

# MOODY'S

## RATINGS

### Rating Action: Moody's Ratings upgrades DBSA's Issuer Rating to Ba2 from Ba3, outlook stable

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19 Feb 2026

London, February 19, 2026 -- Moody's Ratings (Moody's) has today upgraded the Corporate Family Rating (CFR) and long-term foreign-currency issuer rating of the Development Bank of Southern Africa (DBSA) to Ba2 from Ba3. The issuer outlook remains stable. At the same time, we have also upgraded DBSA's standalone assessment to ba3 from b1, and the long-term national scale Issuer rating to Aa2.za from Aa3.za. DBSA's NP short-term foreign-currency issuer rating and the P-1.za short-term national scale issuer rating have been affirmed.

#### RATINGS RATIONALE

The upgrade of DBSA's standalone assessment to ba3 from b1 reflects its improved funding and liquidity profile, sustainably strong capital buffers, and ability to maintain low levels of non-performing loans despite high asset risks and a still fragile operating environment. The assumption of a "high" probability of support from the Government of South Africa (Ba2 stable), which leads to one notch of uplift from the standalone assessment, remains unchanged, resulting in the upgrade of DBSA's CFR to Ba2. The support assumption reflects DBSA's 100% government ownership and its developmental mandate. DBSA's Ba2 long-term issuer rating is aligned with its Ba2 CFR and reflects the absence of structural subordination of senior unsecured obligations.

Today's rating action recognises DBSA's strong capital buffers, with the tangible common equity (TCE) to tangible managed assets ratio at 48.7% as of September 2025, which provides substantial loss absorption capacity as well as scope for future asset growth. DBSA has further strengthened its cash flow and liquidity management by broadening its funding sources, lengthening its debt maturity profile, and maintaining solid liquidity buffers that support the timely servicing of short term obligations. Improvements in the local capital market conditions have also allowed DBSA to privately place bonds at spreads that compare favourably with other State Owned Enterprises (SOEs). Nonetheless, its reliance on confidence sensitive market funding (30% of borrowings as of September 2025) exposes it to shifts in investor risk appetite.

Non-performing loans have dropped to 3.8% of gross loans as of September 2025, and historically moderate provisioning charges indicate limited realised losses.

Balance sheet provisions of 13.3% of gross loans – covering non-performing loans 3.5x – provide a meaningful cushion against potential asset quality deterioration even under more stressed conditions. Asset risks remain, however, elevated. DBSA faces significant single-name and sectoral concentration risk, with its 10 largest exposures accounting for around 54% of total loans as of March 2025. In line with its mandate, the bank carries sizeable exposures to SOEs and local municipalities, the latter representing roughly one third of the loan book as of September 2025. Recent government support for embattled SOEs offers some reassurance, as does the historically sound performance of the municipal portfolio (where large metropolitan municipalities comprise 87% of municipal exposures and bullet bonds are often backed by sinking funds) alongside DBSA's proactive management practices.

DBSA reported net income to average managed assets of 6.8% for the six months to September 2025, supported by solid income growth, low provisioning charges and robust cost control. However, new business generation and balance sheet expansion – critical given DBSA's reliance on net interest income – has been constrained by South Africa's still low economic growth and the limited supply of investible projects, reflecting delays in policy reforms. Recent developments in the rail and energy sectors are also encouraging, provided momentum is maintained.

The decision to upgrade the long-term national scale issuer rating of DBSA to Aa2.za from Aa3.za results from the upgrade of DBSA's long-term foreign-currency issuer rating to Ba2 from Ba3. The abovementioned challenges are captured in the Aa2.za long-term national scale issuer rating which is positioned at the bottom-end of the range for National Scale Ratings (NSR) mapped from a Ba2 long-term global scale issuer rating. Our NSRs are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks.

## OUTLOOK

The stable issuer outlook is aligned with the stable outlook on the sovereign rating, which informs our government support assumptions. The stable outlook further recognises that DBSA's strong capital buffers help cushion asset risks and pressures from a low growth environment.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on DBSA's ratings would require both a more robust operating and macro environment accompanied by a higher sovereign rating; and a significant reduction in credit concentrations and Stage 2 loans, as well as further strengthening of its funding profile.

Any weakening of the South African government's credit profile and/or willingness to support DBSA or any significant deterioration in its capacity to extend financial support, could negatively affect the ratings of DBSA. In addition, a weakening of the standalone assessment, driven by a deterioration in asset quality, liquidity and capital buffers, would also exert downward ratings pressure.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

DBSA's "Assigned Standalone Assessment" score of ba3 is set seven notches below the "Financial Profile" initial score of A2 to reflect the operating environment considerations, material asset risks, reliance on confidence-sensitive wholesale funding and earnings volatility.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in August 2022 entitled "Mapping National Scale Ratings from Global Scale Ratings Methodology". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1280297](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1280297).

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