OFFICE OF THE ASSISTANT MINISTER OF FINANCE II SABAH

PRESS STATEMENT

The Sabah State Government rejects Datuk Seri Mohd Shafie Apdal's claim that the conversion of RM200 million in existing State Government fixed deposits with Sabah Development Bank Berhad (SDBank) into Redeemable Preference Shares (RPS) constitutes a bailout.

The Government is not injecting new money into SDBank. The RM200 million is already deposited with the Bank. Converting these deposits into RPS strengthens SDBank's capital base while providing the State with an annual dividend of 3.15 per cent, equivalent to approximately RM6.3 million.

SDBank is wholly owned by the Sabah State Government. Allowing the Bank to fail would expose the State to approximately RM3 billion in outstanding bonds and other liabilities. The choice is therefore straightforward: strengthen the Bank using funds already within SDBank, or risk a significantly larger financial burden in the future.

This is not a bailout. It is prudent and responsible financial risk management.

Since the second half of 2023, SDBank's new Board and Management have been addressing longstanding governance weaknesses, recognising legacy impairments and implementing a comprehensive transformation programme. While these measures resulted in short-term losses, they have restored greater transparency and accountability by presenting a more accurate picture of the Bank's financial position.

SDBank's debt instruments continue to be rated AA1/Stable/P1 by RAM Ratings, reflecting confidence in the Bank's strategic importance, the State Government's support and its ability to meet its financial obligations while completing its recovery.

It is also worth noting that during Datuk Seri Mohd Shafie Apdal's two-year administration, cash recoveries from Non-Performing Loans (NPLs) amounted to only RM260 million. In contrast, since July 2023, the current Board and Management have recovered approximately RM3.3 billion in cash despite inheriting a substantial legacy NPL portfolio.

The claim that Sabah International Petroleum Sdn. Bhd. (SIP) was another bailout is equally misleading. Through a disciplined restructuring exercise, including the issuance of the RM900 million Sukuk Wakalah and the transfer of SIP's 10 per cent equity interest in LNG9 to SMJ Energy, SIP has become debt-free, financially stronger and secured a further ten years of revenue through the recent extension of its Indonesian asset. This was not a bailout. It was a successful restructuring that preserved a strategic State asset, restored financial sustainability and created long-term value for Sabah.

The allegation that the Government is prioritising Government-Linked Companies over essential public services is equally unfounded. The Supplementary Supply Bill provides substantial allocations for water treatment plants, pump houses, roads, bridges, rural water supply, housing, education and welfare. There is no private beneficiary. SDBank, SIP and SMJ Energy are all wholly owned by the Sabah State Government.

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It is easy to criticise efforts to restore an institution once one no longer bears the responsibility of governing. What is far more difficult is making the necessary decisions to protect the interests of the people, even when those decisions may not be popular. This Government has chosen to confront and resolve the problems it inherited, rather than deny their existence or leave them for future generations to address.

Datuk Seri Mohd Shafie Apdal is entitled to scrutinise the Government's decisions. However, public debate must be grounded in facts. Repeatedly labelling responsible financial restructuring as a "bailout" does not make it so, nor does it offer a credible alternative policy. The Government will continue to take responsible decisions that safeguard Sabah's finances, protect strategic State assets and secure the long-term interests of the people of Sabah.

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