



## Sabah Development Bank Berhad (34638-W) 197701003571

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### Press Release

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#### Sabah Development Bank Announces Large Loss for Financial Year 2023

KOTA KINABALU: Sabah Development Bank Berhad (SDB) has announced a pretax loss of RM878 million (net loss RM684 million) for the financial year (FY) 2023, per its audited results. It anticipates a substantially reduced pretax loss of approximately RM100 million for FY 2024.

The losses are mainly due to provisions for Non-Performing Loans (NPLs) and reduced asset values over the years. SDB had reported yearly profits for past years. Had proper accounting and appropriate provisions been followed from the outset, the Bank would have reported successive significant annual losses in previous financial years.

Initial estimates suggested a pre-tax loss of RM500 million for FY 2023 and a similar loss of RM500 million for FY 2024. However, during the finalisation of the audited accounts, late adjustments were made including reallocating some Expected Credit Losses from FY 2024 to FY 2023. These adjustments contributed to the very much higher reported loss for FY 2023 and a corresponding reduction for FY2024.

The Sabah state government remains firmly committed to meeting all bond repayment obligations, ensuring the bank's financial stability.

SDB has appointed a new board and management team in the second half of 2023. Supported by the Ministry of Finance (MOF) Sabah, the Bank has received repayments of RM1.9 billion in legacy loans from Government-Linked Companies and reduced its bond repayment obligations from RM5 billion in July 2023 to RM3.3 billion by July 2024.

Significant progress has been made in reducing NPLs to RM5 billion, which are secured against land and commercial assets.

SDB is on track to achieve its recovery target of RM1 billion this year, with similar targets set for the next two years.

To further strengthen SDB's capital base and meet Bank Negara Malaysia's Capital Adequacy Ratio guidelines, MOF Sabah has converted RM660 million of its fixed deposits with SDB into Redeemable Preference Shares.

SDB is committed to its new mandate of focusing on development projects in Sabah's critical sectors, including water, power, and infrastructure, under stringent credit and risk management guidelines.

The state government has designated SDB as the lead lender for local content financing in major investments across Sabah, collaborating with reputable commercial banks and Development Financial Institutions.

Given the state government's strong support, the auditors have confirmed SDB as a going concern. RAM Rating Services has also reaffirmed SDB's debt instruments rating at AA1. This reflects the bank's strong capability to meet its financial obligations and resilience against adverse changes.

With the unwavering support of the state government, SDB is confident in its ability to turn around its financial position within three years. The Bank aspires to achieve a AAA rating and become a development bank that serves as a pillar of pride for the state and its people.

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**SABAH MAJU JAYA**