



Media Release

RAM Ratings affirms Bank Pembangunan's AAA/P1 ratings; outlook stable

RAM Ratings has affirmed Bank Pembangunan Malaysia Berhad's (BPMB Group or the Group) AAA/Stable/P1 financial institution ratings and the AAA/Stable rating on its RM7 billion Conventional MTN and/or Islamic Murabahah MTN Programmes (2006/2036).

The ratings mirror the government's sovereign credit strength, reflecting BPMB Group's status as a wholly government-owned development financial institution (DFI) with a strategic national development mandate, and an 'almost certain' likelihood of extraordinary government support.

The Group's strategic importance is reinforced by its recent acquisition of Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) and Export-Import Bank of Malaysia Berhad (EXIM Bank, rated AAA/Stable/P1 by RAM). Both subsidiaries play key developmental roles in supporting underserved SMEs and promoting Malaysia's external trade, respectively. Government support has historically include capital injections, grants to offset credit losses on infrastructure financing, profit subsidies for dedicated schemes and guarantees on some borrowings.

On 1 May 2025, BPMB Group completed the acquisition of SME Bank and EXIM Bank through a share swap with the Ministry of Finance (Incorporated) (MoF), resulting in the issuance of new shares to MoF. This consolidation, as envisioned by the government, aims to enhance the scale, efficiency and outreach of DFIs to target segments. As at end-June 2025, both banks collectively accounted for 41% of the Group's total loans, contributing 27% and 14%, respectively.

BPMB Group's expanded developmental mandate exposes it to higher-risk credits and lumpy exposures. Post-acquisition, the Group's gross impaired financing ratio increased to 14.8% as at end-June 2025 (end-December 2024: 10.2%), reflecting the consolidation of weaker loan portfolios from the acquired entities.

Credit cost ratios have remained volatile, averaging 1.4% between FY Dec 2021 and FY Dec 2024 due to sizeable impairments, which have contributed to fluctuations in profitability metrics. Pre-tax profit rose 14% y-o-y to RM494 mil in 1H FY Dec 2025 (1H FY Dec 2024: RM433 mil), supported by a larger earnings base following the

acquisitions. The Group's annualised return on assets (ROA) improved to 2.3% in 1H fiscal 2025 (fiscal 2024: 1.8%), aided by a net writeback of impairment allowances which partially offset weaker returns from the acquired banks (three-year average ROA: 0.6%).

BPMB Group's entity-level capitalisation remained strong, with BPMB's Basel I tier-1 capital ratio improving to 32.4% as at end-June 2025 (end-December 2024: 29.7%), following the issuance of RM2.7 bil in new shares under the share-swap exercise. EXIM Bank likewise demonstrated robust capitalisation, with a tier-1 capital ratio of 32.7% as at end-December 2024. In contrast, SME Bank's capital position was comparatively weaker, registering a tier-1 capital ratio of 14.3%. BPMB Group is not required to report capital ratios on a consolidated basis.

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