

# RAM affirms SDB's AA1 rating

KOTA KINABALU: RAM Rating Services Berhad (RAM) has affirmed the AA1/Stable/P1 ratings of Sabah Development Bank Berhad (SDB), citing continued financial support from the Sabah State Government and the bank's strategic role in advancing the State's development agenda.

The AA1 long-term rating indicates a high degree of safety with regard to the timely payment of financial obligations, while the P1 short-term rating is RAM's highest classification, reflecting strong short-term repayment capacity.

In a statement, RAM said, "The affirmation of SDB's ratings reflects our expectations of continued financial support from the State Government. Given the State's strong track record of support and SDB's strategic role in advancing Sabah's development objectives, we assess the Bank to have an 'almost certain' likelihood of receiving State support."



According to RAM's Rating Approach for Government-Linked Entities (GLE), "almost certain" represents the highest possible assessment of expected state backing.

Since embarking on a Three-Year Transformation Journey in the second half of 2023 under a new Board and management team, SDB has made significant strides in restructuring and risk management.

The Bank's outstanding bond obligations have been reduced from RM5 billion in July 2023 to RM3 billion to date. This follows a kitchen-sinking exercise that led to a temporary decline in the total capital

ratio to 7.9 percent at the end of 2023. However, with continued support from the State Government, the capital ratio rebounded to 19.6 percent by end-2024.

An independent professional recovery team appointed in September 2023 has made notable progress in resolving legacy non-performing loans (NPLs). Between January 2024 and April 2025, SDB's Board approved RM965 million in settlement proposals, alongside RM2 billion in pledged securities placed under receivership.

Aligned with the State Government's development priorities, SDB is now focused on financing infrastructure,

power, and water sector projects in the State.

From January 2024 to April 2025, the Bank approved RM1.708 billion in new loan applications in line with its developmental mandate. Over the same period, it declined RM9.389 billion in loan proposals that either fell outside its scope or did not meet enhanced credit standards.

The State Government has positioned SDB as the lead local content lender in major investments across Sabah, further reinforcing the Bank's strategic role in supporting economic development.

Sabah Development Bank Berhad is a Government-linked development financial institution (DFI) tasked with catalyzing economic progress in Sabah. RAM Ratings, Southeast Asia's leading credit rating agency, provides independent, forward-looking credit assessments of issuers and their financial instruments.