at 1 January 2021	12b	1,331,141	461,368	31,111	73,273	1,896,893
Total comprehensive income for the year		26,261	55,844	2,261	6,378	90,744
As at 31 December 2021	12b	1,357,402	517,212	33,372	79,651	1,987,637
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

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	Note	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premiums and levies received from member institutions		607,884	316,144
Payments in the course of operations to suppliers and employees		(92,065)	(86,061)
Receipts of investment income		222,902	197,990
<b>Net cash flows generated from operating activities</b>		<b>738,721</b>	428,073
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturities of investment securities		1,680,986	1,872,711
Purchase of investment securities		(2,436,182)	(2,350,474)
Purchase of property and equipment		(4,432)	(2,621)
<b>Net cash flows used in investing activities</b>		<b>(759,628)</b>	(480,384)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal repayment of the lease liabilities	10	(4,518)	(4,854)
Lease finance costs	9b	(404)	(686)
Proceeds from borrowing		-	5,135
Repayment of borrowing		-	(5,135)
Interest paid on borrowing		-	(2)
<b>Net cash flows used in financing activities</b>		<b>(4,922)</b>	(5,542)
<b>Net decrease in cash and cash equivalents</b>		<b>(25,829)</b>	(57,853)
Cash and cash equivalents at beginning of year		94,392	152,245
<b>Cash and cash equivalents at end of year</b>	4a	<b>68,563</b>	94,392

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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 ensure that concerns about the business and affairs of member institutions are addressed promptly.

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 28 February 2023.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT 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 significant 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 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Financial assets (cont'd.)

(ii) Investment securities (cont'd.)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Financial instruments (cont'd.)

Derecognition (cont'd.)

(i) Financial assets (cont'd.)

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.

(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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### *Impairment of financial assets (cont'd.)*

##### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### *Impairment of financial assets (cont'd.)*

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

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.

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).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (a) Financial instruments (cont'd.)

##### *Impairment of financial assets (cont'd.)*

#### (ii) Definition of default (cont'd.)

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 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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.)

As Malaysia began its transition into the endemic phase of COVID-19 on 1 April 2022 with the increase in economic activity and re-opening of international borders, PIDM had continued to update its scenarios and key assumptions to reflect the changes in the operating environment. The list of scenarios and its key assumptions that were considered by PIDM are as follow:

##### Financial year ended 31 December 2022<sup>1</sup>

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% 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%
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%

##### Financial year ended 31 December 2021<sup>2</sup>

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% 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%
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%

<sup>1</sup> The scenario categories and the relevant GDP growth rates were sourced from Rating Agency Malaysia (RAM) MFRS9 SaaS version 4.0.9 – November 2022  
<sup>2</sup> The scenario categories and the relevant GDP growth rates were sourced from Rating Agency Malaysia (RAM) MFRS9 SaaS version 4.0.5 – 1 November 2021

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant 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.)

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 or 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).

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (c) Property and equipment, and depreciation (cont'd.)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

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

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 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant 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 2022 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 2021. The allocation rates used during the year are as follows:

Year	DIS		TIPS			
	Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Takaful
2022	75.11%	24.89%	31.65%	58.47%	2.68%	7.20%
	100%		100%			
2021	75.73%	24.27%	40.58%	48.45%	3.22%	7.75%
	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 2022 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 2021. The apportionment basis used is as follows:

Year	Total	DIS		TIPS			
		Conventional	Islamic	General Insurance	Life Insurance	General Takaful	Family Takaful
2022	100%	54.94%	18.20%	8.50%	15.71%	0.72%	1.93%
2021	100%	54.34%	17.42%	11.46%	13.68%	0.91%	2.19%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

#### (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).

##### (ii) Foreign currency transactions

In preparing the financial statements of PIDM, transactions in foreign currencies other than PIDM’s functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising from the settlement of monetary items, and on the translation of monetary items, are included in the Statement of Profit or Loss for the period. Exchange differences arising from the translation of non-monetary items carried at fair value are included in the Statement of Profit or Loss for the period except for the differences arising from the translation of non-monetary items in respect of which gains and losses are recognised directly in the Funds and Reserves. Exchange differences arising from such non-monetary items are also recognised directly in the Funds and Reserves.

#### (h) PIDM as 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;

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

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

Lease payments included in the measurement of the lease liability comprise: (cont'd.)

- 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Summary of significant accounting policies (cont'd.)

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

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.

### 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 pronouncements that have been issued by the Malaysian Accounting Standards Board (“MASB”) became effective in the current financial reporting period and have been adopted by PIDM in these financial statements:

#### *MFRS, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2022*

- Reference to the Conceptual Framework – Amendments to MFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to MFRS 116
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to MFRS 137
- Annual Improvements to MFRS Standards 2018–2020 (MFRS 1, MFRS 9, MFRS 16 and MFRS 141)

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 2. SIGNIFICANT 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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101: <i>Non-Current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred to a date to be announced by MASB

PIDM does not plan to apply the following Standards that are effective for annual periods beginning on or after 1 January 2023 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* as PIDM is exempted from income tax.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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.

PIDM is the resolution authority for all member institutions with wide intervention and failure resolution (“IFR”) powers. The subsidiaries were incorporated to act as vehicles for PIDM to carry out any IFR activities rather than for investment purposes. Any returns from the subsidiaries are meant for the benefit of the respective Protection Funds, which are to be used for future intervention or 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 continuously 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT’D.)

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

#### (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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

#### 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.

#### 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.

### 3.3 COVID-19 going concern without material uncertainties

PIDM has considered the consequences of the COVID-19 pandemic and other related events and conditions on its financial position and performance. Other than those already disclosed in the financial statements, there are no material concerns or specific events that would require a disclosure on any matter that would affect the measurement of assets and liabilities. Pursuant to section 206 of the PIDM Act, there are no uncertainties over PIDM’s ability to continue to operate on a going concern basis as no written law on insolvency or winding-up can apply to PIDM.

## 4. CASH AND CASH EQUIVALENTS

### a. Balances as at the end of the financial year

	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
<b>Total cash and cash equivalents</b>	<b>68,563</b>	<b>57,926</b>	<b>10,637</b>

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

### a. Balances as at the end of the financial year (cont'd.)

	2021		
	Total RM’000	DIFs RM’000	TIPFs RM’000
Operational banking accounts	1,017	1,015	2
Placements in short-term money market and fixed deposits	93,375	77,792	15,583
<b>Total cash and cash equivalents</b>	<b>94,392</b>	<b>78,807</b>	<b>15,585</b>

### b. Statement of Cash Flows (indirect method)

	2022		
	Total RM’000	DIFs RM’000	TIPFs RM’000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net surplus for the year	645,562	531,293	114,269
<i>Adjustments for:</i>			
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	-
<b>Operating profit before changes in working capital</b>	<b>653,260</b>	<b>536,961</b>	<b>116,299</b>
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
<b>Net cash flows generated from operating activities</b>	<b>738,721</b>	<b>593,215</b>	<b>145,506</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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)
<b>Net cash flows used in investing activities</b>	<b>(759,628)</b>	<b>(610,231)</b>	<b>(149,397)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal repayment of lease liabilities	(4,518)	(3,572)	(946)
Lease finance costs	(404)	(293)	(111)
<b>Net cash flows used in financing activities</b>	<b>(4,922)</b>	<b>(3,865)</b>	<b>(1,057)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(25,829)</b>	<b>(20,881)</b>	<b>(4,948)</b>
Cash and cash equivalents at beginning of year	94,392	78,807	15,585
<b>Cash and cash equivalents at end of year</b>	<b>68,563</b>	<b>57,926</b>	<b>10,637</b>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

	2021		
	Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year	341,484	251,423	90,061
<i>Adjustments for:</i>			
Depreciation of property and equipment	3,834	2,789	1,045
Depreciation of right-of-use assets	4,728	3,696	1,032
Lease finance costs	686	540	146
Adjustment on modification of lease contract	(312)	(224)	(88)
Allowance for expected credit losses	(35)	(25)	(10)
Operating profit before changes in working capital	350,385	258,199	92,186
Change in payables	3,162	2,257	905
Change in other assets	4,229	378	3,851
Net amortisation of premium for investment securities	70,297	43,037	27,260
Net cash flows generated from operating activities	428,073	303,871	124,202
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of investment securities	1,872,711	967,975	904,736
Purchase of investment securities	(2,350,474)	(1,305,379)	(1,045,095)
Purchase of property and equipment	(2,621)	(1,969)	(652)
Net cash flows used in investing activities	(480,384)	(339,373)	(141,011)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment of lease liabilities	(4,854)	(3,779)	(1,075)
Lease finance costs	(686)	(540)	(146)
Proceeds from borrowing	5,135	5,135	-
Repayment of borrowing	(5,135)	(5,135)	-
Interest paid on borrowing	(2)	(2)	-
Net cash flows used in financing activities	(5,542)	(4,321)	(1,221)
Net decrease in cash and cash equivalents	(57,853)	(39,823)	(18,030)
Cash and cash equivalents at beginning of year	152,245	118,630	33,615
Cash and cash equivalents at end of year	94,392	78,807	15,585

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENTS

	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)
<b>Total investments at amortised cost</b>	<b>5,735,018</b>	<b>3,661,788</b>	<b>2,073,230</b>
Less: Allowance for expected credit loss	(8)	(5)	(3)
<b>Total net investments</b>	<b>5,735,010</b>	<b>3,661,783</b>	<b>2,073,227</b>

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues	4,693,237	2,882,434	1,810,803
Private Debt Securities	435,667	270,330	165,337
	5,128,904	3,152,764	1,976,140
Add: Accretion of discounts net of amortisation of premiums	(65,801)	(42,947)	(22,854)
Total investments at amortised cost	5,063,103	3,109,817	1,953,286
Less: Allowance for expected credit loss	(7)	(4)	(3)
Total net investments	5,063,096	3,109,813	1,953,283

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 6. OTHER ASSETS

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

	2021		
	Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
<b>a. Financial assets</b>			
Investment income receivables	45,140	30,325	14,815
Deposits	2,500	2,287	213
Other receivables	61	46	15
<b>Sub-total financial assets</b>	<b>47,701</b>	<b>32,658</b>	<b>15,043</b>
<b>b. Non-financial assets</b>			
Prepayments	2,626	1,626	1,000
Other non-financial assets	213	154	59
<b>Sub-total non-financial assets</b>	<b>2,839</b>	<b>1,780</b>	<b>1,059</b>
<b>Total other assets</b>	<b>50,540</b>	<b>34,438</b>	<b>16,102</b>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 7. INVESTMENT IN SUBSIDIARIES

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
At cost			
Unquoted shares	_*	_*	_*
<b>Total investment in subsidiaries</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
At cost			
Unquoted shares	_*	_*	_*
<b>Total investment in subsidiaries</b>	<b>_*</b>	<b>_*</b>	<b>_*</b>

\* Total paid-up capital of RM10 (RM2 for each of the five subsidiaries) is significantly below the rounding threshold.

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Incorporation date	Effective ownership interest	Status
The Federal Asset Management Agency of Malaysia Berhad**	Malaysia	Asset management company	8 June 2012	100%	Dormant
The Federal Commercial Bank of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant
The Federal Islamic Bank of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant
The National PIDM Insurance Corporation of Malaysia Berhad**	Malaysia	Bridge institution	20 June 2012	100%	Dormant
The Federal Takaful Corporation of Malaysia Berhad**	Malaysia	Bridge institution	22 June 2012	100%	Dormant

\*\* Audited by an external audit firm, Messrs Khairuddin Hasyudeen & Razi.

The names of all Directors for all the subsidiaries in office during the financial year ended 31 December 2022 were:

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

In line with section 35 of the PIDM Act, the financial results of the subsidiaries are not consolidated with the financial statements of PIDM. Consolidating the financial statements of PIDM together with those of its subsidiaries will not provide meaningful information and a true and fair view of the financial position and performance of PIDM as the financial exposure and impact of any intervention or failure resolution of a member institution only affects the specific 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	2022 RM	2021 RM
Audit fees	19,610	19,610
Secretarial fees	18,425	17,675
Total subsidiaries expenses	38,035	37,285

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



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 8. PROPERTY AND EQUIPMENT

	2022							Total RM'000
	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	
<b>Cost</b>								
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)
Write-off	-	-	(389)	(106)	-	(409)	-	(904)
<b>Balance as at 31 December</b>	4,718	16,954	61,566	3,752	930	10,418	1,605	99,943
<b>Accumulated depreciation</b>								
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)
Write-off	-	-	(389)	(105)	-	(408)	-	(902)
<b>Balance as at 31 December</b>	-	2,035	54,974	2,319	919	7,959	-	68,206
<b>Net carrying amount as at 31 December</b>	4,718	14,919	6,592	1,433	11	2,459	1,605	31,737

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 8. PROPERTY AND EQUIPMENT (CONT'D.)

	2021							Total RM'000
	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	
Cost								
Balance as at 1 January	4,718	16,954	53,935	4,138	930	10,206	2,015	92,896
Additions	-	-	-	-	-	-	2,309	2,309
Reclassifications	-	-	3,550	-	-	-	(3,550)	-
Balance as at 31 December	4,718	16,954	57,485	4,138	930	10,206	774	95,205
Accumulated depreciation								
Balance as at 1 January	-	1,399	50,443	3,677	809	9,882	-	66,210
Charge for the year	-	340	3,060	106	72	256	-	3,834
Balance as at 31 December	-	1,739	53,503	3,783	881	10,138	-	70,044
Net carrying amount as at 31 December	4,718	15,215	3,982	355	49	68	774	25,161

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 8. PROPERTY AND EQUIPMENT (CONT'D.)

\*Assets under construction amounting to RM1.6 million (2021: RM0.8 million) consist of:

	2022 RM'000	2021 RM'000
Risk Assessment System ("RAS") 2	68	-
Industry Portal System enhancements	-	138
Structured Query Language ("SQL") automation and data analytics	-	212
Depositor Liabilities Information Management System – Member Institution On-Site System ("DLIMS – MIOS") enhancements	133	159
Reimbursement system – Request Management and Support System and Microsite	1,149	115
Payout Management System ("PMS")	116	-
Other Information Technology ("IT") Systems	139	150
<b>Total</b>	<b>1,605</b>	<b>774</b>

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. PIDM has carried out a full valuation exercise of the freehold land and building in November 2021, which was conducted 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. As at 31 December 2022, the fair value of the land and building is RM20 million based on the desktop valuation carried out in December 2022 by the same registered independent valuer.

PIDM will assess 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 impairment. PIDM will exercise its judgement to ensure that the valuation methods and estimates applied are reflective of current market conditions.

### Significant unobservable valuation input:

	2022 RM	2021 RM
Price of land and building per square metre	1,400-3,700	1,800-3,200

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 8. PROPERTY AND EQUIPMENT (CONT'D.)

### Fair value – Level 3

	2022		
	Land RM'000	Building RM'000	Total RM'000
Net carrying amount as at 1 January	4,718	15,215	19,933
Net carrying amount as at 31 December	4,718	14,919	19,637
<b>Fair value of land and building as at 31 December</b>	<b>10,000</b>	<b>10,000</b>	<b>20,000</b>

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 2022 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.

### Disposal of equipment

A net gain on disposal is recognised within other income during the year arising from the release of office spaces at Level 11 and Level 15 of Axiata Tower, Kuala Lumpur on an ‘as is’ basis together with the furniture and fittings associated with it.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. PROPERTY AND EQUIPMENT (CONT'D.)

a. Deposit Insurance Funds

	2022							Total RM'000
	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	
<b>Cost</b>								
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)
Write-off	-	-	(309)	(96)	-	(291)	-	(696)
<b>Balance as at 31 December</b>	<b>3,155</b>	<b>13,775</b>	<b>48,684</b>	<b>3,197</b>	<b>734</b>	<b>9,174</b>	<b>1,516</b>	<b>80,235</b>
<b>Accumulated depreciation</b>								
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)
Write-off	-	-	(309)	(95)	-	(290)	-	(694)
<b>Balance as at 31 December</b>	<b>-</b>	<b>1,657</b>	<b>43,836</b>	<b>2,121</b>	<b>725</b>	<b>7,379</b>	<b>-</b>	<b>55,718</b>
<b>Net carrying amount as at 31 December</b>	<b>3,155</b>	<b>12,118</b>	<b>4,848</b>	<b>1,076</b>	<b>9</b>	<b>1,795</b>	<b>1,516</b>	<b>24,517</b>

8. PROPERTY AND EQUIPMENT (CONT'D.)

a. Deposit Insurance Funds

	2021							Total RM'000
	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	
Cost								
Balance as at 1 January	3,155	13,775	43,077	3,905	734	9,158	1,255	75,059
Additions	-	-	-	-	-	-	2,034	2,034
Reclassifications	-	-	2,651	-	-	-	(2,651)	-
Balance as at 31 December	3,155	13,775	45,728	3,905	734	9,158	638	77,093
Accumulated depreciation								
Balance as at 1 January	-	1,137	40,586	3,532	637	8,898	-	54,790
Charge for the year	-	276	2,163	86	58	206	-	2,789
Balance as at 31 December	-	1,413	42,749	3,618	695	9,104	-	57,579
Net carrying amount as at 31 December	3,155	12,362	2,979	287	39	54	638	19,514



## 8. PROPERTY AND EQUIPMENT (CONT'D.)

## b. Takaful and Insurance Benefits Protection Funds

	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
<b>Cost</b>								
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)
Write-off	-	-	(80)	(10)	-	(118)	-	(208)
<b>Balance as at 31 December</b>	<b>1,563</b>	<b>3,179</b>	<b>12,882</b>	<b>555</b>	<b>196</b>	<b>1,244</b>	<b>89</b>	<b>19,708</b>
<b>Accumulated depreciation</b>								
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)
Write-off	-	-	(80)	(10)	-	(118)	-	(208)
<b>Balance as at 31 December</b>	<b>-</b>	<b>378</b>	<b>11,138</b>	<b>198</b>	<b>194</b>	<b>580</b>	<b>-</b>	<b>12,488</b>
<b>Net carrying amount as at 31 December</b>	<b>1,563</b>	<b>2,801</b>	<b>1,744</b>	<b>357</b>	<b>2</b>	<b>664</b>	<b>89</b>	<b>7,220</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 8. PROPERTY AND EQUIPMENT (CONT'D.)

## b. Takaful and Insurance Benefits Protection Funds

	2021							
	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	10,858	233	196	1,048	760	17,837
Additions	-	-	-	-	-	-	275	275
Reclassifications	-	-	899	-	-	-	(899)	-
Balance as at 31 December	1,563	3,179	11,757	233	196	1,048	136	18,112
Accumulated depreciation								
Balance as at 1 January	-	262	9,857	145	172	984	-	11,420
Charge for the year	-	64	897	20	14	50	-	1,045
Balance as at 31 December	-	326	10,754	165	186	1,034	-	12,465
Net carrying amount as at 31 December	1,563	2,853	1,003	68	10	14	136	5,647

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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. The remaining floors will be rented for the full term up to 31 December 2023.

PIDM also entered into a new 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	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)
<b>Net carrying amount</b>		<b>9,357</b>	<b>321</b>	<b>147</b>	<b>9,825</b>

	Note	2021			
		Building RM'000	Parking RM'000	Office Equipment RM'000	Total RM'000
Balance as at 1 January		13,771	300	192	14,263
Modification		(3,626)	(16)	15	(3,627)
Depreciation	16	(4,442)	(100)	(186)	(4,728)
<b>Net carrying amount</b>		<b>5,703</b>	<b>184</b>	<b>21</b>	<b>5,908</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

### b. Lease related expenses charged to Profit or Loss

	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 short term lease*		11	8	3
Adjustment on modification of lease contracts**	16	-	-	-
<b>Total lease related expenses</b>		<b>4,865</b>	<b>3,508</b>	<b>1,357</b>

	Note	2021		
		Total RM'000	DIFs RM'000	TIPFs RM'000
Depreciation of right-of-use assets	16	4,728	3,696	1,032
Lease finance costs	16	686	540	146
Expense relating to short term lease*		-	-	-
Adjustment on modification of lease contracts	16	(312)	(224)	(88)
<b>Total lease related expenses</b>		<b>5,102</b>	<b>4,012</b>	<b>1,090</b>

\* Expense relating to short term lease is included in the operations and administrative expenses disclosed in Note 16 within office supplies, equipment and miscellaneous.

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

The total cash outflow for leases amounted to RM4.9 million (2021: RM5.6 million), comprising payment of lease finance costs of RM0.4 million (2021: RM0.7 million) and principal repayment of lease liabilities of RM4.5 million (2021: RM4.9 million). Refer to the Statement of Cash Flows.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 10. LEASE LIABILITIES

	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)
<b>Balance as at 31 December</b>	<b>10,904</b>	<b>8,489</b>	<b>2,415</b>

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	15,961	12,631	3,330
Additions	-	-	-
Principal repayment of lease liabilities	(4,854)	(3,779)	(1,075)
Modification of lease contracts	(3,939)	(2,828)	(1,111)
<b>Balance as at 31 December</b>	<b>7,168</b>	<b>6,024</b>	<b>1,144</b>

	2022 RM'000	2021 RM'000
<b><i>Maturity analysis</i></b>		
Not later than 1 year	4,587	4,356
Later than 1 year and not later than 5 years	6,059	3,037
Later than 5 years	1,246	-
	<b>11,892</b>	<b>7,393</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 11. PAYABLES

	Note	2022		
		Total RM'000	DIFs RM'000	TIPFs RM'000
<b>a. Financial liabilities</b>				
Payables, representing total financial liabilities		1,220	875	345
<b>b. Non-financial liabilities</b>				
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
<b>Sub-total non-financial liabilities</b>		<b>17,291</b>	<b>12,497</b>	<b>4,794</b>
<b>Total payables</b>		<b>18,511</b>	<b>13,372</b>	<b>5,139</b>

	Note	2021		
		Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
<b>a. Financial liabilities</b>				
Payables, representing total financial liabilities		-	-	-
<b>b. Non-financial liabilities</b>				
Accruals		3,216	2,312	904
Provision for unutilised leave	i	4,083	2,936	1,147
Provision for Long Term Retirement Plan Liability	ii	3,204	2,501	703
<b>Sub-total non-financial liabilities</b>		<b>10,503</b>	<b>7,749</b>	<b>2,754</b>
<b>Total payables</b>		<b>10,503</b>	<b>7,749</b>	<b>2,754</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 11. PAYABLES (CONT'D.)

### i. Provision for unutilised leave

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

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Balance as at 1 January	3,484	2,590	894
Addition for the year	1,204	780	424
Payment	(605)	(434)	(171)
<b>Balance as at 31 December</b>	<b>4,083</b>	<b>2,936</b>	<b>1,147</b>

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Balance as at 1 January	3,204	3,885	2,501	2,989	703	896
<b>Included in profit or loss</b>						
Current service cost	1,348	1,579	985	1,133	363	446
Past service cost	-	310	-	223	-	87
Interest/Financing cost	138	142	101	102	37	40
Benefit payments	-	(292)	-	(209)	-	(83)
<b>Included in other comprehensive income</b>						
*Remeasurements	(473)	(2,420)	(346)	(1,737)	(127)	(683)
<b>Balance as at 31 December</b>	<b>4,217</b>	<b>3,204</b>	<b>3,241</b>	<b>2,501</b>	<b>976</b>	<b>703</b>

\* 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) (2021: Malaysian Ordinary Life 1999-2003 Table (MO9903)) 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:

	2022 RM'000	2021 RM'000
<b>Fair value of plan assets</b>		
Present value of unfunded obligations	4,217	3,204

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 12. FUNDS AND RESERVES

### a. Deposit Insurance Funds

#### Accumulated surpluses

	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
<b>Balance as at 31 December</b>	<b>3,765,428</b>	<b>2,991,960</b>	<b>773,468</b>

	2021		
	Total RM'000	Conventional Deposit Insurance RM'000	Islamic Deposit Insurance RM'000
Balance as at 1 January	2,980,629	2,424,703	555,926
Net surplus	253,160	189,206	63,954
<b>Balance as at 31 December</b>	<b>3,233,789</b>	<b>2,613,909</b>	<b>619,880</b>

### b. Takaful and Insurance Benefits Protection Funds

#### Accumulated surpluses

	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
<b>Balance as at 31 December</b>	<b>2,102,033</b>	<b>1,386,739</b>	<b>580,767</b>	<b>39,099</b>	<b>95,428</b>

	2021				
	Total RM'000	General Insurance RM'000	Life Insurance RM'000	General Takaful RM'000	Family Takaful RM'000
Balance as at 1 January	1,896,893	1,331,141	461,368	31,111	73,273
Net surplus	90,744	26,261	55,844	2,261	6,378
<b>Balance as at 31 December</b>	<b>1,987,637</b>	<b>1,357,402</b>	<b>517,212</b>	<b>33,372</b>	<b>79,651</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 12. FUNDS AND RESERVES (CONT'D.)

The DIFs and TIPFs are the accumulated reserves (ex-ante funds) to cover the net expected losses arising from providing deposit insurance protection to depositors and guaranteeing protected benefits to insurance and takaful policy owners respectively. As discussed in Note 24 to the financial statements, PIDM has an inherent exposure to losses arising from the administration of protection systems. However, 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 accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

In accordance with the PIDM Act, PIDM maintains separate DIFs for both Conventional and Islamic DIS and four separate Protection Funds for each business segment within TIPFs. DIFs and TIPFs are accumulated from the annual net surpluses of each DIF/TIPF in a particular year, which are the premium and levy revenues and investment income and returns earned net of total expenses incurred allocated based on the proportion of total income earned for each DIF/TIPF in a particular year.

PIDM had established a framework to determine the levels of DIFs and TIPFs known as the Target Fund, which PIDM aims to build as reserves over the long-run to meet its objectives and fulfil its mandate. The Target Fund represents the level of funds that would be sufficient to cover the net expected losses from intervention or failure resolution activities.

For PIDM, the Target Funds are specified as a range of target levels (lower and upper ranges) and described as a percentage of the followings:

- Total Insured Deposits (“TID”) for the DIFs;
- Maximum expected loss level for General Insurance Protection Fund (“GIPF”);
- Total Actuarial Valuation Liabilities (“AVL”) of the life insurer members for the Life Insurance Protection Fund (“LIPF”);
- Total general takaful liabilities<sup>3</sup> for the General Takaful Protection Fund (“GTPF”); and
- Total family takaful liabilities<sup>4</sup> for the Family Takaful Protection Fund (“FTPF”).

PIDM had completed the review of the Target Fund frameworks for both DIFs and TIPFs, taking into account the current developments in the resolution framework, banking, insurance and takaful industry growth and changes in industry profiles. The new Target Fund ranges will be introduced in the coming financial year.

## 13. PREMIUM AND LEVY REVENUES

In response to the COVID-19 pandemic, the Minister of Finance, on the recommendation of PIDM, had approved for the premium and levy rates to be reduced for both assessment years 2020 and 2021. These reductions in premium and levy rates are part of PIDM’s regulatory financial relief, which is in line with the Government’s responses to support the economy and address the impact of the pandemic. The annual premium and levy rates and minimum premium and levy amounts have reverted to the original rates and amounts for the assessment year 2022 onwards.

<sup>3</sup> General takaful liabilities consist of claims liabilities and contribution liabilities of the general takaful fund.  
<sup>4</sup> Family takaful liabilities consist of actuarial valuation liabilities of the participants’ risk fund and the net asset value of participants’ investment fund, excluding investment-linked funds’ net asset value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

a. Premium revenues from member banks

	2022		
	Total RM’000	Conventional Deposit Insurance RM’000	Islamic Deposit Insurance RM’000
Annual premiums, representing total premium revenues from member banks	515,251	361,674	153,577

	2021		
	Total RM’000	Conventional Deposit Insurance RM’000	Islamic Deposit Insurance RM’000
Annual premiums, representing total premium revenues from member banks	247,632	182,399	65,233

The premium rates applicable to the member banks are stated in the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) Order 2011<sup>5</sup> (Premium Order – Member Banks).

i. Rates for annual premium under the Differential Premium Systems

PREMIUM CATEGORY	PREMIUM RATE	MINIMUM ANNUAL PREMIUM AMOUNT (RM)
	ASSESSMENT YEAR 2022	
1	0.06%	100,000
2	0.12%	200,000
3	0.24%	400,000
4	0.48%	800,000

PREMIUM CATEGORY	PREMIUM RATE	MINIMUM ANNUAL PREMIUM AMOUNT (RM)
	ASSESSMENT YEARS 2021 AND 2020	
1	0.03%	50,000
2	0.06%	100,000
3	0.12%	200,000
4	0.24%	400,000

<sup>5</sup> As amended by the Malaysia Deposit Insurance Corporation (Annual Premium and First Premium in respect of Deposit-Taking Members) (Amendment) Order 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

i. Rates for annual premium under the Differential Premium Systems (cont’d.)

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.

ii. Rates for first premium

In respect of a new member bank [as defined in the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Deposit-Taking Members) Regulations 2011] holding Islamic insured deposits or conventional insured deposits, the rate for the first premium for such new member bank will be the same as the premium rate for premium category 1, subject to a minimum first premium of RM250,000.

b. Levy revenues from insurer members

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

	2021				
	Total RM’000	General Insurance RM’000	Life Takaful RM’000	General Takaful RM’000	Family RM’000
Annual levies, representing total levy revenues from insurer members	68,512	2,903	56,658	2,373	6,578



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

#### 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 (First Premium and Annual Premium in respect of Insurer Members) Order 2016 (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	ASSESSMENT YEAR 2022			
	INSURANCE		TAKAFUL	
	GENERAL	LIFE	GENERAL	FAMILY
1	0.0250%	0.0250%	0.1000%	0.0250%
2	0.0500%	0.0500%	0.2000%	0.0500%
3	0.1000%	0.1000%	0.4000%	0.1000%
4	0.2000%	0.2000%	0.8000%	0.2000%

LEVY CATEGORY	ASSESSMENT YEARS 2021 AND 2020			
	INSURANCE		TAKAFUL	
	GENERAL	LIFE	GENERAL	FAMILY
1	0.0125%	0.0125%	0.0500%	0.0125%
2	0.0250%	0.0250%	0.1000%	0.0250%
3	0.0500%	0.0500%	0.2000%	0.0500%
4	0.1000%	0.1000%	0.4000%	0.1000%

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

The annual levies payable for 2022 were subject to minimum levies based on their levy category as follows:

LEVY CATEGORY	ASSESSMENT YEAR 2022			
	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	

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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 (cont'd.)

LEVY CATEGORY	ASSESSMENT YEARS 2021 AND 2020			
	MINIMUM ANNUAL LEVY AMOUNT (RM)			
	INSURANCE		TAKAFUL	
	GENERAL	LIFE	GENERAL	FAMILY
1	12,500		37,500	
2			75,000	
3			150,000	
4			300,000	

#### iii. Rates for first levy payable

Levy payable by a new insurer member [as defined in the Malaysia Deposit Insurance Corporation (Differential Premium Systems in respect of Insurer Members) Regulations 2012] for the assessment year in which it becomes a member institution 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 according to asset class

	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
<b>Sub-total investment income from investment securities</b>	<b>137,255</b>	<b>87,225</b>	<b>50,030</b>
Placement in short-term money market and fixed deposits	2,369	1,916	453
<b>Total investment income and returns from cash equivalents and investment securities</b>	<b>139,624</b>	<b>89,141</b>	<b>50,483</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Malaysian Government Securities and Government Investment Issues ("MGS & GII")	113,544	67,463	46,081
Private Debt Securities	8,418	5,190	3,228
Sub-total investment income from investment securities	121,962	72,653	49,309
Placement in short-term money market and fixed deposits	1,763	1,370	393
Total investment income and returns from cash equivalents and investment securities	123,725	74,023	49,702

### b. Investment income and returns according to nature of income

	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

	2021		
	Total RM'000	DIFs RM'000	TIPFs RM'000
Coupon and profit from investment securities	175,814	106,965	68,849
Returns from accretion of discounts from investment securities (net of amortisation of premiums)	(53,851)	(34,312)	(19,539)
Sub-total investment income from investment securities	121,963	72,653	49,310
Returns from placements in short-term money market and fixed deposits	1,762	1,370	392
Total investment income and returns from cash equivalents and investment securities	123,725	74,023	49,702

## 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:

Fixed income investment securities		DIFs				TIPFs			
Year	Type of Portfolio	Conventional		Islamic		General Insurance		Life Insurance	
2022	MGS & GII	2.56%	2.65%		2.61%	2.41%	2.62%	2.69%	2.75%
	Private Debt Securities	2.48%	2.64%		2.34%	2.71%	2.48%	2.58%	2.46%
	Sub-total	2.57%			2.50%		2.49%		
Overall						2.54%			
2021	MGS & GII	2.45%	2.76%		2.61%	2.66%	2.63%	2.69%	
	Private Debt Securities	2.44%	2.23%		2.34%	2.71%	2.22%	2.10%	
	Sub-total	2.50%				2.61%			
Overall						2.55%			

Placements in short-term money market and fixed deposits		DIFs		TIPFs	
Year	Type of Portfolio	Conventional		Islamic	
2022	Placements in short-term money market and fixed deposits	1.94%	2.04%	2.01%	2.03%
	Sub-total	2.00%		1.99%	1.98%
	Overall				
2021	Placements in short-term money market and fixed deposits	1.92%	1.83%	1.71%	1.91%
	Sub-total	1.83%		1.84%	1.80%
	Overall			1.83%	1.93%

The overall weighted average return on investments for the financial year ended 31 December 2022 is 2.53% (2021: 2.53%).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 15. HUMAN CAPITAL MANAGEMENT EXPENSES

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
<b>a. Employee benefits</b>			
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	4,001	2,888	1,113
<b>Sub-total – employee benefits</b>	<b>68,827</b>	<b>50,176</b>	<b>18,651</b>
<b>b. Other human capital related expenses</b>			
Learning and development	534	402	132
Miscellaneous human capital related expenses	338	248	90
<b>Sub-total – other human capital related expenses</b>	<b>872</b>	<b>650</b>	<b>222</b>
<b>Total human capital management expenses</b>	<b>69,699</b>	<b>50,826</b>	<b>18,873</b>

	2021		
	Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
<b>a. Employee benefits</b>			
Wages and salaries	52,246	37,404	14,842
Contributions to defined contribution plan	8,744	6,263	2,481
Provision for unutilised leave	1,204	780	424
Provision for Long Term Retirement Plan Liability	1,889	1,356	533
Interest/financing cost of the LTRP	142	102	40
Other benefits	3,825	2,692	1,133
<b>Sub-total – employee benefits</b>	<b>68,050</b>	<b>48,597</b>	<b>19,453</b>
<b>b. Other human capital related expenses</b>			
Learning and development	453	330	123
Miscellaneous human capital related expenses	442	318	124
<b>Sub-total – other human capital related expenses</b>	<b>895</b>	<b>648</b>	<b>247</b>
<b>Total human capital management expenses</b>	<b>68,945</b>	<b>49,245</b>	<b>19,700</b>

The number of employees at the end of the financial year was 190 (2021: 176).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 16. OPERATIONS AND ADMINISTRATIVE EXPENSES

	Note	2022		
		Total RM'000	DIFs RM'000	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	-
Adjustment on modification of lease contracts**	9(b)	-	-	-
Office supplies, equipment and miscellaneous		351	254	97
<b>Total operations and administrative expenses</b>		<b>19,397</b>	<b>13,949</b>	<b>5,448</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

	Note	2021		
		Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
Audit fees		100	72	28
Directors' fees and remuneration*		1,218	874	344
Depreciation of property and equipment	8	3,834	2,789	1,045
Depreciation of right-of-use assets	9(b)	4,728	3,696	1,032
Lease finance cost	9(b)	686	540	146
Telecommunication and computer systems		4,559	3,042	1,517
Utilities, office and vehicle maintenance and general insurance		1,598	1,148	450
Subscriptions and memberships		1,122	857	265
Parking space rental		517	368	149
Professional and consultancy fees		407	309	98
Publications and corporate collaterals		191	134	57
Postage, printing and stationery		59	42	17
Credit loss expenses	16(i)	(35)	(25)	(10)
Adjustment on modification of lease contracts	9(b)	(312)	(224)	(88)
Office supplies, equipment and miscellaneous		197	9	188
<b>Total operations and administrative expenses</b>		<b>18,869</b>	<b>13,631</b>	<b>5,238</b>

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

#### i. Credit loss expenses

	Note	2022			
		Stage 1 (Collective) RM'000	Stage 2 (Collective) RM'000	Stage 3 (Individual) RM'000	Total RM'000
Investments	a	1	-	-	1
Other assets	b	-	-	-	-
<b>Total</b>		<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

	Note	2021			
		Stage 1 (Collective) RM'000	Stage 2 (Collective) RM'000	Stage 3 (Individual) RM'000	Total RM'000
Investments	a	2	-	-	2
Other assets	b	-	-	(37)	(37)
<b>Total</b>		<b>2</b>	<b>-</b>	<b>(37)</b>	<b>(35)</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

#### i. Credit loss expenses (cont'd.)

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

	2022 RM'000	2021 RM'000
At 1 January	7	5
Net allowance recognised in profit or loss	1	2
<b>At 31 December</b>	<b>8</b>	<b>7</b>

- b. The movement of the allowance for expected credit loss for other assets is as follows:

	2022 RM'000	2021 RM'000
At 1 January	-	37
Net writeback recognised in profit or loss	-	(37)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

### 17. INITIATIVES RELATED EXPENSES

	2022		
	Total RM'000	DIFs RM'000	TIPFs RM'000
<b>Resolution readiness</b>			
Preparedness plan	1,775	1,299	476
Resolution plan	1,142	972	170
<b>Sub-total for resolution readiness</b>	<b>2,917</b>	<b>2,271</b>	<b>646</b>
<b>Stakeholder trust</b>			
Awareness plan	5,539	3,369	2,170
Research and visibility plan	1,190	617	573
<b>Sub-total for stakeholder trust</b>	<b>6,729</b>	<b>3,986</b>	<b>2,743</b>
<b>Organisational capabilities</b>			
Digitalisation and cybersecurity	1,092	799	293
Enhancements to protection systems and operations	394	15	379
Scholarship programme	1,005	735	270
Other sustainability and corporate social responsibilities initiatives	145	106	39
Others	636	465	171
<b>Sub-total for organisational capabilities</b>	<b>3,272</b>	<b>2,120</b>	<b>1,152</b>
<b>Total initiatives related expenses</b>	<b>12,918</b>	<b>8,377</b>	<b>4,541</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 17. INITIATIVES RELATED EXPENSES (CONT'D.)

	2021		
	Total RM'000 Restated	DIFs RM'000 Restated	TIPFs RM'000 Restated
Resolution readiness			
Preparedness plan	1,601	1,149	452
Resolution plan	546	431	115
Sub-total for resolution readiness	2,147	1,580	567
Stakeholder trust			
Awareness plan	4,962	3,254	1,708
Research and visibility plan	595	462	133
Sub-total for stakeholder trust	5,557	3,716	1,841
Organisational capabilities			
Digitalisation and cybersecurity	846	607	239
Enhancements to protection systems and operations	19	14	5
Scholarship programme	825	592	233
Other sustainability and corporate social responsibilities initiatives	1,134	814	320
Others	43	33	10
Sub-total for organisational capabilities	2,867	2,060	807
Total initiatives related expenses	10,571	7,356	3,215

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

As part of its key initiative, PIDM also supports the operations of FIDE FORUM<sup>6</sup>, through the secondment of employees as well as office space and other office administrative services. Total expenses attributable to FIDE FORUM in 2022 is RM1,781,410 (2021: RM2,240,603).

## 18. TAXATION

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 19. CAPITAL COMMITMENTS

	2022 RM'000	2021 RM'000
Approved and contracted for:		
Office equipment and computer systems	254	1,119
Office refurbishment	-	166
<b>Total capital commitments</b>	<b>254</b>	<b>1,285</b>

The capital commitment balance for office equipment and computer systems relates to the enhancement of IT infrastructures.

## 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:

- 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.
- 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 of 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.
- PIDM supports FIDE FORUM’s operational and administrative expenses 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. Details of the expenses are disclosed in Note 17.
- One of the Senior Officers (“the Officer”) of PIDM is a Council Member of the Malaysian Institute of Accountants (“MIA”). 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.

<sup>6</sup> FIDE FORUM is a non-profit association that was set up to promote corporate governance excellence among the board of directors of financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 20. RELATED PARTY DISCLOSURES (CONT'D.)

### b. Remuneration of key management personnel

	2022 RM'000	2021 RM'000 Restated
Short-term benefits	4,303	4,058
Post-employment benefits:		
Contributions to defined contribution plan	783	735
<b>Total remuneration of key management personnel</b>	<b>5,086</b>	<b>4,793</b>

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.

Arising from the organisational restructuring exercise undertaken by PIDM during the year, the composition of the key management personnel has been updated to reflect the current structure of PIDM Senior Officers. Consequently, the comparatives have been restated to conform to current year presentation.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 21. SEGMENT INFORMATION (CONT'D.)

### FUND REPORTING

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
<b>ASSETS</b>									
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
<b>Total Assets</b>		<b>3,009,264</b>	<b>778,796</b>	<b>1,389,292</b>	<b>584,908</b>	<b>39,348</b>	<b>96,043</b>	<b>(775)</b>	<b>5,896,876</b>
<b>LIABILITIES</b>									
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
<b>Total Liabilities</b>		<b>17,304</b>	<b>5,328</b>	<b>2,553</b>	<b>4,141</b>	<b>249</b>	<b>615</b>	<b>(775)</b>	<b>29,415</b>
<b>FUNDS AND RESERVES</b>									
Accumulated surpluses	12	2,991,960	773,468	1,386,739	580,767	39,099	95,428	-	5,867,461
<b>Total Funds and Reserves</b>		<b>2,991,960</b>	<b>773,468</b>	<b>1,386,739</b>	<b>580,767</b>	<b>39,099</b>	<b>95,428</b>	<b>-</b>	<b>5,867,461</b>
<b>Total Liabilities, Funds and Reserves</b>		<b>3,009,264</b>	<b>778,796</b>	<b>1,389,292</b>	<b>584,908</b>	<b>39,348</b>	<b>96,043</b>	<b>(775)</b>	<b>5,896,876</b>

\* The amount is significantly below the rounding threshold

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Conventional Deposit Insurance RM'000 Restated	Islamic Deposit Insurance RM'000 Restated	General Insurance RM'000 Restated	Life Insurance RM'000 Restated	General Takaful RM'000 Restated	Family Takaful RM'000 Restated	Inter-fund Adjustment RM'000 Restated	Total RM'000 Restated
ASSETS									
Cash and cash equivalents	4a	25,796	53,011	6,781	6,525	885	1,394	-	94,392
Investments	5	2,552,593	557,220	1,341,210	503,370	31,872	76,831	-	5,063,096
Other assets	6	27,380	8,246	9,448	5,301	492	1,193	(1,520)	50,540
Investment in subsidiaries	7	-*	-*	-*	-*	-*	-*	-	-*
Property and equipment	8	15,772	3,742	1,211	3,681	239	516	-	25,161
Right-of-use assets	9	4,169	818	253	473	66	129	-	5,908
Total Assets		2,625,710	623,037	1,358,903	519,350	33,554	80,063	(1,520)	5,239,097
LIABILITIES									
Payables	11	6,777	2,157	1,178	1,552	103	256	(1,520)	10,503
Lease liabilities	10	5,024	1,000	323	586	79	156	-	7,168
Total Liabilities		11,801	3,157	1,501	2,138	182	412	(1,520)	17,671
FUNDS AND RESERVES									
Accumulated surpluses	12	2,613,909	619,880	1,357,402	517,212	33,372	79,651	-	5,221,426
Total Funds and Reserves		2,613,909	619,880	1,357,402	517,212	33,372	79,651	-	5,221,426
Total Liabilities, Funds and Reserves		2,625,710	623,037	1,358,903	519,350	33,554	80,063	(1,520)	5,239,097

\* 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 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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 2021

	Note	Conventional Deposit Insurance RM'000 Restated	Islamic Deposit Insurance RM'000 Restated	General Insurance RM'000 Restated	Life Insurance RM'000 Restated	General Takaful RM'000 Restated	Family Takaful RM'000 Restated	Inter-fund Adjustment RM'000 Restated	Total RM'000 Restated
Premium and levy revenues	13	182,399	65,233	2,903	56,658	2,373	6,578	-	316,144
Investment income and returns from cash equivalents and investment securities	14	59,190	14,833	34,507	12,466	799	1,930	-	123,725
Other income		-	-	-	-	-	-	-	-
Total income		241,589	80,066	37,410	69,124	3,172	8,508	-	439,869
Human capital management expenses	15	37,628	11,617	8,080	9,531	618	1,471	-	68,945
Operations and administrative expenses	16	10,518	3,113	2,042	2,526	210	460	-	18,869
Initiatives related expenses	17	5,552	1,804	1,304	1,554	105	252	-	10,571
Total expenses		53,698	16,534	11,426	13,611	933	2,183	-	98,385
Net surplus for the year		187,891	63,532	25,984	55,513	2,239	6,325	-	341,484
Other comprehensive income									
Remeasurements of Long Term Retirement Plan Liability	11ii	1,315	422	277	331	22	53	-	2,420
Total comprehensive income for the year	21	189,206	63,954	26,261	55,844	2,261	6,378	-	343,904

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)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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)
Proceeds from borrowing		-	-	-	-	-	-	-	-
Repayment of borrowing		-	-	-	-	-	-	-	-
Interest paid on borrowing		-	-	-	-	-	-	-	-
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

21. SEGMENT INFORMATION (CONT'D.)

FUND REPORTING (CONT'D.)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	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		182,399	65,233	2,903	56,658	2,373	6,578	-	316,144
Payments in the course of operations to suppliers and employees		(45,787)	(15,487)	(10,115)	(11,967)	(803)	(1,902)	-	(86,061)
Receipts of investment income		96,239	21,274	56,872	19,597	1,174	2,834	-	197,990
Net cash flows generated from operating activities		232,851	71,020	49,660	64,288	2,744	7,510	-	428,073
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from maturity of investment securities		780,995	186,980	620,852	247,204	11,050	25,630	-	1,872,711
Purchase of investment securities		(1,045,384)	(259,995)	(674,085)	(321,013)	(15,138)	(34,859)	-	(2,350,474)
Purchase of property and equipment		(1,499)	(470)	(248)	(333)	(19)	(52)	-	(2,621)
Net cash flows used in investing activities		(265,888)	(73,485)	(53,481)	(74,142)	(4,107)	(9,281)	-	(480,384)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 21. SEGMENT INFORMATION (CONT'D.)

## FUND REPORTING (CONT'D.)

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Principal repayment of lease liabilities	10	(3,017)	(762)	(389)	(531)	(49)	(106)	-	(4,854)
Lease finance costs	9b	(434)	(106)	(52)	(72)	(7)	(15)	-	(686)
Proceeds from borrowing		5,135	-	-	-	-	-	-	5,135
Repayment of borrowing		(5,135)	-	-	-	-	-	-	(5,135)
Interest paid on borrowing		(2)	-	-	-	-	-	-	(2)
Net cash flows used in financing activities		(3,453)	(868)	(441)	(603)	(56)	(121)	-	(5,542)
Net decrease in cash and cash equivalents		(36,490)	(3,333)	(4,262)	(10,457)	(1,419)	(1,892)	-	(57,853)
Cash and cash equivalents at beginning of year		62,286	56,344	11,043	16,982	2,304	3,286	-	152,245
Cash and cash equivalents at end of year	4a	25,796	53,011	6,781	6,525	885	1,394	-	94,392

## 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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	Total RM'000	WAEYR %
Conventional Deposit Insurance Fund								
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%
31 December 2021								
Cash and cash equivalents	4a	16,496	9,300	-	-	-	25,796	1.88%
Investments	5	228,822	559,463	1,764,308	-	-	2,552,593	2.29%
Islamic Deposit Insurance Fund								
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%
31 December 2021								
Cash and cash equivalents	4a	28,011	25,000	-	-	-	53,011	1.92%
Investments	5	189,673	10,323	357,224	-	-	557,220	2.58%

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	Total RM'000	WAEYR %
General Insurance Protection Fund								
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%
31 December 2021								
Cash and cash equivalents	4a	4,521	2,260	-	-	-	6,781	1.81%
Investments	5	76,689	330,408	934,113	-	-	1,341,210	2.27%
Life Insurance Protection Fund								
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%
31 December 2021								
Cash and cash equivalents	4a	5,525	1,000	-	-	-	6,525	1.73%
Investments	5	23,486	143,751	336,133	-	-	503,370	2.37%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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	Total RM'000	WAEYR %
General Takaful Protection Fund 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%
31 December 2021								
Cash and cash equivalents	4a	585	300	-	-	-	885	1.70%
Investments	5	11,610	1,522	18,740	-	-	31,872	2.47%
Family Takaful Protection Fund								
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%
31 December 2021								
Cash and cash equivalents	4a	644	750	-	-	-	1,394	1.91%
Investments	5	30,396	3,185	43,250	-	-	76,831	2.51%

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 2022 and 31 December 2021, 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	Family Takaful RM'000
100 basis points increase						
31 December 2022	(112,284)	(58,795)	(14,330)	(24,620)	(12,366)	(1,513)
31 December 2021	(64,574)	(33,609)	(5,521)	(17,584)	(6,856)	(696)
100 basis points decrease						
31 December 2022	112,284	58,795	14,330	24,620	12,366	1,513
31 December 2021	64,574	33,609	5,521	17,584	6,856	696

The average duration for PIDM's investment portfolio as at 31 December 2022 is 1.97 years (2021: 1.28 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 REPO facilities with Bank Negara Malaysia in the event where emergency funding is required.



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 22. FINANCIAL RISK (CONT'D.)

#### b. Liquidity risk (cont'd.)

PIDM also continuously endeavours to manage the maturity profiles of these securities in order to ensure that sufficient funds are available at all times to meet the day-to-day working capital requirements or to bring any financial risk exposures within the approved exposure limits.

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

	Note	2022						Total RM'000
		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	
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)
<b>Net financial assets</b>		<b>31,315</b>	<b>22,197</b>	<b>470,686</b>	<b>3,345,424</b>	<b>989,331</b>	<b>991,330</b>	<b>5,850,283</b>

	Note	2021						Total RM'000
		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	
Cash and cash equivalents	4a	29,032	14,750	12,000	38,610	-	-	94,392
Investments	5	-	-	560,676	4,502,420	-	-	5,063,096
Other assets	6a	11,123	9,937	16,081	10,560	-	-	47,701
Payables	11a	-	-	-	-	-	-	-
<b>Net financial assets</b>		<b>40,155</b>	<b>24,687</b>	<b>588,757</b>	<b>4,551,590</b>	<b>-</b>	<b>-</b>	<b>5,205,189</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 22. FINANCIAL RISK (CONT'D.)

#### b. Liquidity risk (cont'd.)

PIDM also 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 proper operations of a robust and sound DIS as well as TIPS. The funding framework takes into consideration PIDM's role in the financial safety net and its legislative powers relating to sources of funding as well as clear objectives for its internal and external sources of funding.

- 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.
- 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.

Besides the Government investment securities, PIDM holds investments in PDS, issued by government-related entities in accordance with its Investment Policy. As at 31 December 2022, the principal value of these PDS amounted to RM505 million or 8.7% of the overall investment portfolio.

PIDM continuously 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 2022

## 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 2022 and 31 December 2021.

	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	Non 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 Notes 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.

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 macroeconomy factors of which affect the corresponding PD. However, the one-level downgrade does not constitute significant credit impairment which require lifetime ECL allowance.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 22. FINANCIAL RISK (CONT'D.)

### c. Credit risk (cont'd.)

### Sensitivity analysis (cont'd.)

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% (2021: 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 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	-	-
<b>(Decrease) in net surplus</b>		<b>(69)</b>	<b>(57)</b>

31 December 2021	Note	LGD increased 20% RM’000	LGD decreased 20% RM’000
Malaysian Government Securities and Government Investment Issues	5	-	-
Private Debt Securities	5	(62)	(52)
Investment income receivables	6	(1)	_*
Deposits and other receivables	6	-	-
<b>(Decrease) in net surplus</b>		<b>(63)</b>	<b>(52)</b>

\* The amount is significantly below the rounding threshold.

## 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 continuously 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 23. FAIR VALUES (CONT'D.)

### 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.

#### 31 December 2022

	Note	Carrying value RM'000	Fair value		
			Level		
			1 RM'000	2 RM'000	3 RM'000
Financial assets - amortised cost					
Investments	5	5,735,010	-	5,705,677	-
Cash and cash equivalents	4	68,563	The fair values approximates 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 approximates the carrying amounts due to the short-term maturities of these instruments		
Total financial liabilities		1,220			

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 23. FAIR VALUES (CONT'D.)

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

#### 31 December 2021

	Note	Carrying value RM'000	Fair value		
			Level		
			1 RM'000	2 RM'000	3 RM'000
Financial assets - amortised cost					
Investments	5	5,063,096	-	5,049,094	-
Cash and cash equivalents	4	94,392	The fair values approximates the carrying amounts due to the short-term maturities of these instruments		
Other financial assets	6a	47,701			
Total financial assets		5,205,189			
Financial liabilities - amortised cost					
			The fair values approximates the carrying amounts due to the short-term maturities of these instruments		
Other financial liabilities	11a	-			
Total financial liabilities		-			

**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 lower 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 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 continuous 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 or 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.

## 25. IMPACT OF COVID-19 ON THE CORPORATION

On 1 April 2022, Malaysia began its transition into the endemic phase of COVID-19 with the increase in economic activity and re-opening of international borders. These have positively contributed to the recovery of the business operating environment and facilitated the growth of the Malaysian economy.

During the financial year 2022, PIDM business operations remained resilient and agile in adapting to the constant changes in policy responses to COVID-19. The digital transformation, virtual operating platforms, and robust business continuity plans enable PIDM to operate in “work from home” mode during the pandemic and transition smoothly into endemicity. Moreover, the increase in economic and social activities and the re-opening of international borders allowed PIDM to resume face-to-face engagements with its key stakeholders locally and internationally.

In terms of PIDM’s financial performance, the investment return for the financial year ended 31 December 2022 continued to be impacted by the low rate environment during the first half of the year before recording some improvement following the gradual increase in the Overnight Policy Rate in the second half of the year. Furthermore, pursuant to the expiry of PIDM’s regulatory relief measures provided in 2020, the premium and levy rates reverted to their original rates for the assessment year 2022 as described in Note 13 of the financial statements.

Given the continued uncertainty in the operating environment and the downside risks to Malaysia’s economic growth, PIDM continues to closely monitor the credit risk of its investments. Nonetheless, PIDM does not expect the carrying value of its investment portfolio to be significantly impacted given the conservative investment policy governing its investment strategies.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

## 26. RESTATEMENT OF COMPARATIVES

### Reclassification 1 (“Reclass 1”)

In previous years, inter-fund balances were separately disclosed as other receivables and operational payables. In accordance with MFRS 132 *Financial Instruments: Presentation* (“MFRS 132”), a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when and only when an entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The inter-fund balances are offset as PIDM has a legally enforceable right to set off the amounts and are settled on a net basis. Consequently, the comparatives have been restated to conform to current year presentation.

### Reclassification 2 (“Reclass 2”)

During the year, PIDM re-classified certain expenses previously reported under human capital management expenses and operations and administrative expenses into initiative related expenses. This is to better reflect the nature and how these expenses are being managed. Consequently, the comparatives have been restated to conform to current year presentation.

The impact of the restatement to the financial statements is as follows:

### STATEMENT OF FINANCIAL POSITION (EXTRACT) AS AT 31 DECEMBER 2021

	Note	As previously reported RM’000	Reclass 1 RM’000	As restated RM’000
<b>ASSETS</b>				
Other assets	6	52,060	(1,520)	50,540
<b>LIABILITIES</b>				
Payables	11	12,023	(1,520)	10,503

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	As previously reported RM’000	Reclass 2 RM’000	As restated RM’000
Human capital management expenses	15	68,988	(43)	68,945
Operations and administrative expenses	16	19,734	(865)	18,869
Initiatives related expenses	17	9,663	908	10,571



## 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 by PIDM 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. Prior to 1 January 2018, impairment for loan or financing assets is measured in accordance with MFRS 139.

### 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.

### Payment Management System

An internal PIDM system used to process payments to 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 System

A system established by PIDM 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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## SOURCES OF FUND AND FINANCIAL LIABILITIES

### Funding Framework

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

Our funding framework explicitly highlights the need for adequate financial resources to effectively carry out our mandate as well as to address the risks to which we are exposed. The main objectives of its funding framework are to:

- (a) ensure the availability of sufficient financial resources to enable us to fund our day-to-day operations; and
- (b) accumulate reserves to ensure our ability to meet future obligations to depositors as well as takaful certificate and insurance policy owners. The funding framework, which takes into consideration our role as one of the financial safety net players as well as our legislative powers relating to sources of funding, also provide clear objectives for internal and external sources of funding.

### Internal Funding

Our internal funds are built through the accumulation of net surpluses from its operations. Annual net surplus is credited into and accumulated in the respective Funds as reserves to meet future obligations that may arise from providing the financial consumer protection systems. As noted earlier, expenses are credited against the respective Funds on the costs allocation basis as described in Note 2.2(e)(2) to the financial statements and there is no commingling between the Funds.

### Target Fund Objectives and Guiding Principles

The term target fund or target reserve ratio generally refers to the level of internal funds we aim to accumulate over the long run to meet its objectives and fulfill its mandate. The target funds are established to cover the expected net losses arising from any intervention and failure resolution activities. The objectives of developing a target fund framework are to:

- (a) provide a basis in assessing the adequacy of the current levels of the Funds; and
- (b) identify a systematic approach to specify the target levels for the respective Funds.

The target fund frameworks for the Deposit Insurance Funds (DIFs), the General Insurance Protection Fund (GIPF) and the Life Insurance Protection Fund (LIPF) were established in 2011, 2015 and 2016 respectively. The target fund frameworks for the Takaful Protection Funds, for both the General Takaful Protection Fund (GTPF) and the Family Takaful Protection Fund (FTPF) were completed and implemented in 2018.

The development of the target fund frameworks for the DIFs, GIPF, LIPF, GTPF and the FTPF was based on the same set of guiding principles, as follows:

- (a) **First Principle:** The target fund should be established to address idiosyncratic failures and not systemic failures.
- (b) **Second Principle:** The target fund should be sufficient to cover the expected net losses that we might incur arising from intervention and failure resolution activities.
- (c) **Third Principle:** Optimally, the determination of the target fund level should be balanced against the impact on stakeholders, both in terms of the target fund size and time frame for achieving the set target.
- (d) **Fourth Principle:** The target fund level should be specified as a “range” rather than an absolute amount.

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## Target Fund Modelling Approach

In developing the target funds, we have adopted both the statistical modelling as well as a discretionary approach in determining the range of its target fund:

### (a) Statistical modelling approach

We have adopted the Value-at-Risk (VaR) statistical model in developing the target fund framework. Under this statistical modelling approach, VaR is determined to assess our exposure to net losses based on estimates of the member institution’s default probability, exposure at default, correlations of default and the possible recoveries in any given intervention and failure resolution action on a non-viable member institution. To determine the sufficient level of funds to cover the net losses, given a specified confidence level, we leveraged on the Monte Carlo simulation used in the VaR statistical model. Simulations using a significant number of loss scenarios to build up a statistical loss distribution were run from the model to ascertain the target fund level that will be able to cover losses or to meet the costs of insolvency in a specified time horizon with a specified confidence level.

### (b) Discretionary approach

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

## Risks and Sensitivity of the Target Fund Modelling

The process of estimating the target fund level is subject to uncertainty as the inputs to the model are based on sets of assumptions. Hence, the model is predicated upon, and is sensitive to several key factors as follows:

Table 1: Key Sensitive Factors of the Target Fund Modelling

Operating environment
The model is based on the assumption that the environment in which member institutions operate does not deviate significantly in the foreseeable future. This includes economic conditions and the risk profile of individual member institutions, the financial industry’s landscape as well as the regulatory and supervisory regime. Significant or drastic changes to these characteristics or other similar characteristics may result in a different target fund level within certain ranges than previously required. Nevertheless, the operating environment will be reviewed and validated against the model annually.
Mandate and powers
The mandate and powers are set out in the PIDM Act, which, among others, enable us to intervene and resolve a troubled member institution promptly to minimise losses to the financial system. The target fund modelling and estimation were made based on the current mandate and powers set out in the PIDM Act. Any significant changes to our mandate and powers may affect the modelling assumptions and therefore the estimation of the target fund level. However, no significant changes to its mandate and powers in the near future are expected.

The target fund is not static and is reviewed and validated annually to ensure its relevance and to reflect any changes in the assumptions or inputs used.

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Key Input Variables for the Statistical Model

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

Table 2: Key Input Variables and Assumptions for the Target Fund Modelling

Key Input Variables	Funds				
	DIFs	GI PF	LIPF	GTPF	FTP F
Probability of Default (PD)	We use average failure rates as reported by External Credit Assessment Institutions in their annual default study.  The average failure rates are then benchmarked against the most conservative risk rating between the member institutions’ supervisory risk ratings and our internal rating assessments.				
Loss Given Default (LGD)	Considers the potential recoveries on the assumption of liquidation of a member institution after taking into account exposures on relevant risks, in particular credit and market risks during the recoveries of assets.				
Exposure At Default (EAD)	We consider the two broad approaches to intervention namely, a liquidation or a going-concern resolution approach.  The Total Insured Deposits (TID) (at the limit of RM250,000 per depositor per member bank) and the potential re-capitalisation of member banks are applied as proxies for the EAD.	We consider several components of exposures as the proxy for the EAD, to reflect the total financial exposure to us in the event of any general insurer member’s failure.  The EAD reflects a general insurer member’s claims and premium liabilities exposures as adopted in the Risk-Based Capital Framework for Insurers, together with operational risk exposures and potential costs involved in the event of liquidation of a general insurer member.	We consider the Actuarial Valuation Liability (AVL) of the life insurer members as the proxy in determining the EAD, regardless of the insurance benefits protected by PIDM.  The EAD reflects the life insurer members’ risk of any underestimation of the insurance liabilities and adverse claims experience, over and above the amount of reserves already provided.	We consider several components of exposures as the proxy for the EAD, to reflect the total financial exposures to PIDM in the event of any takaful member’s failure.  The proxy for EAD aims to minimise takaful members’ risk of any underestimation of the takaful liabilities and adverse claims experience, over and above the amount of reserves already provided.  The EAD also considers the operational risks exposures and potential cost involved in the event of liquidation of a takaful member.	

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Key Input Variables	Funds				
	DIFs	GI PF	LIPF	GTPF	FTP F
Exposure At Default (EAD) (continued)				The EAD considers the sum of liabilities of the participants’ general takaful fund and operator’s fund expense liabilities.  With regard to the general takaful fund liabilities, this includes claim liabilities and contribution liabilities of the Participant Risk Fund (PRF) as adopted in the Risk-Based Capital Framework for Takaful Operators.	We consider the sum of the liabilities of the participants’ family takaful fund and operator’s fund expense liabilities as the proxy in determining the EAD, regardless of the insurance benefits protected by us.  The exposures calculated with regard to the participants’ family takaful fund comprise AVL of the PRF and accumulated value in the Participant Investment Fund (PIF) (for certificates other than investment linked).

Management of Funds upon Reaching Target Fund Level

Upon reaching the upper target fund level, we may consider a reduction in the premium or levy rates or a rebate of the premiums or levies, based on among others, an assessment of the economic environment and industry conditions. In the management of the accumulation of the Funds, it is important for us to ensure that the Differential Premium Systems framework for member banks or the Differential Levy Systems framework for insurer members, continue to incentivise member institutions to improve their risk profiles and that the new entrants will pay premiums or levies on the deposits or benefits that are protected by us.

External Funding

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

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