Development Bank of Southern Africa Ltd.

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This report does not constitute a rating action.

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Credit Highlights

Overview

Key strengths	Key risks
Almost certain likelihood of support due to critical policy role and integral link to the South African government.	High exposure concentration to single obligors, state-owned enterprises, and local municipalities.
Strong capitalization that supports the bank's financial position.	Earnings volatility, partly due to the bank's countercyclical role and developmental mandate.

Outlook

The positive outlook mirrors that on South Africa because we view government support as almost certain, based on DBSA's stable role for and link with the state.

Downside scenario

We would revise our outlook back to stable if we took a similar action on the sovereign. Pressure on the ratings could also build if the bank's public policy role for or its link with the government were to weaken.

Upside scenario

We would raise the ratings on the bank if we took a similar action on the sovereign. We do not expect to rate DBSA higher than the sovereign.

Rationale

We equalize our ratings on DBSA with those on South Africa (foreign currency BB/Positive/B; local currency BB+/Positive/B). This reflects our opinion that there is an almost certain likelihood that the South African government would provide timely and sufficient extraordinary support to DBSA in the event of financial distress. Consistent with our criteria for government-related entities, our view of the likelihood of extraordinary government support stems from DBSA's:

- Critical role as one of the South African government's primary vehicles to promote public and private infrastructure projects and drive sustainable development and regional integration; and
- Integral link with the South African government through its 100% ownership of the bank, ongoing government supervision, and capital injections when required.

The Development Bank of Southern Africa Act of 1997 (DBSA Act), enacted by South Africa's parliament, sets out DBSA's mandate, as well as the constitution and conduct of DBSA's board of directors. The board nominations committee nominates the board members, while their appointments are at the minister of finance's discretion.

Between 2012 and 2015, the government injected South African rand (ZAR) 7.9 billion (about $0.5 billion) into DBSA, amounting to roughly 7% of the asset base, reinforcing the government's support for DBSA as the bank's full owner. DBSA has a callable capital facility of ZAR20 billion that can boost its capital base. In addition, section 19 of the DBSA Act states that the bank cannot be wound up except through an act of parliament.

DBSA continues to be one of the government's key vehicles for delivering infrastructure development and meeting strategic policy goals intended to support sustainable economic growth. DBSA has a mandate to promote sustainable economic growth, develop human resources, build institutional capacity, and support development projects and programs in South Africa and Africa. The bank finances infrastructure in both the public and private sectors.

The integral link between the government and DBSA is further underpinned by an agreement between DBSA, the National Treasury, and the Department of Public Works in 2021 to set up the Infrastructure Fund. The intention is for the fund to be key to structuring blended-finance solutions. Since its inception four years ago, the fund has financed 26 blended finance projects representing a combined capital value of ZAR102 billion, with initiatives spanning key sectors such as water and sanitation, human settlements, student accommodation and transport.

DBSA aims to deepen its support for the water sector while strengthening assistance to under-resourced municipalities to help them develop viable projects. Lending volumes in these segments are often constrained by the limited availability of viable, financeable projects. As projects become viable, DBSA is then able to finance them through its traditional lending operations. Accordingly, the bank’s interventions prioritise project preparation support, technical assistance grants, capacity strengthening, and overall project development. These efforts are intended to improve project quality and sustainability, enabling municipalities to progress toward viable infrastructure solutions over time.

DBSA will play an important supporting role in South Africa's goal to reach net-zero emissions by 2050 by providing green financing. The bank issued two green bonds of €200 million and ZAR3 billion in 2021, both through private placements. The bank is using the proceeds to finance its renewable energy generation and transmission projects. DBSA intends to play a catalyst role as an investor in green and energy transition projects across Africa, including embedded generation of renewable energy. Furthermore, it is an active member in both the International Development Finance Club (IDFC) and Global Innovation Lab for Climate Change (GILFC) to promote and leverage sustainable development in the region by encouraging private-sector investment in climate mitigation projects.

In 2015, the government of South Africa broadened DBSA’s mandate to provide lending and support to the whole of Africa, rather than just the Southern African Development Community, with DBSA focusing on infrastructure finance projects that linked the region economically.

Despite this wider mandate, we expect DBSA to continue to concentrate on South Africa, which makes up about 70% of its loan book. DBSA has active exposure to 20 countries across Africa.

Because we equalize our long-term ratings on DBSA with those on the sovereign, we do not consider the bank's stand-alone credit profile to be a key rating driver. This is because, in our view, DBSA executes strategic government policies, so the likelihood of extraordinary government support is almost certain, and we do not believe that such support is likely to diminish.

Nevertheless, while implementing government policy initiatives, DBSA balances its developmental goals while maintaining financial sustainability, promoting economic growth, and advancing regional integration, as required by its structure and sole shareholder, the South African government.

We view DBSA's strong capital base as supportive of its financial position. Our risk-adjusted capital (RAC) ratio for DBSA increased by 460 basis points (bps) to 26.8% as of March 31, 2025. This improvement reflects our assessment of diminishing economic risks in South Africa, coupled with earnings accretion within the bank. We expect the RAC ratio to remain very strong, ranging between 26% and 28% over the next 12-18 months. We assess the bank's earnings capacity and ability to expand its loan book as volatile, due to its countercyclical nature and developmental mandate. DBSA authorised and paid an inaugural dividend of ZAR48 million in 2025 to the National Treasury. We expect continued dividend distributions (around 3% of net income) without any impact on the bank's robust capital base.

DBSA is not regulated by the South African Reserve Bank (SARB) and has no formal obligation to comply with Basel requirements. However, it has adopted Basel standards in its capital management framework to maintain adequate capital adequacy.

We believe that DBSA's risk position remains modest, due to its countercyclical nature and developmental mandate. Loan growth was muted as of March 31, 2025 due to some loan write-offs and a slowdown in viable financeable projects. The bank’s loan portfolio exhibits high concentration in the energy (40% of total portfolio), local municipality (30%) and transport (20%) sectors. We believe that pressures on municipalities could have a knock-on effect on asset quality. The 20 largest exposures account for 70% of total loans and more than 130% of total adjusted capital as of March 31, 2025.

Asset quality has remained stable year on year, with the nonperforming loan (NPL) ratio improving by about 40 bps to 4.2% (3.2% excluding purchased and originated credit-impaired (POCI) loans) as of March 31, 2025 and credit losses stable at 1.3%. NPLs outside South Africa remain high and represent the bulk of DBSA's NPLs. The bank’s stage 2 loan exposure also remains elevated, accounting for 48% of total advances. That said, the bank maintains good loss reserves, which mitigate the risk of loans transitioning to stage 3, with a coverage ratio greater than 300%. We expect NPLs to remain stable at 4.0%-4.1% over our forecast with a credit loss ratio of about 1.3%, broadly in line with other banks in the region.

DBSA is not a deposit-taking entity and does not have access to the SARB's funding window. It is purely wholesale funded. Over the years, DBSA has diversified its funding sources across banks, development finance institutions, and the debt capital markets. The bank's liquid assets comprise call deposits, money market investments, and government bonds.

Development Bank of Southern Africa--Key metrics

(ZAR mil.)	2025	2024	2023	2022
Adjusted assets	120,939	118,264	108.505	99,965

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(ZAR mil.)	2025	2024	2023	2022
Growth in customer loans (%)	0.0	6.8	10.4	1.9
Adjusted common equity	57,841	52,569	47,921	42,745
Growth in operating revenue (%)	12.3	-0.9	25.1	62.6
Return on average common equity (%)	9.7	9.3	11.5	9.3
Cost to income (%)	22.1	22.0	20.8	23.2
Growth in noninterest expenses (%)	8.4	13.5	0.4	13.2
New loan loss provisions/average customer loans	1.3	1.3	1.0	1.1
Gross nonperforming assets/customer loans*	4.2	4.6	3.8	5.8
Loan loss reserves/gross nonperforming assets*	312.9	263.0	302.0	210.8
Stable funding ratio	102.6	97.8	94.4	92.0
Broad liquid assets/short-term wholesale funding (x)	1.5	1.1	0.8	0.6

ZAR--South African rand. Source: S&P Global Ratings. *Gross nonperforming assets includes purchased and originated credit-impaired (POCI) loans.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Ratings On Eight South African Banks Raised Following Sovereign Upgrade; Outlooks Remain Positive, Nov. 18, 2025
- South Africa Foreign Currency Rating Raised To 'BB'; Local Currency Rating Raised To 'BB+'; Outlook Positive, Nov. 14, 2025
- Banking Industry Country Risk Assessment: South Africa, July 28, 2025
- Various Rating Actions Taken On South African Banks On Stable Real Estate Prices And Moderate Lending Growth, July 1, 2025

- South Africa Outlook Revised To Positive On Improved Reform And Growth Potential, Nov. 15, 2024

Regulatory Disclosure

Regulatory disclosures applicable to the most recent credit rating action can be found in "Ratings On Eight South African Banks Raised Following Sovereign Upgrade; Outlooks Remain Positive," published Nov. 18, 2025, on RatingsDirect.

Glossary

- Adjusted assets: Total assets less nonservicing intangibles.
- Adjusted common equity: Common shareholders' equity plus minority interest, minus dividends (not yet distributed), minus revaluation reserves, minus nonservicing intangibles, minus interest only strips, minus tax-loss carry forward, minus postretirement benefit adjustments.
- Asset quality: A key measure of the quality and performance of the assets of a bank.
- Capital and earnings: A measure of a bank's ability to absorb losses.
- Core deposits: Total deposits minus noncore deposits (such as deposits due to banks and certificates of deposits).
- Credit losses: Losses arising from credit risk.
- Credit loss provisions (including specific loan provisions and general and other provisions) minus recoveries, over average gross customer loans of current period and last fiscal year.
- Customer loans (gross): Total customer loans before loan loss reserves.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Earning capacity: The capacity of a bank to generate sufficient earnings against losses and the primary way that a bank builds or maintains its capitalization.
- Government-related entity (GRE) support: An assessment of the likelihood that the government would provide extraordinary support to a bank that is a government-related entity.
- Gross nonperforming assets over customer loans plus other real estate owned over customer loans: Nonaccrual loans, plus restructured loans, plus repossessed assets plus loans 90-days past due; over gross customer loans plus repossessed assets.
- Issuer credit rating: A forward-looking opinion about an obligor's overall creditworthiness, focusing on its capacity and willingness to meet its financial obligations in full as they come due.
- Loan loss reserves over gross nonperforming assets: General plus specific reserves, over adjusted nonperforming assets (nonaccrual loans plus restructured loans plus repossessed assets plus 90-day past due loans).

- Risk-adjusted capital (RAC) ratio before diversification: This is calculated according to S&P Global Ratings' methodology as total adjusted capital over risk-adjusted assets.
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.
- Total adjusted capital (TAC): Adjusted common equity plus admissible preferred instruments and hybrids.

Ratings Detail (as of November 26, 2025)*

Development Bank of Southern Africa Ltd.		
Issuer Credit Rating		
Foreign Currency		BB/Positive/B
Local Currency		BB+/Positive/B
Issuer Credit Ratings History		
18-Nov-2025	*Foreign Currency*	BB/Positive/B
20-Nov-2024		BB-/Positive/B
15-Mar-2023		BB-/Stable/B
01-Jun-2022		BB-/Positive/B
18-Nov-2025	*Local Currency*	BB+/Positive/B
20-Nov-2024		BB/Positive/B
15-Mar-2023		BB/Stable/B
01-Jun-2022		BB/Positive/B
Sovereign Rating		
South Africa		
Foreign Currency		BB/Positive/B
Local Currency		BB+/Positive/B
South Africa National Scale		zaAAA/--/zaA-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings’ credit ratings on the global scale are comparable across countries. S&P Global Ratings’ credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.