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Sabah Development Bank foresees FY2025 profit as losses narrow, capital rebounds

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Sabah Development Bank Bhd expects to return to the black in financial year 2025 (FY2025) after reducing its net loss in FY2024 to RM82 million, down from a hefty RM684 million in FY2023.

KUALA LUMPUR (July 1): Sabah Development Bank Bhd (SDB), a development financial institution wholly owned by the Sabah state government, expects to return to the black with a modest profit in its financial year 2025 (FY2025), after a significant reduction of its net loss in FY2024.

The bank recorded a net loss of RM82 million in FY2024, down from RM684 million in FY2023. The substantial losses in FY2023 were primarily due to extensive provisions for non-performing loans (NPLs) and diminished asset values accumulated over the past years.

"This progress reflects positive momentum in SDB's ongoing three-year transformation journey, which commenced in the second half of 2023 under a new board and management," SDB said in a press statement Tuesday.

The bank's total capital ratio, a fundamental metric that reflects a bank's ability to withstand financial shocks, which dropped to 7.9% by end-2023, rebounded to 20.71% by end-2024 — backed by strong support from the Sabah state government, it said.

According to SDB, RAM Ratings Services Bhd had, on June 4 this year, affirmed the bank's long-term debt rating at AA1 — indicating a high safety for payment of financial obligations, with a "stable" outlook, and a short-term rating of P1. The "stable" outlook indicates RAM's expectations that the long-term rating will be unchanged over the immediate term.

"The bank's commercial papers were also affirmed at P1, the highest short-term rating assigned by RAM, reflecting high safety for payment of short-term obligations," it noted.

A key factor in the bank's turnaround has been its focused effort to address its legacy NPLs. An independent recovery team, established in September 2023, has led to RM965 million in settlement approvals. This is in addition to RM2 billion in pledged securities that have been placed under receivership.

In line with the Sabah state government's mandate, SDB said it is now concentrating on financing development projects within Sabah, primarily in the infrastructure, power, and water sectors. The state has positioned SDB as the lead financier for local-content in major investment projects, thereby reinforcing the bank's pivotal role in supporting Sabah's economic growth.

From January 2024 to June 2025, the bank said it approved RM1.76 billion in loans under its developmental mandate. In the same period, it rejected RM9.65 billion worth of applications that either fell outside its mandate or did not meet its enhanced credit standards.