DBSA returns to profitability with historic disbursement record

By Evan Pickworth

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The state-owned Development Bank of Southern Africa, which ran a loss of R826m in 2012-13, has returned to profitability with a historic disbursement record.

The bank said on Monday, 16 September, the disbursements supported key strategic infrastructure projects in SA and the Southern African Development Community (SADC) region.

A radical restructuring programme was implemented at the bank more than a year ago, which at the time led to an exodus of almost half its staff.

It has faced regular criticism for the failings of infrastructure development at municipal level as this is one of the major recipients of its funding. But its involvement in tourism projects - it invested in Sol Kerzner's One&Only hotel, for example - has also raised eyebrows.

High impairment rates on loans of more than 7% have been a persistent problem, but the bank improved this to 5.8% of the total loan book in the current period.

The bank reported net income of R787m for its 2013-14 financial year, following a loss of R826m in 2012-13. Record disbursements of R12.7bn trumped the R9 billion last year by 39%. Net profit of R787m was reported from the loss of R826m before.

Parliament expanded the bank's mandate into selected African countries outside the Sadc area this year. In 2013 a R7.9bn capital injection for the bank over a three-year period from April 2013 to March 2016 was approved by the Treasury.

"Following an extensive organisational restructuring, the bank returned to profitability. We focused on implementing and delivering our new strategy, thus accelerating the provision of finance to numerous social and economic sector projects.

"The bank also fast-tracked and increased efforts to assist the South African government to supply quality infrastructure directly to communities," said CE Patrick Dlamini.

Approvals for the year under review to metros amounted to R2.3bn, while R1.9bn was approved in favour of secondary and under-resourced municipalities. Total disbursements to municipalities were 33.3% higher than in 2012-13, with R1.7bn disbursed during the year.

The bank successfully launched infrastructure delivery division and completed 32 schools, 560 rural houses and 41 consulting rooms for doctors and refurbished 68 clinics during the period under review.

The bank grew total assets from R54.0bn to R63.8bn for the year under review. The disbursements enabled the bank to lift its infrastructure development assets by 17.8% from R47.1bn to R55.5bn.

Source: BDpro