



MINISTRY OF FINANCE SABAH

PRESS RELEASE
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THE STATE REITERATES STRONG SUPPORT TO SDB

KOTA KINABALU: Minister of Finance Sabah, Datuk Seri Masidi Manjun said the State Government is firm in supporting the Sabah Development Bank (SDB) and clarifies that its RM5 billion Non-Performing Loans (NPL) are secured and recoverable.

“I wish to reaffirm the State’s support to the Bank in times of need, particularly on our commitment to ensure that the bond obligations and repayment are kept whole. The Bank reflects the State’s financial standing and has an important role in the development of the State,” said Masidi in response to the media coverage following the announcement.

The Ministry of Finance wishes to clarify that the RM5.0 billion Non-Performing Loans (NPLs) are not losses and are recoverable as they are mainly secured against land-based assets that are under active recovery action.

Masidi informed the State Assembly on Wednesday that the Sabah Development Bank (SDB) will announce an unprecedented loss for FY2023-2024, in accordance with best practices and accounting standards.

Masidi noted that SDB has always fulfilled its bond repayment obligations in the past and that the Bank has sufficient capital to honour its coming bond repayment obligations.

“I was made to understand that the Bank have, after the announcement, proactively engaged with key investors, depositors and other stakeholders.

“The general response is that there is full understanding and support for the Bank to undertake this house cleaning, and they are reassured by the State’s strong support towards the Bank’s transformation plan.

“The State’s strong support is not just in the GLC loans repayment exercise, but MOF Sabah has also issued letters to other GLCs to place excess cash as Fixed Deposits with SDB. We are also positioning SDB as the lead lender/manager to provide local content in financing large investment projects coming into Sabah.”

“Another important financial support is the conversion of the State’s Deposits of RM660 million to Redeemable Preference Shares over the next few years to strengthen the Bank’s capitalisation,” said Masidi.

“SABAH MAJU JAYA”

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Over the past years, legacy issues have negatively affected SDB's financial position. However, achievements have been recorded since the new Board and Management came on board in the second half of 2023. GLC loan exposure was reduced from RM2.2 billion in July 2023 to RM0.7 billion currently, and bond obligations from RM5.0 billion to RM3.9 billion.

The new team has implemented strict governance and reported alleged wrongdoing to MACC. The Bank has adopted industry practices and BNM guidelines and commenced recovery of Non-Performing Loans with an aggressive target of RM1 billion recovery per year for the next three years. The Bank expects to exit the Peninsular Malaysia market by then.

The Bank is now firmly guided by the mandate from the State Government to pursue economically and socially meaningful and environmentally responsible development projects in Sabah and Sabah only. RM1.5 billion loan applications that did not fall within this mandate or did not meet the Bank's new rigorous credit test have been rejected. On the other hand, RM616 million of loans in the focus areas of Water, Power and Infrastructure have been approved.

The State once again makes clear that it fully supports SDB and the new leadership and that the Bank will be turned around and become a development bank that the State and the people can be proud of.

Ends.

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