

RAM affirms Sabah Development Bank Berhad's AA1 Rating

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RAM is the leading and largest credit rating agency in Southeast Asia, and publishes credit ratings to give independent, forward-looking opinion about an issuer's ability to repay its financial obligations. - Bernama pic

KOTA KINABALU: RAM Rating Services Berhad (RAM) has on 4 June 2025 affirmed AA1/Stable/P1 ratings of Sabah Development Bank Berhad (SDB)'s debt instruments. The AA1 rating indicates high safety for payment of financial obligations by SDB and the "Stable" outlook reflects RAM's expectations that the long-term rating will be unchanged over the intermediate term.

SDB's Commercial Papers are also affirmed at P1, the highest short-term rating assigned by RAM which reflects high safety for payment of short-term financial obligations.

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In RAM's report, it stated that "The affirmation of SDB's ratings reflects our expectations of continued financial support from the Sabah state government (the State). Given the State's strong track record of

support and SDB's strategic role in advancing Sabah's development objectives, we assessed the Bank to have an 'almost certain' likelihood of receiving state support, in accordance with our Rating Approach for Government-Linked Entities ("GLE") (October 2024)."

In RAM's assessment, which evaluates both the importance of the GLE and the strength of its relationship with the Government, 'almost certain' represents the highest category of potential outcomes.

SDB has made significant strides in its 3-Year Transformation Journey, which it embarked on in the second half of 2023 under a new Board and Management.

The Bank's aggressive restructuring efforts, backed by strong support from the State Government, have resulted in a substantial reduction of its bond repayment obligations from RM5 billion in July 2023 to RM3 billion as of today.

As a result of the kitchen-sinking exercise initiated in the second half of 2023, the Bank's total capital ratio fell to 7.9% by year-end. However, with strong support from the State Government, it has since improved, reaching 19.6% by the end of 2024.

Since the setup of an independent professional recovery team in September 2023, notable progress has been made in addressing the Non-Performing Loans (NPLs).

From January 2024 to April 2025, the Bank's Board approved RM965 million in settlement proposals, in addition to the RM2 billion in pledged securities placed under receivership.

In line with the mandate from State Government, SDB is now focused on financing development projects in Sabah predominantly in the infrastructure, power and water sectors.

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

Between January 2024 and April 2025, SDB approved RM1.708 billion loan applications aligned with its developmental mandate.

During the same period, the Bank dropped RM9.389 billion in loan applications that either fell outside its mandate or did not meet its enhanced credit standards.