

Sabah Development Bank earns top short-term RAM rating after RM5b NPL recovery plan

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KUALA LUMPUR (June 4): A year after reporting RM5 billion in non-performing loans — 75% of its RM6.6 billion loan portfolio — Sabah Development Bank (SDB) has had its financial stability affirmed by RAM Ratings, receiving the highest short-term rating for its strong liquidity and state government support.

RAM Rating affirmed SDB's ratings at AA1/Stable for the long term and P1 for the short term. The P1 rating is RAM's highest short-term grade, highlighting the bank's strong liquidity and government support.

SDB is a development financial institution wholly owned by the Sabah state government.

In its rating rationale, SDB said RAM noted the bank's benefits from an "almost certain" likelihood of state support — the highest classification under its framework for government-linked entities. This stems from SDB's strategic role in Sabah's economic development and the Sabah government's consistent backing.

The bank's recovery began in the second half of 2023 with the launch of a three-year transformation journey under a revamped board and management team. Since then, SDB has reduced its bond obligations from RM5 billion in July 2023 to RM3 billion, and its total capital ratio has rebounded from a low of 7.9% at end-2023 to 19.6% by end-2024.

A key element in the bank's turnaround has been its focused effort to address legacy NPLs. An independent recovery team was established in September 2023, leading to RM965 million in settlement approvals between January 2024 and April 2025. Additionally, RM2 billion in pledged securities was placed under receivership.

In line with the Sabah state government's mandate, SDB is now focused on financing development projects, especially in critical sectors such as water, power, and infrastructure.

From January 2024 to April 2025, the bank approved RM1.71 billion in loans supporting its development objectives while rejecting RM9.39 billion worth of applications that did not meet its enhanced credit standards or strategic focus.

SDB said in a statement that its leadership emphasised that the transformation is ongoing, but the results so far point to a stronger, more focused institution that is regaining the confidence of stakeholders and reaffirming its role as a key enabler of Sabah's economic growth.