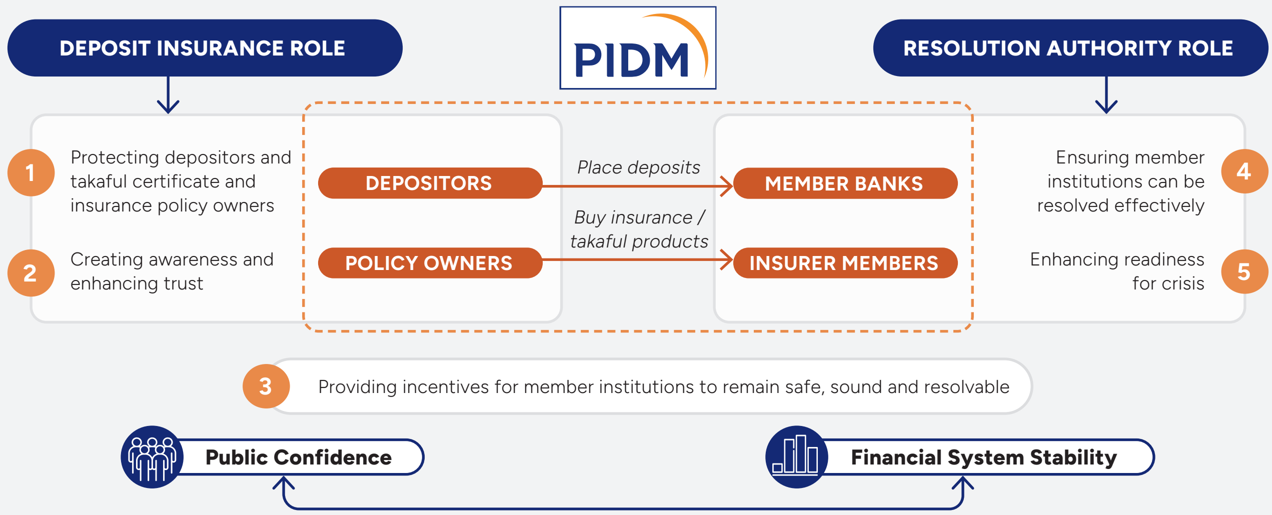
Our Role and Purpose

Safeguarding Stability and Trust

PIDM was established in 2005 under the Malaysia Deposit Insurance Corporation Act (PIDM Act).[1] PIDM is mandated to promote financial system stability and uphold public trust and confidence in the Malaysian financial system in our roles as Malaysia's financial consumer protection authority and resolution authority for our member institutions.

How PIDM Promotes Malaysia's Financial System Stability

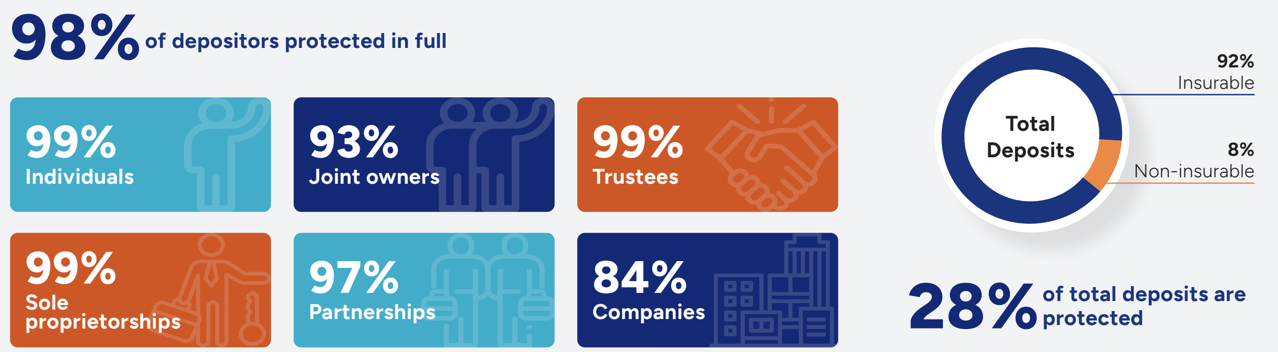


1 We protect depositors and takaful certificate and insurance policy owners[2]

PIDM protects deposits and takaful and insurance benefits in the event of a member institution's failure. This protection is automatic and free, covering eligible deposits up to RM250,000 per depositor per member bank and eligible takaful and insurance benefits up to RM500,000 per insurer member. These protection limits cover at least 96%[3] of depositors and policy owners in full. PIDM periodically reviews the level and scope of protection, in line with best practices.

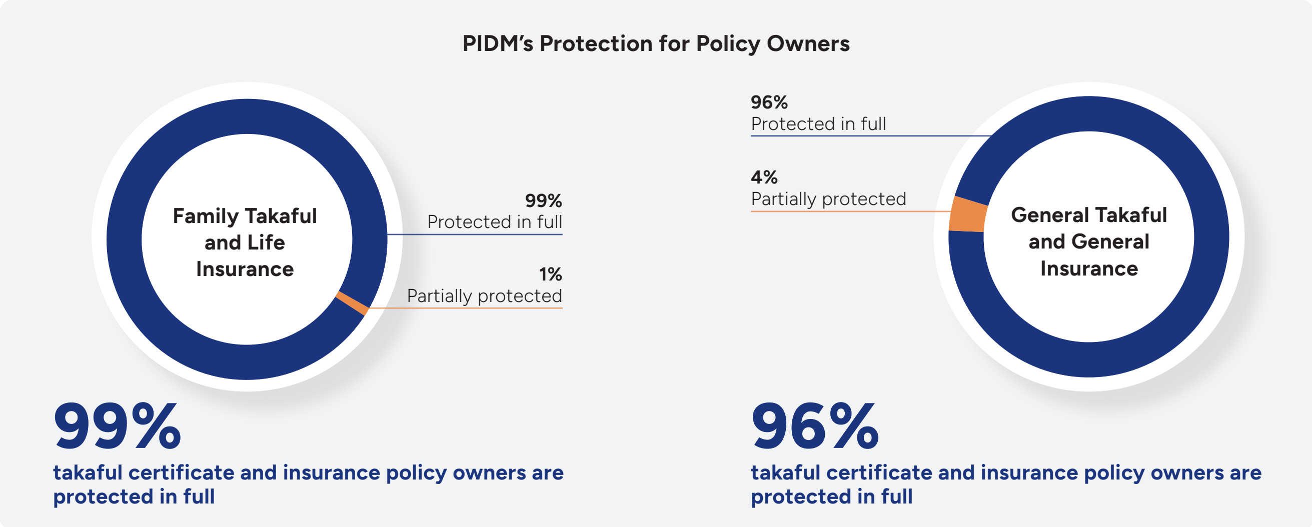
PIDM's protection provides peace of mind, ensuring that depositors and policy owners have continued access to their eligible savings and insurance coverage in the event of a member institution's failure. This protection fosters public confidence and encourages depositors and policy owners to maintain their deposits, takaful certificates and insurance policies with member institutions, even in uncertain times. Overall, a more stable funding base contributes to financial system stability and enhances financial intermediation, which is vital for supporting Malaysian economic growth.

PIDM's Protection for Depositors



Source: PIDM

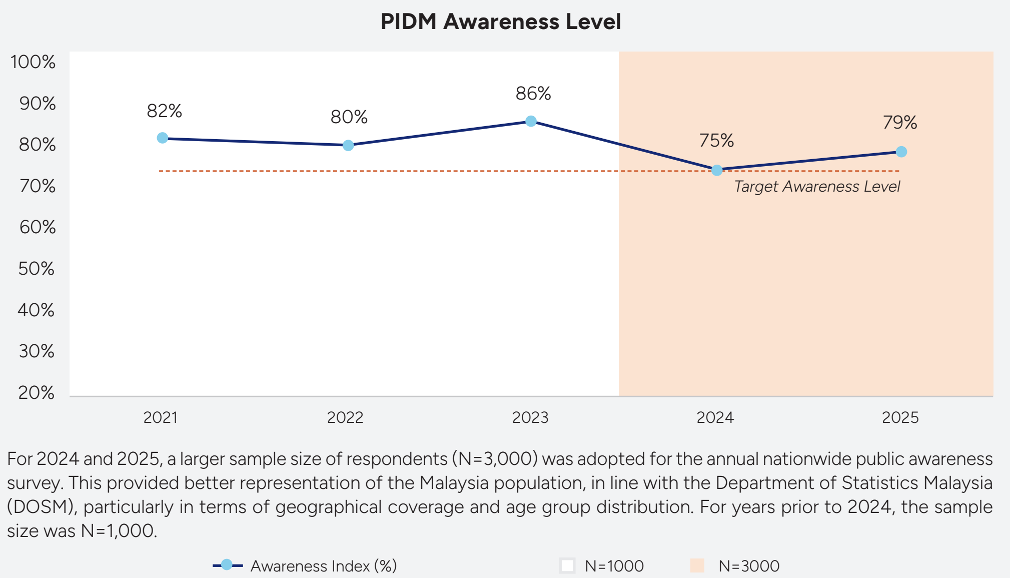
[1] *The Malaysia Deposit Insurance Corporation Act 2005 (as amended by the Malaysia Deposit Insurance Corporation Act 2011)*
[2] *Collectively known as policy owners*
[3] *Refer to PIDM's Protection for Depositors and PIDM's Protection for Policy Owners diagrams for more details*



Source: PIDM

2 We create awareness and enhance trust among financial consumers

Since our establishment, PIDM has focused on building public awareness and understanding of our role as a financial consumer protection authority. Over the last three years, we have achieved a public awareness level of at least 75%. Since 2018, we have also deepened our engagements to educate our member institutions and the public about our role as a resolution authority.



For 2024 and 2025, a larger sample size of respondents (N=3,000) was adopted for the annual nationwide public awareness survey. This provided better representation of the Malaysia population, in line with the Department of Statistics Malaysia (DOSM), particularly in terms of geographical coverage and age group distribution. For years prior to 2024, the sample size was N=1,000.

Public education campaigns by PIDM, disclosures by member institutions of PIDM's protection[4] and engagement sessions on PIDM's role as the resolution authority collectively play a vital role in strengthening the trust and confidence in PIDM's credibility as both the financial consumer protection authority and the resolution authority within the financial system. The greater the public's knowledge and appreciation of PIDM's protection and our role in promoting financial system stability, the lower the likelihood of panic, bank runs or mass surrenders, particularly during periods of financial distress.

[4] *Guidelines on Provision of Information on Deposit Insurance for member banks and Guidelines on Provision of Information on Takaful and Insurance Benefits Protection for insurer members*

From Awareness to Assurance

Building awareness is only the first step, and its impact is ultimately measured by whether understanding of PIDM's role translates into confidence and reassurance when it matters. Recent findings of our public awareness survey indicate that this connection has continued to strengthen.

In 2025, respondents who were aware of PIDM reported a higher level of confidence in our ability to make prompt payments in the unlikely event of a bank failure, with an average score of 8.07 on a scale of 1 to 10.[5] This represents an improvement from 7.80 in 2024 and reflects how critical awareness is in transforming statutory protection into public confidence.

Encouragingly, this confidence effect is also evident in the takaful and insurance segment. Among the respondents, 79% indicated they will purchase takaful or insurance products after learning that their benefits are protected by PIDM, representing a 3% increase from 2024. This suggests that awareness of PIDM's protection framework does not merely inform but actively reassures, supporting more confident and considered financial decisions.

Taken together, these indicators provide meaningful insight into how awareness evolves into assurance. As financial consumers gain a clearer understanding of PIDM's protection frameworks and resolution role, confidence is strengthened, uncertainty is reduced and the likelihood of panic-driven responses diminishes. This reinforces the importance of sustained engagement, clear communication and consistent education as integral elements of PIDM's broader efforts to support confidence and contribute to financial system stability.

3 We incentivise our member institutions to remain safe, sound and resolvable

PIDM incentivises member institutions' sound risk management by administering frameworks for premiums and levies, namely the Differential Premium Systems framework for member banks (DPS), as well as the Differential Levy Systems framework for insurance companies and the Differential Levy Systems framework for takaful operators (collectively known as DLS).

Premiums and levies are assessed annually, allowing the industry to contribute on an ex-ante basis,[6] so that funding is available in the event a member institution enters resolution. Contributions are determined based on each member institution's risk profile. By fostering a culture of responsibility across the financial sector, PIDM incentivises sound risk management at the institutional level and contributes to overall financial system stability.

In response to changes in the operating environment and regulatory landscape, PIDM has enhanced the DPS and DLS frameworks to provide stronger incentives for the orderly resolution of member institutions by incorporating resolvability elements.[7] These enhancements have been implemented in Assessment Year (AY) 2025 for member banks and will be implemented in AY 2026 for insurer members. Ultimately, the new DPS and DLS frameworks aim to bolster the resilience and stability of the financial system.

Enhancement to the DPS and DLS Frameworks

A Risk Differentiation
Safety and Soundness Criteria

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

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B Resolution-Based Incentive Mechanism
Resolution-Centric Criteria / Components

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

Synchronise with resolution planning requirements

Focus on improving industry resolvability for insurer members by providing a deductible for qualifying expenses incurred on industry-led data platforms that ensure data availability at resolution

[5] *Where 10 means that the respondent is very confident of a prompt payment, and 1 means that respondent is not confident that the payment would be prompt*
[6] *Premiums and levies are assessed and collected from member institutions during business as usual instead of after failure*
[7] *Refer to Enhancement to the DPS and DLS Frameworks diagram for more details*

4 We ensure non-viable member institutions can be resolved effectively

As a resolution authority, PIDM's role is to resolve a non-viable member institution promptly and effectively, which will help minimise disruption to financial consumers, preserve financial system stability and avert a potential broader economic crisis. Towards this end, our strategic outcome is to be 'resolution-ready'.

For PIDM readiness, we have a robust resolution framework in place which consists of policies, infrastructure and operational capabilities to enable PIDM to undertake a resolution in a prompt and orderly manner. An integrated reimbursement system is also part of this framework, intended to enable timely reimbursement so that depositors have continued access to their funds in a bank failure and closure.

For industry readiness, resolution planning for PIDM member banks is a key component to ensure that they can support PIDM in a resolution.[8] Resolution planning entails PIDM working closely with member banks to gain a thorough understanding of their important functions and interlinkages to the financial system. Collaboratively, potential impediments to resolution will be identified and addressed, including building the necessary capabilities (financial, operational and legal) to enable member banks to effectively support PIDM in a resolution.

Resolvability is a continuous journey. Impediments, especially structural, will require commitment of time and resources to address, and building the necessary systems and capabilities requires sustained investment and effort. However, the benefits are expected to far outweigh the costs as resolvable member banks are better prepared for crises and are more resilient individually, promoting financial system stability and public confidence. To facilitate and guide the resolvability assessment process, PIDM will be issuing a Resolvability Assessment Framework to set out the resolvability expectations in 2026.

The 3 Stages of Resolution Planning

Stage 1 — **Understand member banks' interlinkages to the financial system**

PIDM will work closely with the member banks to identify, among others, the important functions or services offered by the bank, as well as those it depends on, alongside other vital details that are essential to its operations. This understanding supports PIDM in deciding the best way to manage a failure swiftly and effectively.

Stage 2 — **Identify gaps, improve operational resilience, and ensure the resolution plan can be executed**

PIDM will identify and address issues that could impede an effective resolution. Guided by outlined expectations, member banks, in collaboration with PIDM, will identify resolvability gaps. To address the impediments, member banks may put in place measures and capabilities to mitigate potential risks to ensure that the resolution plan can be executed.

Stage 3 — **Maintain readiness by continually testing and improving the resolution plan**

PIDM, together with the member banks, will ensure the resolution plan is executable by continually testing and improving the plan.

For PIDM's insurer members, PIDM has, over the years, established internal readiness to undertake intervention and failure resolution actions with a focus on ensuring continuity of coverage under takaful certificates and insurance policies. The next step would be to further enhance our capabilities in ensuring the resolvability of insurer members.

[8] *The Resolution Planning Guidelines have been rolled out for member banks on 8 September 2023. Resolution planning for insurer members will be considered and developed at a later stage*

WHAT IT MEANS TO BE RESOLVABLE: STANDING STEADY IN PERIODS OF STRESS

When the Lights Go Out

In modern society, certain infrastructures are deeply essential that even a brief interruption can bring daily life and economic activity to a halt, such as electricity. Electricity powers homes and businesses as well as supports digital services that form the backbone of our routine functioning. The extent of reliance on its uninterrupted stability underscores its role as an essential pillar of daily life.

This is why resolvability is critical. It ensures that even when an institution fails, essential functions continue, financial system stability is preserved and public confidence remains intact. In practical terms, a bank is considered resolvable when it can fail in an orderly and safe manner. Customers remain protected, businesses continue paying employees and the broader banking system stays stable while the cost of resolution is not borne by public funds, and instead by the failed institution's shareholders and creditors first.

Delivering this outcome depends on clear and actionable plans, timely access to data and trained personnel ready to act decisively when it matters most.

Confidence is the Cornerstone of Financial System Stability

Without confidence, uncertainty can escalate into panic, leading to rapid withdrawals, liquidity stress and contagion to otherwise healthy institutions. Cognisant of this, Malaysia introduced Recovery and Resolution Planning (RRP) in 2016 through a joint initiative by Bank Negara Malaysia (BNM) and PIDM. PIDM oversees the Resolution Planning component, focusing on strategies that preserve critical functions while minimising systemic impact. This includes establishing a Resolvability Assessment Framework to assess member institutions' readiness for resolution and identifying areas for improvement.

Broadly, Resolution Planning and the accompanying Resolvability Assessment Framework follow several key design principles including:

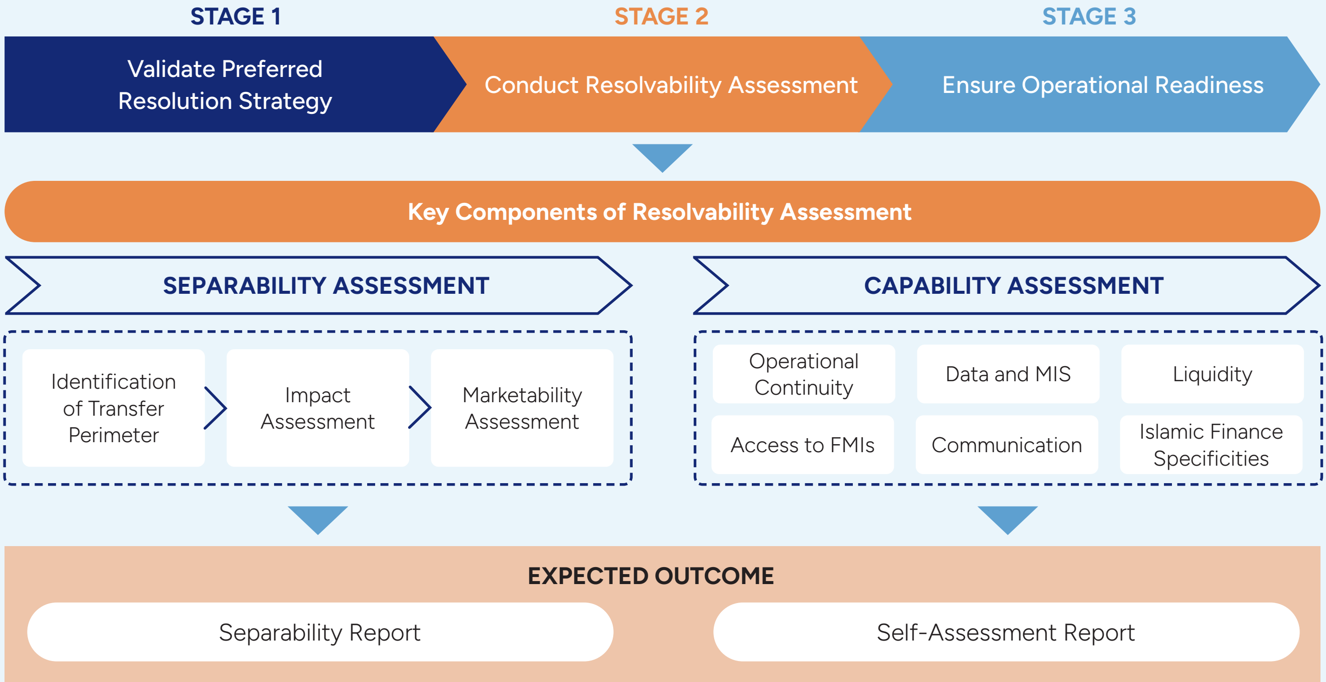
- **Continuity of critical functions** – Authorities must be able to stabilise and ensure continuity of essential services such as payments and cash withdrawals.
- **Rapid transferability of viable components** – Customer accounts and core operations should be readily transferable to a healthy acquirer or bridge institution.
- **Confidence management** – Via clear, consistent communication and operational continuity.
- **Credible loss-absorption mechanisms** – Before any public funds can be used, shareholders and creditors must first bear the losses.

Resolvability is Prepared in Advance, Not Formulated During a Crisis

PIDM, Malaysia's deposit insurer and resolution authority, collaborates with member institutions to develop robust resolution plans through structured frameworks. These frameworks define how an institution can be resolved in a manner that is both feasible and credible.

Resolvability assessment is a key component of resolution planning, used to evaluate whether a bank can be resolved effectively under stress. Where gaps exist, a remediation plan is implemented to address structural or operational impediments. Over time, the components of the resolvability assessment will be refined, documented and tested to ensure execution can occur without delay.

Testing the System Before the Storm



PIDM assesses resolvability through two dimensions:

Separability – whether viable components of an institution can be packaged together as part of a sale. PIDM's preferred approach to resolution is to sell or transfer the troubled bank to a healthy buyer. Smaller banks may be sold on an as-is basis while larger, more complex banks may need to be broken apart to ensure the sale can be done quickly and efficiently.

Capability – An institution's readiness to maintain its key functions while supporting PIDM's actions during a resolution. This readiness is benchmarked against six core expectations:

1. **Operational Continuity** – arrangements to ensure operational services continue.
2. **Data and Management Information Systems (MIS)** – reliable, timely data to inform decisions.
3. **Liquidity** – ability to measure liquidity needs and available collateral for funding.
4. **Access to Financial Market Infrastructures (FMI)** – continued participation in clearing, settlement and payment systems.
5. **Communication** – clear, consistent messaging to prevent panic and maintain confidence.
6. **Islamic Finance Specificities** – ensuring continued compliance to Shariah principles, even during crisis.

Working in tandem, these two assessments inform PIDM of a bank's readiness and highlights areas that need strengthening to support an effective resolution. The process is gradual and iterative, with input from both PIDM and member institutions to identify gaps, develop improvement plans and implement them over time. Finally, banks need to ensure these plans and developed capabilities are operationally ready by conducting periodic testing to ensure they work under severe stress.

Keeping the Lights On

Resolvability does not eliminate risk. Rather, it provides a structured mechanism for absorbing financial shocks and steering outcomes away from disorder. Just as a resilient infrastructure system is designed to isolate faults and keep essential services running, embedded resolution capabilities enable Malaysia's financial system to manage stress, maintain continuity and uphold confidence, even under severe conditions. Through stronger protection systems, well-defined resolution plans and sustained preparedness, Malaysia's financial safety net stands ready to act decisively when banks falter, preserving stability and public confidence.

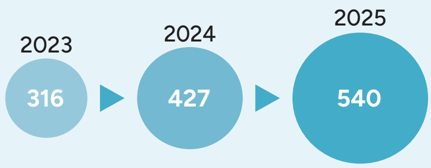
To supplement our work with member institutions on resolution planning, and as part of our continued effort to promote industry readiness, PIDM organises the National Resolution Symposium (NRS) which serves as a dedicated platform for industry players and other relevant stakeholders to exchange insights and engage in meaningful discussions in the area of resolution planning. To date, we have held three editions of the NRS, with the latest, NRS 2025, themed "Precaution Over Reaction: Harvesting Readiness in an Uncertain World".

Strengthening Systemic Readiness through the National Resolution Symposium

The National Resolution Symposium (NRS) is PIDM's flagship platform for advancing dialogue on resolution and crisis preparedness. Since 2023, PIDM has brought together resolution authorities, regulators, financial institutions and industry thought leaders to exchange perspectives on evolving risks, policy developments and forward-looking strategies to strengthen system resilience.

NRS 2025 continued to gain traction under the theme "Precaution Over Reaction: Harvesting Readiness in an Uncertain World". The Symposium served as an incubator for policy dialogue and technical exchange. The introduction of the PIDM Simulation Lab also provided participants with hands-on exposure to resolution tools and complex trade-offs. Together, these engagements deepened practical understanding of resolution execution and reinforced a collaborative foundation for sustained engagement on crisis preparedness and resolvability.

NRS 2025 attracted strong interest, particularly from Board members and C-suite executives of member institutions



NRS 2025 welcomed 540 participants, including 108 Board members and C-suite executives of member institutions, alongside representatives from government ministries, central banks, financial institutions, and resolution authorities across Asia.

NRS 2025 featured interactive booths that translated policy discussions into practical experience

The PIDM Simulation Lab provided over 90 participants with practical understanding of resolution execution.

The ASEAN Booth showcased regional progress in enhancing deposit insurance and resolution frameworks.

PIDM also hosts the Muzakarah on Failure Resolution of Islamic Financial Institutions to discuss specific issues on Islamic member institution resolution. In this regard, PIDM continues to collaborate with relevant stakeholders, including Bank Negara Malaysia (BNM) and the Shariah fraternity of the Islamic financial industry to ensure Shariah compliance and to enhance our preparedness in the resolution of a failing Islamic member institution. In 2025, research papers on investment account resolution were completed, with further engagement with the financial industry's Shariah fraternity.

ADDRESSING SHARIAH CONCERNS IN ISLAMIC BANK RESOLUTION

Muzakarah, or intellectual discourse, is convened by PIDM to serve as a platform for addressing Shariah-related concerns in resolving failed Islamic financial institutions. It aims to support PIDM in ensuring resolution strategies and operationalisation remain Shariah-compliant, while maintaining stability and public confidence in the Islamic financial system.

Objectives

To provide participants with a comprehensive understanding of the resolution process for failed Islamic financial institutions.

To deliberate on potential Shariah issues and propose practical solutions. This is particularly important because the resolution of Islamic financial institutions entails unique considerations, given that their operations are governed by Shariah concepts and principles.

Muzakarah
on Failure Resolution of Islamic Financial Institutions

2024 Transfer Mechanisms for Islamic Banks' Business, Assets and Liabilities

The resolution of an Islamic bank was examined from a Shariah perspective, grounded in *darurah* (necessity) with emphasis on transfer mechanisms.

Full transfers raised issues such as offer and acceptance, commingling of permissible and non-permissible assets, treatment of investment accounts, forced sale (*bay' al-mukrah*), fair valuation and handling of on-and off-balance-sheet items.

Partial transfers require closer Shariah alignment, where asset-only transfers may involve contracts such as *musawamah, wadi'ah, muzayadah,* or *munaqosoh,* while asset-and-liability transfers may use outright sale, debt sale or transfer, gift, or *tawarruq*. Further research was recommended on issues such as sale under duress (*bay' al-mudtar*), contract combinations and the transfer of Islamic banking window businesses.

2025 Investment Account Resolution

The resolution of investment accounts during Islamic bank failure was examined with focus on contract requirements, consent and structural differences between unrestricted accounts (UA) and restricted accounts (RA).

Discussions addressed alignment of mandates, documentation and restructuring. The nature of underlying Shariah contracts was also examined, highlighting how the *mudarib's* or wakil's responsibilities differ from liability and guarantee.

Further deliberations covered transfer mechanisms under normal and resolution scenarios, including termination, vesting, waiver, liquidation and investment duties. Key recommendations included clarifying the *fiqh* classification of investment accounts, differentiating treatment for UA and RA, strengthening legal documentation, and ensuring the suitability of acquiring institutions.

Through Muzakarah, PIDM **strengthened discussions on Islamic bank resolution** by introducing practical solutions and identifying key issues for effective failure management.

Moving Forward: Strengthening Shariah-Aligned Resolution Readiness

Building on the two Muzakarah series, PIDM will translate insights into actionable enhancements across policy, operations and stakeholder engagement. The focus is to ensure resolution strategies remain firmly Shariah-compliant while safeguarding financial system stability and depositor confidence.

5 We enhance readiness for crises

To ensure strong organisational readiness for crises, PIDM conducts internal crisis simulation exercises involving our Board of Directors, senior management, staff and key service providers. These exercises strengthen decision-making processes, communication channels and operational readiness across all levels of the Corporation. They also allow us to identify gaps, improve coordination and validate our response strategies under realistic conditions. Moving forward, PIDM plans to extend these simulations to include member institutions, fostering greater alignment and preparedness within the industry.

In addition to internal efforts, PIDM collaborates with other authorities both domestically and internationally to enhance cooperation and coordination in resolution and crisis management.

Within Malaysia, PIDM works closely with the other financial safety net players, BNM and the Ministry of Finance to develop interagency arrangements that ensure crises are managed effectively. This includes the development of an interagency binder that documents PIDM-BNM coordination arrangements and provides a clear and structured guidance to crisis response. These arrangements are continuously reinforced and tested through joint interagency simulation exercises, focusing on communication, roles and responsibilities and decision-making among agencies. This allows us to identify gaps and improve response strategies, contributing to a cohesive and timely response during crises.

At the international front, PIDM collaborates with foreign resolution authorities to establish arrangements that facilitate cross-border cooperation and coordination in resolution and crisis management. This includes entering into Memoranda of Understanding (MOUs) for cross-border resolution and participating in crisis management groups (CMGs) of our member institutions. To date, PIDM has established two CMGs for our domestic member banks, providing a platform for PIDM, as the home authority, to cooperate and coordinate with other host authorities in a more structured and efficient manner on resolution-related matters during good times and in anticipation of a crisis. PIDM also participates in regional cross-border simulation exercises to enhance our preparedness, strengthen coordination and test our frameworks in realistic scenarios.

Ensuring Readiness in a Changing Financial Landscape

Recognising the evolving financial landscape, PIDM remains agile by continuously reassessing past approaches and refining our frameworks and processes. Moving forward, PIDM will focus on continuously testing our processes to ensure they remain relevant and effective. By proactively evaluating and refining our policies and frameworks, PIDM stays well prepared to address emerging risks and promote financial system stability.

Looking ahead, continued growth in the Malaysian economy should provide a supportive operating environment for our member institutions. Nonetheless, heightened uncertainty arising from prolonged geopolitical tensions and potential shifts in trade tariff policies may increase economic and financial market volatility. If these tail risks materialise, they could weigh on operating conditions, including through elevated credit risk from vulnerable borrowers, as well as weaker business growth prospects for insurer members due to affordability concerns amid rising claims pressure.

Despite these risks, member institutions remain resilient and well positioned to support financial intermediation, underpinned by strong fundamentals and ample capital and liquidity buffers. Our stress tests indicate that member institutions are able to withstand simulated severe macroeconomic, credit, market, and liquidity shocks. Ongoing resolution planning and crisis preparedness initiatives will further strengthen operational resolution readiness, ensuring preparedness for potential disruptions or crisis scenarios.

Robust Resolution Planning and Crisis Preparedness Promote Resilient Member Institutions

Member institutions continued to demonstrate resilience, absorbing shocks and sustaining financial intermediation, despite an uncertain global operating environment.

Member Banks

Net Impaired Loans Ratio	Loan Loss Reserves Coverage Ratio	Return on Risk-Weighted Assets	Liquidity Coverage Ratio (LCR)	Net Stable Funding Ratio (NSFR)	Common Equity Tier 1 (CET 1) Capital Ratio
0.9% (2024: 0.9%)	127.2% (2024: 129.5%)	2.80% (2024: 2.64%)	154.5% (2024: 160.1%)	115.6% (2024: 116.1%)	14.3% (2024: 15.0%)

- Lending activity remained healthy despite an uncertain environment
- Earnings improved, supported by interest income as well as trading and investment income
- Asset quality remained strong, reflecting proactive risk management and prudent provisioning
- Market risks were well contained, even during periods of heightened financial market volatility
- While liquidity indicators moderated slightly, funding positions remained sound, with LCR and NSFR consistently above 100%
- Strong capital buffers continued to support member banks' loss-absorbing capacity

Source: PIDM, BNM

Insurer Members

Life Insurance and Family Takaful (LIFT)

Net Premium Growth	Net Claims Payout Growth*	Total Assets Growth	Capital Adequacy Ratio
1.7% (2024: 7.8%)	5.8% (2024: 10.5%)	5.6% (2024: 8.7%)	213.9% (2024: 218.5%)

General Insurance and General Takaful (GIGT)

Gross Premium Growth	Net Claims Paid Growth	Total Assets Growth	Capital Adequacy Ratio
6.3% (2024: 7.1%)	10.8% (2024: 9.6%)	4.8% (2024: 5.5%)	248.1% (2024: 247.1%)

- Overall profitability remained well-supported, sustained by investment income
- LIFT net premium growth eased, reflecting slower growth in investment-linked products
- GIGT gross premium growth also moderated in line with slower growth in car sales
- Total assets growth softened amid heightened financial market volatility
- Nevertheless, capital positions remained strong, providing resilience against potential shocks

Source: PIDM, BNM

** Net claims payout refers to claims arising from death, medical, and disability benefits.*