DEVELOPMENT BANK OF SOUTHERN AFRICA

*Building Africa's Prosperity*

# 2019

**REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

**DEVELOPMENT BANK OF SOUTHERN AFRICA**

The reports and statements set out below comprise the condensed interim financial statements.

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DBSA

## DIRECTORS' RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

## FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

The Directors are responsible for the preparation, integrity and objectivity of the Interim Financial Statements, which fairly present the state of affairs of the Bank.

In preparing the Interim Financial Statements, the following have been adhered to:

- The Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act);
- The Public Finance Management Act No. 1 of 1999 (PFMA);
- International Financial Reporting Standards and the presentation requirements of IAS 34: Interim Financial Reporting; and
- Sections 27 to 31 of the Companies Act of South Africa, No 71 of 2008 being the relevant and corresponding sections of those specified in the DBSA Act.

To enable the directors to meet their financial reporting responsibilities:

- Management designed and implemented standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the Interim Financial Statements and to safeguard, verify and maintain the accountability of the Bank's assets;
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going- concern basis; and
- The Audit and Risk Committee as well as the internal auditors review the financial and internal control systems, accounting policies, reporting and disclosure.

Based on the information received from management and internal and external auditors, nothing has come to the attention of the directors to indicate a material breakdown in the systems of internal control during the interim period under review.

The directors have a reasonable expectation that the Bank has adequate resources to operate in the foreseeable future and have adopted the going-concern basis in preparing the Interim Financial Statements.

The Interim Financial Statements were approved by the Board of Directors on 21 November 2019 and are signed on its behalf by:

| | | |
|---|---|---|
| **Enoch Godongwana** | **Patrick Khulekani Dlamini** | **Martie Janse Van Rensburg** |
| Chairman of the Board | Chief Executive Officer | Chairperson of the Audit and Risk Committee |

## CONDENSED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2019

| in thousands of rands | Notes | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents at amortised cost | | 3 688 120 | 2 922 876 |
| Trade receivables and other assets | | 352 512 | 365 579 |
| Investment securities | | 1 907 895 | 1 880 502 |
| Derivative assets held for risk management purposes | | 648 852 | 713 304 |
| Other financial asset | | 43 133 | 43 732 |
| Equity investments held at fair value through profit or loss | 4 | 5 946 939 | 5 937 578 |
| Development bonds at amortised cost | | 1 290 545 | 1 290 179 |
| Development loans at amortised cost | 5 | 75 237 401 | 75 816 506 |
| Development loans at fair value through profit or loss | 6 | 21 627 | - |
| Property and equipment * | | 435 130 | 435 020 |
| Intangible assets | | 79 682 | 83 133 |
| **Total assets** | | 89 651 836 | **89 488 409** |
| | | | |
| **Equity and liabilities** | | | |
| **Liabilities** | | | |
| Trade, other payables and accrued interest on debt funding | 12 | 656 296 | 678 991 |
| Derivative liabilities held for risk management purposes | | 382 070 | 297 798 |
| Liability for funeral and post-retirement medical benefits | | 44 484 | 44 484 |
| Debt funding designated at fair value through profit and loss | 7 | 6 451 788 | 6 469 451 |
| Debt funding held at amortised cost | 8 | 44 087 857 | 44 516 190 |
| Provisions** | 13 | 80 961 | 309 010 |
| **Total liabilities** | | 51 703 456 | **52 315 924** |
| | | | |
| **Equity** | | | |
| Share capital | | 200 000 | 200 000 |
| Retained earnings | | 23 494 144 | 22 717 877 |
| Permanent government funding | | 11 692 344 | 11 692 344 |
| Other reserves | | 265 004 | 293 808 |
| Reserve for general loan risk | | 2 296 888 | 2 268 456 |
| **Total equity** | | 37 948 380 | **37 172 485** |
| **Total equity and liabilities** | | 89 651 836 | **89 488 409** |

*Property and equipment includes right of use assets.
**Provisions include lease liabilities

**DEVELOPMENT BANK OF SOUTHERN AFRICA**
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| in thousands of rands | Notes | 30 September 2019 6 Months Reviewed | 30 September 2018 6 Months Reviewed |
|---|---|---|---|
| **Interest** | | | |
| Interest income calculated using the (EIR)* | 15 | 4 016 996 | 4 139 582 |
| Other interest income* | 15 | 134 007 | 122 973 |
| Interest expense calculated using the (EIR)** | 16 | (1 687 975) | (1 725 766) |
| Other interest expense** | 16 | (289 411) | (285 623) |
| **Net interest income** | | 2 173 617 | **2 251 166** |
| | | | |
| Net fee income | 17 | 96 617 | 87 352 |
| Net foreign exchange gain | | 280 366 | 628 247 |
| Net (loss)\gain from financial assets and financial liabilities | | (104 742) | 289 614 |
| Investment and other income | | 40 710 | 40 381 |
| **Other operating income** | | 312 951 | **1 045 594** |
| | | | |
| **Operating income** | | 2 486 568 | **3 296 760** |
| Project preparation expenditure | | (25 592) | (2 417) |
| Development expenditure | | (22 515) | (1 640) |
| Expected credit losses on financial assets | 11 | (1 062 323) | ( 501 449) |
| Personnel expenses | | (409 445) | (380 602) |
| General and administration expenses | | (141 755) | (132 304) |
| Depreciation and amortisation | | (14 604) | (9 908) |
| **Profit from operations** | | 810 334 | 2 268 440 |
| Grants paid | | (5 427) | ( 8 129) |
| **Profit for the period** | | 804 907 | **2 260 311** |

*Interest income in the September 2018 interim results presented as a combined number of R4.2 billion, to align to September 2019 this number has been split between interest income using the effective interest rate (R4.1 billion) and other interest income of (R0.1 billion).

**Interest expense in the September 2018 interim results presented as a combined number of R2.0 billion, to align to September 2019 this number has been split between interest expense uisng the effective interest rate (R1.7 billion) and other interest expense of (R 0.3 billion ).

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
## FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| in thousands of rands | 30 September 2019<br>6 months<br>Reviewed | 30 September 2018<br>6 months<br>Reviewed |
|---|---|---|
| **Profit for the period** | 804 907 | 2 260 311 |
| **Items that will not be reclassified to profit and loss** | | |
| Movement due to changes in own credit risk on financial liabilities designated at FVTPL | (18 552) | (8 809) |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Unrealised loss on cash flow hedges | ( 63 420) | (170 491) |
| Loss on cash flow hedges reclassified to profit and loss | 53 167 | 88 822 |
| | ( 10 253) | ( 81 669) |
| **Other comprehensive loss** | ( 28 805) | ( 90 478) |
| **Total comprehensive income for the period** | 776 102 | 2 169 833 |

**DEVELOPMENT BANK OF SOUTHERN AFRICA**
**CONDENSED STATEMENT OF CHANGES IN EQUITY**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | | | Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| in thousands of rands | Share capital | Permanent government funding | Reserve for for general loan risk | Revaluation reserve on land and buildings | Cash flow hedge reserve | Own credit Risk reserve | Available for sale reserve | Total of other reserves | Retained earnings | Total equity |
| **Balance at 31 March 2018 (IAS 39)** | **200 000** | **11 692 344** | **2 611 976** | **183 809** | **151 883** | **-** | **8 094** | **343 786** | **19 472 969** | **34 321 075** |
| **Impact of adopting IFRS 9** | | | | | | | | | | |
| Increase in expected credit loss adjustment on development loans | | | | | | | | - | (202 774) | **(202 774)** |
| Increase in expected credit loss adjustment on loan commitments | | | | | | | | - | (3 377) | **(3 377)** |
| Reclassification of investments securities from available-for-sale to fair value through profit or loss/ gain was transferred to retained earnings | | | | | | | (8 094) | (8 094) | 8 094 | **-** |
| **Restated balance at 1 April 2018 (IFRS 9)** | **200 000** | **11 692 344** | **2 611 976** | **183 809** | **151 883** | **-** | **-** | **335 692** | **19 274 912** | **34 114 924** |
| **Net profit for the period** | | | | | | | | | 2 260 311 | **2 260 311** |
| **Other comprehensive income** | | | | | | | | | | |
| Unrealised loss on cash flow hedges | | | | | (179 300) | | | (179 300) | | **(179 300)** |
| Loss on cash flow hedges reclassified to profit or loss | | | | | 88 822 | | | 88 822 | - | **88 822** |
| Transfer from reserve to general loan risk | | | (431 082) | | | | | - | 431 082 | **-** |
| **Balance at 30 September 2018 - reviewed** | **200 000** | **11 692 344** | **2 180 894** | **183 809** | **61 405** | **-** | **-** | **245 214** | **21 966 305** | **36 284 757** |
| **Net profit for the period** | | | | | | | | | 836 384 | **836 384** |
| **Other comprehensive income/(loss)** | | | | | | | | - | | **-** |
| Unrealised gain on cash flow hedges | | | | | 35 954 | | | 35 954 | | **35 954** |
| Loss on cash flow hedges reclassified to profit and loss | | | | | 5 545 | | | 5 545 | | **5 545** |
| Gain on revaluation of land and buildings | | | | 19 947 | | | | 19 947 | | **19 947** |
| Transfer of own credit risk reserve from own credit risk reserve | | | | | (76 986) | 76 986 | | - | | **-** |
| Remeasurement of post employment benefit liability | | | | | | | | - | 2 750 | **2 750** |
| Movements due to changes in own credit risk | | | | | | (12 852) | | (12 852) | | **(12 852)** |
| Transfer to reserve for general loan risks | | | 87 562 | | | | | - | (87 562) | **-** |
| **Balance at 31 March 2019** | **200 000** | **11 692 344** | **2 268 456** | **203 756** | **25 918** | **64 134** | **-** | **293 808** | **22 717 877** | **37 172 485** |
| **IFRS 16 Impact** | - | - | - | - | - | - | - | - | (208) | (208) |
| **Balance at 1 April 2019** | 200 000 | 11 692 344 | 2 268 456 | 203 756 | 25 918 | 64 134 | - | 293 808 | 22 717 669 | 37 172 277 |
| **Net profit for the period** | | | | | | | | | 804 907 | 804 907 |
| **Other comprehensive income** | | | | | | | | | | |
| Unrealised loss on cash flow hedges | | | | | (63 420) | | | (63 420) | | (63 420) |
| Loss on cash flow hedges reclassified to profit and loss | | | | | 53 167 | | | 53 167 | | 53 167 |
| Movements in own credit risk | | | | | | (18 552) | | (18 552) | | (18 552) |
| Transfer to reserve for general loan risks | | | 28 432 | | | | | | (28 432) | - |
| **Balance at 30 September 2019** | 200 000 | 11 692 344 | 2 296 888 | 203 756 | 15 665 | 45 582 | - | 265 004 | 23 494 144 | 37 948 380 |

DEVELOPMENT BANK OF SOUTHERN AFRICA

## CONDENSED STATEMENT OF CASH FLOWS
## FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| in thousands of rands | 30 September 2019<br>6 months<br>Reviewed | 30 September 2018<br>6 months<br>Reviewed |
|---|---|---|
| Net cash generated from operating activities | 1 293 500 | 1 910 240 |
| Net cash generated from development activities | 258 710 | 3 819 424 |
| Net cash generated from/ (utilised by) investing activities | 463 948 | ( 2 829) |
| Net cash flows utilised in financing activities | ( 1 216 885) | ( 5 188 052) |
| Effect of exchange rate movement on cash balances | ( 34 028) | 49 442 |
| **Net increase in cash and cash equivalents** | 765 244 | **588 225** |
| Cash and cash equivalents at the beginning of the year | 2 922 876 | 3 741 853 |
| **Cash and cash equivalents at the end of the period** | 3 688 120 | **4 330 078** |

## 1 Statement of compliance

The reviewed condensed interim financial statements for the period have been prepared in compliance with International Accounting Standard 34: Interim Financial Reporting, the requirements of the PFMA and sections 27 to 31 of the Companies Act of South Africa (Act No 71 of 2008) being the relevant and corresponding sections specified in the DBSA Act and National Treasury Regulations. The first half year results for 2020 have not been audited, but have been independently reviewed by the Bank's external auditors.

## 2 Basis of preparation

Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2019, except for the adoption of IFRS 16: Leases. The condensed interim financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at fair value: land and buildings, post retirement medical benefit, financial instruments designated at fair value through profit or loss, financial instruments held at fair value through profit or loss and derivative financial instruments.

### 2.1 Significant accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

#### (a) Judgement

**Business model**

The classification and measurement of financial assets depends on the results of the solely payments of principal and interest (SPPI) and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the history for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

The classification depends on the Bank's business model for managing financial assets and the characteristics of the contractual cash flows of the financial assets as described below:

| Portfolio – Group of assets | Business model | Classification and measurement | Characteristics of cashflows |
|---|---|---|---|
| Cash and cash equivalents at amortised cost | To collect contractual cash flows | Amortised cost | Cashflows that are solely principal and interest |
| Investment securities | Held primarily for sale to manage liquidity needs | Fair value through profit or loss | |
| Development bonds at amortised cost | To collect contractual cash flows | Amortised cost | Cashflows that are solely principal and interest |
| Development loans at fair value through profit or loss | To collect contractual cash flows | Fair value through profit or loss | Cashflows that are not solely payment of principal and interest on the principal amounts outstanding |
| Trade receivables and other assets | To collect contractual cash flows | Amortised cost | Cashflows that are solely principal and interest |
| Derivative assets held for risk management purposes | Derivative asset held for risk management purposes | Fair value through profit or loss | |

The classification of financial liabilities depend on the Bank's business model for managing financial liabilities and the characteristics of the contractual cash flows of the financial liabilities as described below:

| Portfolio - Group of liabilities | Objective of portfolio | Classification and measurement |
|---|---|---|
| Debt funding designated at fair value through profit and loss | Forms part of the asset- liability management purpose | Fair value through profit or loss |
| Debt funding held at amortised cost | Forms part of the asset- liability management purpose | Held at amortised cost |
| Trade, other payables and accrued interest on debt funding | Sundry creditors – normal accruals for day-to-day operational expenses, accrued interest raised on financial market liabilities and amounts due to third-party managed funds | Held at amortised cost |
| Derivative liabilities held for risk management purposes | Derivative liabilites held for risk management purposes | Fair value through profit or loss |

#### (b) Assumptions and estimates

**(i) Going concern**

The Bank's management has made an assessment of its ability to continue as a going concern based on forecast information and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going-concern basis.

**(ii) Fair value**

When measuring fair-value, the Bank uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions, including assumptions about risk. The Bank uses a fair-value hierarchy that categorises assets and liabilities into three levels. The different levels are based on the degree to which the inputs to the fair-value measurements are observable and the significance of the inputs to the fair-value measurement. Where relevant inputs are not observable, inputs are developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability.

**(iii) Measurement of expected credit losses (ECL)**

Key assumptions in determining the impairment of financial assets:

- Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses.
- Forward-looking economic expectations are included in the ECL where adjustments are made based on the Bank's macroeconomic outlook, such as specific event risk, have been taken into account in ECL estimates.
- Establishing relative weightings of forward-looking information (best, base, and worst) for inclusion in the ECL calculation.

**(iv) Loan commitments**

To the extent that the amount of the expected credit losses on loan commitment exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the amount of the credit losses is presented as a provision. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an asset at an amount less than the amount advanced.

## 3 Adoption of New Standards

**IFRS 16: Leases**

IFRS 16: Leases, which replaced IAS 17: Leases, was applied effective from 1 January 2019. IFRS 16 applies to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38: Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41: Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38: Intangible Assets, which the Bank has decided to apply.

IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Lessees will be required to recognise both:
- A lease liability, measured at the present value of remaining cash flows on the lease, and
- A right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. There is a recognition exemption in IFRS 16 for leases with a term not exceeding 12 months, which allows the lessee to apply similar accounting as an operating lease under IAS 17.

The Bank applied IFRS 16 on a modified retrospective basis and did not restate comparatives as permitted by the standard. The Bank applied the following transition options available under the modified retrospective approach:
- To calculate the right of use of asset equal to the lease liability, adjusted for prepaid or accrued payments.
-To apply the recognition exception for leases with a term not exceeding 12 months.
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.
-The impact on adoption of IFRS 16 was an increase in property, equipment and leased assets of R7.2 million, and an increase in Provisions and other liabilities of R7.2 million. Refer to note 1 for the transitional impact of IFRS 16.

## 4 Amendment to IFRS 9: Financial Instruments

The IASB published Prepayment Features with Negative Compensation (amendments to IFRS 9) to address the concerns about how IFRS 9: Financial Instruments classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

Changes regarding symmetric prepayment options: Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

Clarification regarding the modification of financial liabilities: It clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may, therefore, become necessary if in the past the EIR was adjusted and not the amortised cost amount. There are no development loans or bonds with prepayment features with negative compensation. The Bank has no modified financial liabilities.

**These standards have been issued and have no impact on the Bank's Interim Financial Statements:**

- IFRS 17: Insurance Contract
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- IFRS 13: Business Combinations
- IFRS 11: Joint Arrangements
- IAS 12: Income Taxes
- IAS 23: Borrowings Costs
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

## 5 Significant accounting policies

### 5.1 Financial Instruments

Financial assets and financial liabilities are recognised on the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit and loss are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

**(a) Financial assets**

On initial recognition, the Bank classifies its financial assets into one of the following measurement categories at:
. amortised cost,
. fair value through profit and loss (FVTPL).

**(i) Financial assets at amortised cost**

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):
- held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at amortised cost using the EIR method. The financial assets at amortised cost include the following:
- Development loans;
- Development bonds;
- Cash and cash equivalents; and
- Trade receivables and other assets.

**(ii) Financial assets at fair value through profit or loss**

The classification of financial instruments at initial recognition depends on the characteristics of contractual cash flows and the business model for managing the instrument.
Debt instruments at FVTPL are:
- Assets with contractual cash flows that are not SPPI; and\or
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 9. These assets consist of other financial assets, equity investments, investment securities and derivatives.

**(b) Financial liabilities**

Financial liabilities are classified either as:
. held at fair value through profit or loss or
. amortised cost.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Bank's own credit risk is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

**Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as at fair value through profit and loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through profit and loss.

A financial liability is classified as held for trading if the Bank has designated financial liabilities at fair value through profit or loss in the following circumstances:
. it has been incurred principally for the purpose of repurchasing it in the near term; or
. on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
. it is a derivative that is not designated and effective as a hedging instrument.

**(iv) Amortised cost**

Financial liabilities at amortised cost includes loans and borrowings, trade and other payables. All other financial liabilities not designated at FVTPL are classified as financial liabilities held at amortised cost. These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the EIR method, of any difference between the initial amount recognised and the maturity amount.

**5.2 Impairment of development loans**

The Bank recognises expected credit losses on the following instruments:
. Financial assets held at amortized costs.
. Financial guarantees issued, and
. Loan commitments issued.

For the measurement of expected credit loss, the Bank applies a three-stage approach to the measuring expected credit loss (ECL) on debt instruments accounted for at amortized cost, financial guarantees and loan commitments.

**(a) Three stages**

Assets migrate through the following three stages based on the change in credit quality since initial recognition:

**Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that there are not credit impaired upon origination, the ECL associate for these financial assets is based on a 12 months ECL.

**Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but, that are not credit impaired, a lifetime ECL is recognised.

**Stage 3: Lifetime ECL - credit impaired**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

A financial asset that is credit impaired that has been renegotiated due to a deterioration in the borrower's condition that resulted in the derecognition of the financial asset and the recognition of a new financial asset, is usually considered to be credit-impaired at origination unless, there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Evidence that a financial asset is credit-impaired include observable data about the following events:
. Significant financial difficulty of the issuer or the borrower;
. A breach of contract, such as a default or past due event after considering the Bank exception rules;
. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
. It is becoming probable that the borrower will enter Bankruptcy or other financial reorganisation;
. The disappearance of an active market for that financial asset because of financial difficulties; or
. The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

**Purchase or originated credit impaired loan (POCI)**

For financial assets that are considered credit impaired on purchase or on origination, a lifetime ECL is recognised.
For purchased or originated credit-impaired financial assets, the Bank calculates credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset of its gross carrying amount and incorporates the impact of expected credit losses in the estimated future cash flows. On modification, a quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10%, the Bank deems the arrangement is substantially different leading to derecognition, an assessment is performed to determine whether the new asset is considered credit impaired on origination.

**Determining the stage for expected credit losses (ECL)**

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk of the financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

**b) Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:
• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
• Financial-guarantee contracts: generally, as a provision where a financial instrument includes both a drawn and an undrawn component;
• The Bank does not identify the ECL on the loan-commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components;
• The combined amount is presented as a deduction from the gross carrying amount of the drawn component; and
• Where the financial instrument only includes the undrawn loan commitment resulting in excess of the loss allowance over the gross amount of the drawn component, the impairment allowance is presented as a provision.

**5.3 Development loans**

**5.3.1 Development loans at amortised costs**

Development loans at amortised costs are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, development loans are measured at amortised cost or fair value through profit or loss. Development loans at amortised cost are measured using the effective interest method, less any allowance for expected credit losses

**5.3.2 Development loans at Fair value through profit or loss**

Development loans at fair value through profit or loss are initially recognised at fair value plus transaction costs . Subsequent to initial recognition, development loans at fair value through profit or loss are measured at fair value, with any changes in fair value recognised in profit or loss.

**5.4 Debt funding**

**Designated at fair value through profit and loss**

Debt securities issued and lines of credit are the Bank's sources of debt funding. Debt securities and lines of credit issued are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the EIR method, except where the Bank designates liabilities at FVTPL in which case it is measured at fair value with changes in fair value recognised in profit or loss. For the determination of the fair value.

**5.5 Contingent liabilities**

Transactions are classified as contingent when the Bank's obligations depend on uncertain future events not within the Bank's control.

**5.6 Loan commitments**

Loan commitments are recognised at the date that the Bank becomes a party to the irrevocable commitment (fixed commitment); at the date when all the conditions precedent (CPs) are met, and when the loan is at the implementation stage. We also assume this to be the date of origination of the loan. The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions.Provision is made for undrawn loan commitments to be provided at below market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an assets at an amount less than the amount advanced.

The Bank will recognise ECL on loan commitments. Refer to note 48 for the policy disclosure. ECLs arising from loan commitments are included within provisions; refer to note 17. Subsequently, they are measured at the higher of this amortised amount less the amount of ECL allowance.

**5.7 Financial guarantees**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payments when it is due, in accordance with the terms of a debt instrument.

**5.8 Related parties**

The Bank is a Schedule 2 public entity in terms of the PFMA and therefore falls within the national sphere of government. As a consequence, the Bank has a significant number of related parties that also fall within the national sphere of government. In addition, the Bank has a related party relationship with the directors and executive management. Unless specifically disclosed otherwise, these transactions are concluded on an arm's length basis and the Bank is able to transact with any entity.

The South African government, through National Treasury (the shareholder), is the parent of the Bank and exercises ultimate control.

**5.9 Events after the reporting date**

An event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue. Adjusting event: An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. Non-adjusting event: An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

## 5.10 Net Interest Income

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of comprehensive income using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair-value movement during the year.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit-impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any ECL allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit- impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs. For purchased or originated credit-impaired (POCI) financial assets, the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

ECL in the Bank's statement of profit or loss also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate-risk. For fair value hedges of interest rate risk interest income and expense, the effective portion of fair value changes of the designated derivatives as well as the fair value changes of the designated risk of the hedged item are also included in interest income and expense.

## 5.11 Hedge accounting

The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest-rate risk in fair-value hedges or cash-flow hedges. The Bank applies fair-value hedge accounting of portfolio hedges of interest-rate risk by using the exemption to continue with IAS 39: Financial instruments, hedge accounting rules for these portfolios hedges.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank assesses whether the following effectiveness requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument. Therefore, there must be an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction because of the common underlying or hedged risk. The Bank enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item. The Bank determines the hedge ratio by comparing the notional amount of the derivative with the principal of the debt issued or the loan granted. If the loan granted has an amortising principal the Bank enters into interest-rate swaps with an equivalent amortising notional amounts.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases, discontinuation may apply to only part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships, the Bank designates only the intrinsic value of options. In this case, the change in fair value attributable to the time value of money component of the option contract is deferred to the statement of other comprehensive income. Over the term of the hedge if the hedged item is time related, the amount of the original time value of the option that relates to the hedged item is amortised from equity to profit or loss on a rational basis (e.g. straight line) over the term of the hedging relationship. The change in fair value attributable to the time value of money component of the option contract is capitalised to the carrying amount of the hedge if the hedged item is not recognised on a time-accrual basis (transaction related) and reclassified back to the profit or loss when the option matures or is exercised.

## 5.12 Segment information

An operating segment is a distinguishable component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Executive Committee (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The Bank's operating segments and the compliance of the Bank's segment report to the reporting standards (IFRS) is reviewed yearly for any changes that might warrant updating the Bank's reportable segments.

## 5.13 Lease liabilities

The lease liability is Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Bank's incremental borrowing rate at the date of entering into the lease. For Variable lease payments fixed amounts are assumed and used in the calculation of the lease liability, the difference in the amounts assumed and the amounts paid are expensed in the statement of profit or loss. subsequent to initial recognition, the interest accrued is included in the balance of the lease liability and the repayments are reduced to the balance of the lease liability.

## 5.14 Right of use assets

The right of use asset is initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

The Bank applies the cost model subsequent to the initial measurement of the right of use assets.

### Depreciation on right of use assets:

Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the group at the end of the lease term, whereby the right of use assets are depreciated on a straightline basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.

### Termination of leases:

When the Bank or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. Any difference in the right of use asset and the lease liability is recognised in profit or loss on derecognition.

**1 New Standards**
**1.1 IFRS 16: Leases**

The Bank applied IFRS 16 on a modified retrospective basis and took the option not to restate comparative periods.

**1.2 Transition note - IFRS 16**

**(a) Impact on the condensed consolidated statement of financial position at 1 April 2019**

| In thousands of rands | Balance as at 31 March 2019 | IFRS 16 transition adjustment | Balance as at 1 April 2019 |
|---|---|---|---|
| Property and equipment * | 435 020 | 7 002 | 442 022 |
| **Total assets** | 435 020 | 7 002 | 442 022 |
| **Total equity and liabilities** | | | |
| Trade, other payables and accrued interest on debt funding | 678 991 | 3 314 | 682 305 |
| Provisions | 309 010 | 3 896 | 312 906 |
| **Total liabilities** | 988 001 | 7 210 | 995 211 |
| **Total retained earnings** | 22 717 877 | (208) | 22 717 669 |
| **Total equity and liabilities** | 23 705 878 | 7 002 | 23 712 880 |

**(b) Impact on the condensed statement of comprehensive income at 30 September 2019 as aresult of adoption of IFRS 16: leases**

| In thousands of rands | Movement as at 1 April 2019 |
|---|---|
| Increase in depreciation charge for the period | 1 705 |
| increase in interest expense | 275 |
| **Total for the period** | 1 980 |

* R1.7 million was paid to the Bank's lessors during the current period as a result of lease agreements.

**(C) Reconciliation of IFRS 16 impact reported in March 2019 annual financial statements to actual amountscalculated on 1 April 2019:**

| | |
|---|---|
| Expected IFRS 16 transition impact | 7 210 |
| Actual transition impact | (7 210) |
| | - |

## 2 Financial Assets by category

30 September 2019

| in thousands of rands | At amortised cost | FVTPL | Total carrying amount | Fair value |
|---|---|---|---|---|
| Cash and cash equivalents at amortised cost | 3 688 120 | - | 3 688 120 | 3 688 120 |
| Trade receivables and other assets | 352 512 | - | 352 512 | 352 512 |
| Investment securities | - | 1 907 895 | 1 907 895 | 1 907 895 |
| Derivative assets held for risk management purposes | - | 648 852 | 648 852 | 648 852 |
| Other financial asset | - | 43 133 | 43 133 | 43 133 |
| Equity investments held at fair value through profit or loss | | 5 946 939 | 5 946 939 | 5 946 939 |
| Development bonds at amortised cost | 1 290 545 | - | 1 290 545 | 1 248 198 |
| Development loans at fair value through profit or loss | - | 21 627 | 21 627 | 21 627 |
| Development loans at amortised cost | 75 237 401 | - | 75 237 401 | 88 049 386 |
| | 80 568 578 | 8 568 446 | 89 137 024 | 101 906 662 |

| In thousands of rands | Level 1 category | Level 2 category | Level 3 category | Total |
|---|---|---|---|---|
| **Financial assets held at fair value** | | | | |
| Investment securities* | 591 567 | 1 316 328 | - | 1 907 895 |
| Derivative assets held for risk management purposes | - | 648 852 | - | 648 852 |
| Other financial asset | - | 43 133 | - | 43 133 |
| Equity investments held at fair value through profit or loss | - | 3 809 563 | 2 137 376 | 5 946 939 |
| Development loans at fair value through profit or loss | - | - | 21 627 | 21 627 |
| | 591 567 | 5 817 876 | 2 159 003 | 8 568 446 |
| **Financial assets held at amortised cost for which fair values are disclosed** | | | | |
| Cash and cash equivalents at amortised cost | - | 3 688 120 | - | 3 688 120 |
| Trade receivables and other assets | - | - | 352 512 | 352 512 |
| Development bonds at amortised cost | | 1 248 198 | - | 1 248 198 |
| Development loans at amortised cost | - | - | 88 049 386 | 88 049 386 |
| | - | 4 936 318 | 88 401 898 | 93 338 216 |
| **Total fair value of financial assets** | 591 567 | 10 754 194 | 90 560 901 | 101 906 662 |

*Derivative assets held for risk management and investmentsecurities are mandatorily held at FVTPL.

31 March 2019

| in thousands of rands | At amortised cost | FVTPL | Total carrying amount | Fair value |
|---|---|---|---|---|
| Cash and cash equivalents at amortised cost | 2 922 876 | - | 2 922 876 | 2 922 876 |
| Trade receivables and other assets | 152 617 | - | 152 617 | 152 617 |
| Investment securities | - | 1 880 502 | 1 880 502 | 1 880 502 |
| Derivative assets held for risk management purposes | - | 713 304 | 713 304 | 713 304 |
| Other financial asset | - | 43 732 | 43 732 | 43 732 |
| Equity investments held at fair value through profit or loss | - | 5 937 578 | 5 937 578 | 5 937 578 |
| Development bonds at amortised cost | 1 290 179 | - | 1 290 179 | 1 227 075 |
| Development loans at amortised cost | 75 816 506 | - | 75 816 506 | 86 423 383 |
| | 80 182 178 | 8 575 116 | 88 757 294 | 99 301 067 |

| In thousands of rands | Level 1 category | Level 2 category | Level 3 category | Total |
|---|---|---|---|---|
| **Financial assets held at fair value** | | | | |
| Investment securities* | 586 507 | 1 293 995 | - | 1 880 502 |
| Derivative assets held for risk management purposes | - | 713 304 | - | 713 304 |
| Other financial asset | - | 43 732 | - | 43 732 |
| Equity investments held at fair value through profit or loss | - | 3 715 782 | 2 221 796 | 5 937 578 |
| | 586 507 | 5 766 813 | 2 221 796 | 8 575 116 |
| **Financial assets held at amortised cost for which fair values are disclosed** | | | | |
| Cash and cash equivalents at amortised cost | - | 2 922 876 | - | 2 922 876 |
| Trade receivables and other assets | - | - | 152 617 | 152 617 |
| Development bonds at amortised cost | - | 1 227 075 | - | 1 227 075 |
| Development loans at amortised cost | - | - | 86 423 383 | 86 423 383 |
| | - | 4 149 951 | 86 576 000 | 90 725 951 |
| **Total fair value of financial assets** | 586 507 | 9 916 764 | 88 797 796 | 99 301 067 |

*Derivative assets held for risk management and investmentsecurities are mandatorily held at FVTPL.

3 Financial liabilities by category

30 September 2019

| In thousands of rands | At amortised cost | FVTPL | Total carrying amount | Fair value |
|---|---|---|---|---|
| Derivative liabilities held for risk management purposes | - | 382 070 | 382 070 | 382 070 |
| Trade, other payables and accrued interest on debt funding | 529 716 | - | 529 716 | 529 716 |
| Debt funding designated at FVTPL | - | 6 451 788 | 6 451 788 | 6 451 788 |
| Debt funding held at amortised cost | 44 087 857 | - | 44 087 857 | 46 741 232 |
| | 44 617 573 | 6 833 858 | 51 451 431 | 54 104 806 |

| In thousands of rands | Level 1 category | Level 2 category | Level 3 category | Total |
|---|---|---|---|---|
| **Financial liabilities held at fairvalue** | | | | |
| Debt funding designated at FVTPL | - | 6 451 788 | - | 6 451 788 |
| Derivative liabilities held for risk management purposes* | - | 382 070 | - | 382 070 |
| | - | 6 833 858 | - | 6 833 858 |
| **Financial liabilities held at amortised cost for which fair values are disclosed** | | | | |
| Trade, other payables and accrued interest on debt funding | - | 405 698 | 124 018 | 529 716 |
| Debt funding held at amortised cost | - | 46 741 232 | - | 46 741 232 |
| | - | 47 146 930 | 124 018 | 47 270 948 |
| **Total fair value of financial liabilities** | - | 53 980 788 | 124 018 | 54 104 806 |

*Derivative liabilities held for risk management purposes are mandatorily held at FVTPL.

31 March 2019

| In thousands of rands | At amortised cost | FVTPL | Total carrying amount | Fair value |
|---|---|---|---|---|
| Derivative liabilities held for risk management purposes | - | 297 798 | 297 798 | 297 798 |
| Trade, other payables and accrued interest on debt funding | 483 264 | - | 483 264 | 483 264 |
| Debt funding designated at FVTPL | - | 6 469 451 | 6 469 451 | 6 469 451 |
| Debt funding held at amortised cost | 44 516 190 | - | 44 516 190 | 46 905 569 |
| | 44 999 454 | 6 767 249 | 51 766 703 | 54 156 082 |

| In thousands of rands | Level 1 category | Level 2 category | Level 3 category | Total |
|---|---|---|---|---|
| **Financial liabilities held at fairvalue** | | | | |
| Debt funding designated at FVTPL | - | 6 469 451 | - | 6 469 451 |
| Derivative assets held for risk management purposes | - | 297 798 | - | 297 798 |
| | - | 6 767 249 | - | 6 767 249 |
| **Financial liabilities held at amortised cost for which fair values are disclosed** | | | | |
| Trade, other payables and accrued interest on debt funding | - | 363 447 | 119 817 | 483 264 |
| Debt funding held at amortised cost | - | 46 905 569 | - | 46 905 569 |
| | - | 47 269 016 | 119 817 | 47 388 833 |
| **Total fair value of financial liabilities** | - | 54 036 265 | 119 817 | 54 156 082 |

| In thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **4 Equity Investments** | | |
| Equity investments held at fair value through profit or loss | 5 946 939 | 5 937 578 |
| Equity investments held at FVTPL consist of direct equity in ordinary shares and third-party managed private equity funds | | |
| **Cost** | | |
| Balance at beginning of the Period/Year | 3 999 701 | 4 160 421 |
| Acquisitions | 32 330 | 143 102 |
| Capital return | (73 456) | (303 822) |
| **Balance at end of the Period/Year** | 3 958 576 | 3 999 701 |
| **Fair value adjustment** | | |
| Balance at beginning of the Period/Year | 651 902 | 588 425 |
| Current period fair value adjustments | (68 718) | 41 457 |
| Realised capital gain | - | 22 020 |
| **Balance at end of the Period/Year** | 583 184 | 651 902 |
| **Foreign exchange adjustments** | | |
| Balance at beginning of the Period/Year | 1 285 975 | 786 505 |
| Unrealised gain | 112 977 | 473 606 |
| Realised gain | 6 228 | 25 864 |
| **Balance at end of the Period/Year** | 1 405 179 | 1 285 975 |
| **Fair value at the end of the Period/Year** | 5 946 939 | 5 937 578 |

| in thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **5 Development loans at amortised cost** | | |
| **5.1 Analysis of development loans** | | |
| Balance at the beginning of the Period/Year | 82 373 780 | 79 870 646 |
| Movements during the period | 760 316 | 2 503 134 |
| Upfront fees integral to development loans | (429 280) | (361 530) |
| Gross development loans | 82 704 816 | **82 012 250** |
| Provision for ECLs on development loans | (7 467 415) | (6 195 744) |
| **Net development loans at the end of the Period/Year** | 75 237 401 | **75 816 506** |
| **5.2 Movements during the Period/Year:** | | |
| Loans disbursed - current period | 3 564 822 | 8 807 786 |
| Interest accrued -effective interest rate | 3 885 325 | 7 725 762 |
| Contractual interest on stage 3 | 158 358 | 230 957 |
| Development loans written off | (188 994) | (258 568) |
| Foreign exchange - adjustment | 834 438 | 3 504 589 |
| Gross repayments | (7 521 889) | (17 646 146) |
| Fees raised - current period | 28 256 | 142 639 |
| Transfer adjustments | - | (3 885) |
| **Movements for the Period/Year** | 760 316 | **2 503 134** |
| **5.3 Provision for ECLs on development loans reconciliation** | | |
| **Balance at the beginning of the year** | 6 195 744 | **4 823 167** |
| IFRS 9 Transition adjustments | - | 202 774 |
| **Restated balance at the beginning of the Period/Year** | 6 195 744 | **5 025 941** |
| Impairment of current period interest | 158 358 | 230 957 |
| Loans written off during the period | (188 994) | (258 568) |
| ECL charge | 1 302 307 | **1 197 414** |
| Stage 3 | 991 223 | 333 357 |
| Stage 1 and 2 | 311 084 | 864 057 |
| **Balance at the end of Period/Year** | 7 467 415 | **6 195 744** |

| in thousands of rands | 30 September 2019 Reviewed | 30 September 2018 Reviewed |
|---|---|---|
| **5.4 Analysis of impairment charge** | | |
| Stage 3 ECL | 991 223 | 245 119 |
| Stage 1 ECL | (65 195) | 45 728 |
| Stage 2 ECL | 376 279 | 200 330 |
| **Balance at the end of the Period/Year (refer to note 11)** | 1 302 307 | **491 177** |

**5.5 Reconciliation of the net carrying amount of development loans at amortised cost**

| in thousands of rands | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross carrying amount as at 1 April 2019** | 48 396 664 | 29 604 173 | 4 011 413 | 82 012 250 |
| Transfer from Stage 1 to Stage 2 | (2 031 655) | 2 031 655 | - | - |
| Transfer from Stage 2 to stage 3 | - | (1 612 550) | 1 612 550 | - |
| Transfer from Stage 2 to stage 1 | 35 011 | (35 011) | - | - |
| Transfer from Stage 3 to stage 2 | - | 4 927 | (4 927) | - |
| New disbursements | 3 404 200 | 160 622 | - | 3 564 822 |
| Financial assets derecognised during the period other than write-offs | - | - | - | - |
| Repayments | (5 273 308) | (1 973 640) | (274 941) | (7 521 889) |
| Interest capitalised during the period | 2 326 943 | 1 447 136 | 111 246 | 3 885 325 |
| Contractual interest on stage 3 loans | - | - | 158 358 | 158 358 |
| Write-offs | - | - | (188 994) | (188 994) |
| Foreign exchange movements | 293 897 | 419 916 | 120 625 | 834 438 |
| Fees | 15 925 | 1 888 | 10 443 | 28 256 |
| Movement in fees that are integral to the loan | (21 063) | (39 902) | (6 785) | (67 750) |
| **Gross carrying amount as at 30 September 2019** | 47 146 614 | 30 009 214 | 5 548 989 | 82 704 816 |
| Less provision for ECLs | (132 751) | (3 664 886) | (3 669 778) | (7 467 415) |
| **Balance at 30 September 2019** | 47 013 862 | 26 344 328 | 1 879 211 | 75 237 401 |

31 March 2019

| in thousands of rands | Stage 1 | Amortised cost<br>Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross carrying amount as at 1 April 2018** | 47 435 432 | 28 840 103 | 3 595 111 | 79 870 646 |
| Transfer from Stage 1 to Stage 2 | (2 579 521) | 2 579 521 | - | - |
| Transfer from Stage 2 to stage 3 | - | (371 930) | 371 930 | - |
| Transfer from Stage 2 to stage 1 | 2 299 738 | (2 299 738) | - | - |
| New disbursement | 8 807 786 | - | - | 8 807 786 |
| Repayments | (13 228 960) | (4 022 969) | (394 217) | (17 646 146) |
| Interest capitilised during the period | 4 629 159 | 2 967 951 | 128 652 | 7 725 762 |
| Contractual interest on stage 3 loans | - | - | 230 957 | 230 957 |
| Write-offs | - | - | (258 568) | (258 568) |
| Foreign exchange movements | 1 283 811 | 1 885 762 | 335 016 | 3 504 589 |
| Fees | 130 546 | 9 025 | 3 068 | 142 639 |
| Other transfers | (1 815) | - | (2 070) | (3 885) |
| Movement in fees that are integral to loan | (379 512) | 16 448 | 1 534 | (361 530) |
| **Gross carrying amount as at 31 March 2019** | **48 396 664** | **29 604 173** | **4 011 413** | **82 012 250** |
| Expected credit losses | (197 946) | (3 288 607) | (2 709 191) | (6 195 744) |
| **Balance at the end of the Period/Year** | **48 198 718** | **26 315 566** | **1 302 222** | **75 816 506** |

*The total amount of undiscounted ECLs at initial recognition for purchased or credit impaired development loans recognised during the period amounted to Rnil.
Development loans modified in the prior year did not result in derecognition of development loans. Modified development loans remained within the same stage.

| in thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **5.6 Maximum exposure to loss** | | |
| **Development loans at amortised cost receivable net of ECLs** | | |
| Stage 1 loans | 47 146 614 | 48 396 664 |
| Stage 2 loans | 30 009 214 | 29 604 173 |
| Stage 3 loans | 5 548 989 | 4 011 413 |
| Loss allowance | (7 467 415) | (6 195 744) |
| **Development loans at amortised cost receivable net of expected loss** | 75 237 401 | **75 816 506** |

| in thousands of rands | 30 September 2019 Reviewed | 30 September 2018 Reviewed |
|---|---|---|
| **5.7 Impairment releases charges, claims and recoveries on development loans at amortised cost** | | |
| Net impairments raised to the statement of comprehensive income ( refer to note 11) | 1 302 307 | 491 177 |

**5.8 Reconciliation of expected credit losses on development loans at amortised cost**

| in thousands of rand | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Opening balance as at 1 April 2019** | 197 946 | 3 288 607 | 2 709 191 | 6 195 744 |
| Transfer from Stage 1 to Stage 2 | (13 063) | 58 305 | - | 45 242 |
| Transfer from Stage 2 to Stage 3 | - | (306 473) | 903 205 | 596 732 |
| Transfer from Stage 3 to Stage 2 | - | 757 | (1 211) | (454) |
| Transfer from Stage 2 to Stage 1 | 16 | (502) | - | (486) |
| New disbursement | 390 | - | - | 390 |
| Repayments | (339) | (91) | (21) | (451) |
| Impairment of interest | - | - | 158 358 | 158 358 |
| Write-offs | - | - | (188 994) | (188 994) |
| Foreign exchange movements | 1 478 | 60 083 | 61 715 | 123 276 |
| Subsequent Changes in ECL due to changes in risk parameters (PD's,LGD's and EAD) | (53 677) | 564 200 | 27 535 | 538 058 |
| **Balance at the end of 30 September 2019** | 132 751 | 3 664 886 | 3 669 778 | 7 467 415 |

| in thousands of rands | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Balance at 1 April 2018 (IAS 39)** | 397 650 | 2 024 748 | 2 400 769 | 4 823 167 |
| IFRS 9 adjustment | (182 102) | 382 200 | 2 676 | 202 774 |
| **Restated balance as at 1 April 2018 (IFRS 9)** | **215 548** | **2 406 948** | **2 403 445** | **5 025 941** |
| Transfer from Stage 1 to Stage 2 | (58 080) | 482 006 | - | 423 926 |
| Transfer from Stage 2 to Stage 3 | - | (93 138) | 273 885 | 180 747 |
| Transfer from Stage 2 to Stage 1 | 47 701 | (304 377) | - | (256 676) |
| New disbursement | 8 985 | - | - | 8 985 |
| Repayments | (750) | (2 281) | (4 806) | (7 837) |
| Modification of contractual cash flows of financial assets | | 206 891 | | 206 891 |
| Impairment of interest | - | - | 230 957 | 230 957 |
| Write-offs | | | (258 568) | (258 568) |
| Foreign exchange movements | 14 088 | 189 532 | 260 080 | 463 700 |
| Subsequent Changes in ECL due to changes in risk parameters (PD's,LGD's and EAD) | (29 546) | 403 026 | (195 802) | 177 678 |
| **Expected credit losses allowance as at the end of the year** | **197 946** | **3 288 607** | **2 709 191** | **6 195 744** |

*Modifications in the prior year did not lead to derecognition of development loans.

| in thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **6 Development loans at fair value through profit or loss** | | |
| Balance at the beginning of the Period/Year | - | - |
| Movements during the period | 32 609 | - |
| Gross development loans at fair value through profit or loss | 32 609 | - |
| Fair value adjustments | (10 982) | - |
| **Net development loans at fair value through profit or loss** | 21 627 | - |
| | | |
| **Movements during the Period/Year:** | | |
| Loans disbursed - current period | 29 693 | - |
| Interest accrued | 2 086 | - |
| Foreign exchange - adjustment | 830 | - |
| **Movements for the Period/Year** | 32 609 | - |
| | | |
| **7 Debt funding designated at FVTPL** | | |
| **Reconciliation of debt funding at FVTPL** | | |
| Balance at beginning of the Period/Year | 6 469 451 | 6 473 055 |
| Premiums/discounts | 17 901 | 32 900 |
| Fair Value Movements | 265 366 | 565 355 |
| Interest Repayments | (300 930) | (601 859) |
| **Balance at the end of the Period/Year** | 6 451 788 | **6 469 451** |
| Debt funding at FVTPL consists of listed DV bonds. | | |
| | | |
| **8 Debt funding held at amortised cost** | | |
| Debt funding | 28 576 218 | 28 666 528 |
| Lines of credit | 15 511 639 | 15 849 662 |
| **Balance per statement of financial position** | 44 087 857 | **44 516 190** |
| Accrued interest | 405 698 | 363 447 |
| **Balance at the end of the year including accrued interest** | 44 493 555 | **44 879 637** |
| | | |
| **Reconciliation of debt funding at amortised cost** | | |
| Balance at beginning of the Period/Year | 44 516 190 | 47 040 916 |
| Capital raised | 9 796 210 | 13 102 081 |
| Capital repaid | (10 982 183) | (18 618 727) |
| Premiums/discounts | 155 132 | 285 165 |
| Forex adjustments | 602 508 | 2 706 755 |
| Accrued interest (refer to note 12) | 405 698 | 363 447 |
| **Balance at the end of the Period/Year including accrued interest** | 44 493 555 | **44 879 637** |

**9 Fair value hierarchy disclosures**

The Bank measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

Level 1

Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's-length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes capital-market assets, listed-equity investments and debt securities.

Level 2

Financial instruments valued using inputs other than quoted prices as described above for level 1 but that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted price for similar assets or liabilities in inactive markets;
- Quoted price for identical or similar assets or liabilities in inactive markets;
- Valuation model using observable inputs; and
- Valuation model using inputs derived from or corroborated by observable market data.

This category includes deposits, derivatives, unlisted equity investments and debt securities.

Level 3

Valuations are based on unobservable inputs. Financial instruments valued using discounted cash-flow analysis. This category includes only unlisted equity investments.

The table below shows the fair value hierarchy of the Bank's financial assets and financial liabilities.

| In thousand of rands | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| **Financial assets at fair value through profit and loss** | | | | |
| Development loans at fair value through profit or loss | - | - | 21 627 | 21 627 |
| Investment securities | 591 567 | 1 316 328 | - | 1 907 895 |
| Derivative assets held for risk management | - | 648 852 | - | 648 852 |
| Other financial asset | - | 43 133 | - | 43 133 |
| Equity investments held at fair value through profit or loss | - | 3 809 563 | 2 137 376 | 5 946 939 |
| **Financial assets held at amortised cost for which fair values are disclosed** | | | | |
| Cash and cash equivalents at amortised cost | - | 3 688 120 | - | 3 688 120 |
| Trade receivables and other assets | - | - | 352 512 | 352 512 |
| Development bonds at amortised cost | | 1 248 198 | - | 1 248 198 |
| Development loans at amortised cost | - | - | 88 049 386 | 88 049 386 |
| **Total financial assets** | 591 567 | 10 754 194 | 90 560 901 | 101 906 662 |
| **Financial liabilities designated at fair value through profit and loss** | | | | |
| Derivative liabilities held for risk management | - | 382 070 | - | 382 070 |
| Debt funding designated at FVTPL | - | 6 451 788 | - | 6 451 788 |
| | - | 6 833 858 | - | 6 833 858 |
| **Financial liabilities held at amortised cost for which fair values are disclosed** | | | | |
| Debt funding held at amortised cost | - | 46 741 232 | | 46 741 232 |
| Trade, other payables and accrued interest on debt funding | - | 405 698 | 124 018 | 529 716 |
| **Total financial liabilities** | - | 53 980 788 | 124 018 | 54 104 806 |
| **March 2019** | | | | |
| **Financial assets at fair value through profit and loss** | | | | |
| Investment securities | 586 507 | 1 293 995 | - | 1 880 502 |
| Derivative assets held for risk management purposes | - | 713 304 | - | 713 304 |
| Other financial asset | - | 43 732 | - | 43 732 |
| Equity investments held at fair value through profit or loss | - | 3 715 782 | 2 221 796 | 5 937 578 |
| **Financial assets held at amortised cost for which fair values are disclosed** | | | | |
| Cash and cash equivalents at amortised cost | - | 2 922 876 | - | 2 922 876 |
| Trade receivables and other assets | - | - | 152 617 | 152 617 |
| Development bonds at amortised cost | - | 1 227 075 | - | 1 227 075 |
| Development loans at amortised cost | - | - | 86 423 383 | 86 423 383 |
| **Total financial assets** | 586 507 | 9 916 764 | 88 797 796 | 99 301 067 |
| **Financial liabilities designated at fair value through profit and loss** | | | | |
| Derivative liabilities held for risk management purposes | - | 297 798 | - | 297 798 |
| Debt funding designated at FVTPL | - | 6 469 451 | - | 6 469 451 |
| **Financial liabilities held at amortised cost for which fair values are disclosed** | | | | |
| Trade, other payables and accrued interest on debt funding | - | 363 447 | 119 817 | 483 264 |
| Debt funding held at amortised cost | - | 46 905 569 | - | 46 905 569 |
| **Total financial liabilities** | - | 54 036 265 | 119 817 | 54 156 082 |

| In thousand of rands | 30 September 2019 Transfers from level 1 to level 2 | 31 March 2019 Transfers from level 1 to level 2 |
|---|---|---|
| **Assets** | | |
| Investment securities | - | 1 293 995 |
| Development bonds | - | 1 227 075 |
| **Total assets** | - | 2 521 070 |
| **Liabilities** | | |
| Debt funding designated at FVTPL | - | 6 469 451 |
| Debt funding held at amortised cost | - | 23 387 778 |
| **Total liabilities** | - | 29 857 229 |

The Bank's assesses each item for which fair value is disclosed at each reporting date and discloses transfers between levels should the assessment result in a change in level. Municipal bonds, State owned entity bonds and funding: debt securities were transferred from level 1 to level 2 during the year due to the volume or level of activity close to measurement date not supporting a level 1 fair value classification.

| In thousand of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **Balance at the beginning of the Period/Year** | 2 221 796 | 2 343 219 |
| Decrease in fair value of equity investments | (84 420) | ( 121 423) |
| Balance at the end of the Period/Year | 2 137 376 | 2 221 796 |

The table below shows the fair value hierarchy and valuation techniques used to determine their fair values:

| In thousand of rands | 30 September 2019 Fair value | 30 September 2019 Fair value hierarchy | 31 March 2019 Fair value | 31 March 2019 Fair value hierarchy |
|---|---|---|---|---|
| **Financial Instruments** | | | | |
| **Financial assets** | | | | |
| Derivative assets held for risk management | 648 852 | 2 | 713 304 | 2 |
| Development loans at fair value through profit or loss | 21 627 | 3 | - | |
| Investment securities | 1 907 895 | 1 and 2 | 1 880 502 | 1 and 2 |
| Equity investments held at fair value through profit or loss | 5 946 939 | 2 and 3 | 5 937 578 | 2 and 3 |
| Other financial asset | 43 133 | 2 | 43 732 | 2 |
| **Total financial assets** | 8 568 446 | | 8 575 116 | |
| **Financial liabilities** | | | | |
| Derivative liabilities held for risk management | 382 070 | 2 | 297 798 | 2 |
| Debt funding designated at FVTPL | 6 451 788 | 2 | 6 469 451 | 2 |
| **Total financial liabilities** | 6 833 858 | | 6 767 249 | |

**Valuation techniques used to determine fair value**

**(a) Derivatives**

Include discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Input includes independently sourced market parameters (interest rate yield curves, equities and commodities prices, option volatilities and currency rates).

**(b) Investment securities**

Market observable bond prices from the interest rate market of the JSE Securities Exchange interest rate market.

**(c) Equity investments**

**(i)Valuation techniques for direct equity in ordinary shares**

If the market for a financial instrument is not quoted, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length exchange motivated by normal business considerations. The Bank uses valuation techniques that include price of recent investments, if available, discounted cash flow analysis based on free cash flows, earnings or dividends using a market-related adjusted discount rate, long-term valuation (rule of thumb price earnings growth (PEG)), and option pricing models. The Bank ensures that these valuation techniques optimise the use of market inputs and rely as little as possible on entity-specific inputs, incorporate all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments. In accordance with the best investment and valuation practice, a marketability and other discount is applied to direct equity investments. The guidelines provides that marketability and other discount in the range 10% to 30% should be factored into the valuation. Different factors are considered in setting the marketability and other discount and it is possible for the marketability and other discount for a particular instrument to be outside the guideline range.

**(ii) Valuation techniques for third party managed private equity**

Private equity funds are valued by fund managers periodically in accordance with international private equity and venture capital valuation guidelines. These guidelines have taken consideration of IFRS and set out recommendations that represent current best practice on the valuation of a private equity and venture capital investments. The guidelines also set out the valuation methodologies that may be considered for use in estimating the fair value of underlying businesses and unquoted instruments in a private equity fund, namely price of recent investment, earnings multiple, discounted cash flows or earnings (of underlying businesses), discounted cash flows (from the investment) and industry valuation benchmarks. The guidelines also provide that in the case of unquoted equity investments, marketability and other discounts in the range 10% to 30% should be factored into the valuation. Different factors are considered in setting the marketability discounts and it is possible for the marketability discount for a particular instrument to be outside the guideline range.

**(d) Other financial asset**

The fair value of other financial asset is based on the listed market price.

**(e) Development loans at fair value through profit or loss**

The Bank uses present value technique, which is an application of the income approach to calculate the fair value of the development loans. Valuations under the income approach, such as present value techniques converts expected future amounts to a single present amount. The Bank uses discount rate adjustment present value technique, which attempts to capture all the risk associated with the item being measured in the discount rate and is most commonly used to value assets and liabilities with contractual payments such as debt instruments. The discount rate is used to calculate the present value of cash flows. The valuation excludes non-performing loans due to cash flow being uncertain.

**(f) Debt funding designated at FVTPL**

Market-observable bond prices from the interest-rate market of the Johannesburg Securities Exchange. No adjustments are made to observable prices.

| In thousand of rands | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **10 Development loans commitments** | | | | |
| **Reconciliation of development loan commitments carrying amounts** | | | | |
| **30 September 2019** | | | | |
| **Balance at the beginning of the Period/Year** | 7 463 250 | 593 772 | 435 745 | 8 492 767 |
| New loan commitments issued | 2 972 438 | - | - | 2 972 438 |
| Transfer from stage 1 to stage 2 | (872 499) | 872 499 | - | 0 |
| Disbursements | (3 433 894) | (160 622) | - | (3 594 516) |
| Withdrawals | (2 781 576) | (593 772) | - | (3 375 348) |
| Foreign exchange gains | 5 438 | - | 19 572 | 25 010 |
| **Balance at the end of the 30 september 2019** | 3 353 157 | 711 877 | 455 317 | 4 520 352 |
| **31 March 2019** | | | | |
| **Balance at the beginning of the Period/Year** | 7 295 957 | - | - | 7 295 957 |
| New loan commitments issued | 11 710 113 | - | - | 11 710 113 |
| Transfer from stage 1 to stage 2 | (514 227) | 514 227 | | 0 |
| Transfer from stage 1 to stage 3 | (435 512) | - | 435 512 | - |
| Disbursements | (8 807 363) | - | - | (8 807 363) |
| Withdrawals | (1 861 812) | - | - | (1 861 812) |
| Foreign exchange movements | 76 094 | 79 545 | 233 | 155 872 |
| **Balance at the end of the Period/Year** | **7 463 250** | **593 772** | **435 745** | **8 492 767** |
| **Reconciliation of Provision for ECL on commitments** | | | | |
| **30 September 2019** | | | | |
| **Opening balance as at 1 April 2019** | 1 933 | 244 085 | - | 246 018 |
| Transfer from stage 1 to stage 2 | (170) | 51 | - | (119) |
| New loan commitments | 1 827 | - | - | 1 827 |
| Foreign exchange movements | 8 | - | - | 8 |
| Subsequent Changes in ECL due to changes in risk parameters (PD's,LGD's and EAD) | (330) | (244 085) | - | (244 415) |
| **Expected credit losses allowance as at 30 September 2019** | 3 268 | 51 | - | 3 319 |
| **31 March 2019** | | | | |
| **Balance at 1 April 2018 (IAS 39)** | - | - | - | - |
| IFRS 9 Adjustments | 3 377 | - | - | 3 377 |
| **Restated balance as at 1 April 2018 - IFRS 9** | **3 377** | - | - | **3 377** |
| New loan commitments | | 244 085 | - | **244 085** |
| Foreign exchange movements | 16 | | | **16** |
| Subsequent changes in ECL due to changes in risk parameters (PD's,LGD's and EAD) | (1 460) | | | **(1 460)** |
| **Balance at the end of the Period/Year** | **1 933** | **244 085** | - | **246 018** |

| In thousands of rands | 30 September 2019 Reviewed | 30 September 2018 Reviewed |
|---|---|---|
| **11 ECL recognised for the period** | | |
| Trade receivables and other assets | 2 833 | 565 |
| Development loans at amortised cost | 1 302 307 | 491 177 |
| Development bonds at amortised cost | ( 118) | ( 123) |
| Loan commitments | ( 242 699) | 9 830 |
| | 1 062 323 | **501 449** |
| **Impairment releases/(charges), claims and recoveries** | | |
| Net impairments raised to the statement of comprehensive income | 1 062 323 | **501 449** |

| In thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **12 Trade, other payables and accrued interest on debt funding** | | |
| **Financial liabilities** | | |
| Accrued interest (financial market liabilities – amortised cost) | 405 698 | 363 447 |
| Deferred income | 15 751 | 16 179 |
| Trade payables | 108 267 | 103 638 |
| **Balance at the end of the Period/Year** | 529 716 | 483 264 |
| Non-financial liabilities | 126 580 | 195 727 |
| **Balance at the end of the Period/Year** | 656 296 | **678 991** |

## 13 Provisions

30 September 2019

| In thousands of rands | Opening balance | Current Period/Year provision | Utilised during the Period/Year | Closing balance |
|---|---|---|---|---|
| Development expenditure | 62 992 | 16 778 | (4 284) | 75 486 |
| Provision for expected losses on loan commitments | 246 018 | - | (242 699) | 3 319 |
| | 309 010 | 16 778 | (246 983) | 78 805 |

| In thousands of rands | Opening balance | Addition | Current period interest | Repayments | Current portion | Closing balance |
|---|---|---|---|---|---|---|
| Lease liability | - | 7 233 | 275 | (2 043) | (3 309) | 2156 |
| | - | 7 233 | 275 | (2 043) | (3 309) | 2 156 |

| | |
|---|---|
| **Total Provision and lease liabilities** | 80 961 |

31 March 2019

| In thousands of rands | Opening balance | Current Period/Year provision | Utilised during the Period/Year | IFRS 9 adjustement | Closing balance |
|---|---|---|---|---|---|
| Development expenditure | 66 640 | 5 358 | (9 006) | - | 62 992 |
| Provision for expected losses on loan commitments | - | 242 641 | - | 3 377 | 246 018 |
| | 66 640 | 247 999 | (9 006) | 3 377 | 309 010 |

## 14 Condensed Segmental Information

| In thousands of rands | 30 September 2019 Reviewed | 30 September 2018 Reviewed |
|---|---|---|
| **Total Interest Income** | | |
| RSA Municipalities | 1 423 803 | 1 410 107 |
| RSA Economic and Social | 1 758 611 | 1 723 344 |
| Rest of Africa | 710 261 | 900 015 |
| Infrastructure Delivery | - | - |
| Treasury | 258 328 | 229 089 |
| All other * | - | - |
| **Total DBSA** | 4 151 003 | 4 262 555 |
| **Profit/(loss) for the period** | | |
| RSA Municipalities | 485 740 | 575 524 |
| RSA Economic and Social | 592 753 | 912 981 |
| Rest of Africa | ( 592 953) | 365 962 |
| Infrastructure Delivery | 3 436 | ( 3 211) |
| Treasury | 381 921 | 738 648 |
| All other * | ( 65 990) | ( 329 593) |
| **Total DBSA** | 804 907 | 2 260 311 |

| In thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **Total assets** | | |
| RSA Municipalities | 28 232 189 | 27 908 786 |
| RSA Economic and Social | 35 255 886 | 35 244 023 |
| Rest of Africa | 19 014 355 | 19 893 391 |
| Infrastructure Delivery | 176 115 | 186 885 |
| Treasury | 6 373 365 | 5 690 160 |
| All other * | 599 926 | 565 164 |
| **Total DBSA** | 89 651 836 | 89 488 409 |
| **Total liabilities** | | |
| RSA Municipalities | 17 153 209 | 15 075 081 |
| RSA Economic and Social | 23 653 923 | 21 285 673 |
| Rest of Africa | 11 700 889 | 10 167 588 |
| Infrastructure Delivery | 143 980 | 158 186 |
| Treasury | (1 422 430) | 1 386 259 |
| All other * | 473 885 | 4 243 137 |
| **Total DBSA** | 51 703 456 | 52 315 924 |

All revenue is derived from external customers and there are no inter-segmental revenues.
*All other includes Project preparation, Agencies and Corporate assets.

| In thousands of rands | 30 September 2019 Reviewed | 30 September 2018 Reviewed |
|---|---|---|
| **15 Interest income** | | |
| **Interest income calculated using the EIR** | | |
| Cash and cash equivalents | 138 244 | 124 020 |
| Development bonds | 61 177 | 61 177 |
| Interest income on development loans | 3 817 575 | 3 954 385 |
| Amortisation of upfront fees | ( 67 750) | 35 179 |
| Development loans | 3 885 325 | 3 919 206 |
| **Total interest income calculated using the EIR** | 4 016 996 | 4 139 582 |
| **Interest received on financial assets held at FVTPL** | | |
| Derivative assets held for risk management purposes | 33 913 | 36 807 |
| Development loans at fair value through profit or loss | 2 086 | - |
| Equity investments – interest received from mezzanine instruments | 11 836 | 17 904 |
| Investment securities | 86 172 | 68 262 |
| **Total other interest income** | 134 007 | 122 973 |
| **Total interest income** | 4 151 003 | 4 262 555 |
| **16 Interest expense** | | |
| Interest expense on financial liabilities calculated using the EIR | | |
| Bank and other payables* | 6 258 | 4 343 |
| Debt funding held at amortised cost | 1 681 717 | 1 721 423 |
| **Total interest expense on financial liabilities calculated using the EIR** | 1 687 975 | 1 725 766 |
| Derivative liabilities held for risk management purposes | (31 382) | (33 390) |
| Funding: debt securities at FVTPL | 320 793 | 319 013 |
| **Total other interest expense** | 289 411 | 285 623 |
| **Total interest expense** | 1 977 386 | 2 011 389 |
| **Net interest expense** | 2 173 617 | 2 251 166 |

*Bank and other payables include interest relating to lease liabilities.

| | | |
|---|---|---|
| **17 Net fee income** | | |
| **Gross fee income** | | |
| Lending fees | 24 239 | 48 649 |
| Management fees | 97 626 | 71 555 |
| Non-lending fees | 1 472 | 1 729 |
| **Total fee income** | 123 337 | 121 933 |
| **Gross fee expense** | | |
| Fees on funding | 5 938 | 13 623 |
| Guarantee fees | 19 951 | 20 958 |
| Other fees | 831 | - |
| **Total fee expense** | 26 720 | 34 581 |
| **Net Fee income** | 96 617 | 87 352 |

**Lending fees**

Lending fees are fees that are earned in funding transactions that are not an integral part of the loan and therefore do not form part of the EIR calculation of the loan. The fees are recognised when the performance obligation is completed.

**Management fees**

Management fees refer to fees earned by the Bank for acting as an implementing agent. The fees are earned for implementing the client's mandate as per the agreement between the Bank and the client. The fees are earned based on the stage of completion of the project.

**Non-lending fees**

The fees relate to non-lending services provided to customers and are recognised when the service obligation is completed.

**18 Related parties**

DBSA is one of the 21 Schedule 2 major public entities in terms of the PFMA and therefore falls within the national sphere of government. As a consequence, the Bank has a significant number of related parties that also fall within the national sphere of government. In addition, the Bank has a related party relationship with the directors and executive management. Unless specifically disclosed otherwise, these transactions are concluded on an arm's length basis and the Bank is able to transact with any entity. The South African government, through the Ministry of Finance, is the parent of the Bank and exercises ultimate control.

| In thousands of rands | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **19 Commitments** | | |
| Development loan commitments | 4 520 352 | 8 492 767 |
| Development expenditure | 16 167 | 66 642 |
| Project preparation expenditure | 224 674 | 81 031 |
| Equity investments commitments | 763 147 | 786 410 |
| Capital commitments | 125 204 | 125 204 |
| **Gross commitments** | 5 649 544 | **9 552 055** |
| Provision for ECLs | ( 3 319) | (246 018) |
| **Net commitments at the end of the Period/Year** | 5 646 225 | **9 306 037** |

**20 Contingencies**

**Contingent liabilities**

The Bank operates in a legal and regulatory environment that exposes it to litigation risks. As a result, it is involved in disputes and legal proceedings which arise in the ordinary course of the business. The Bank does not expect the ultimate resolution of any of the proceedings to have a significant adverse effect on its' financial position. These claims cannot be reasonably estimated at this time.

| | 30 September 2019 Reviewed | 31 March 2019 Audited |
|---|---|---|
| **Guarantees** | | |
| The Bank has approved and issued guarantees on behalf of borrowers amounting to: | - | - |
| **21 Irregular, fruitless and wasteful expenditure** | | |
| **21.1 Fruitless and wasteful expenditure** | - | - |
| **Details of fruitless and wasteful expenditure** | | |
| Interest on late payments | - | - |
| Lost foreign currency | - | - |
| Missed flights | 37 | - |
| | 37 | - |
| **21.2 Irregular expenditure** | | |
| **Balance at the beginning of the Period/Year** | 394 | - |
| Incurred in the current Period/Year | - | 394 |
| Condoned | - | - |
| Removed | - | - |
| **Balance at the end of the Period/Year*** | 394 | **394** |
| In the process of condonation* | | |

**22 Events after the reporting period**

There were no adjusting events that occurred after the reporting date.

**23 Independent review by auditors**

These condensed interim financial statements have been reviewed by Auditor General of the Republic of South Africa who expressed a conclusion on the condensed interim financial statements. A copy of the auditor's review conclusions is available for inspection at the registered office of the Bank.

## Abbreviations and acronyms

| | |
|---|---|
| **ALCO** | Asset and Liability Management Committee |
| **CP** | Condition Precedent |
| **DBSA** | Development Bank of Southern Africa |
| **EAD** | Exposure at default |
| **ECL** | Expected credit loss |
| **EIR** | Effective interest rate |
| **EUR** | Euro |
| **FVTPL** | Fair value through profit or loss |
| **IAS** | International Accounting Standard |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International Financial Reporting Standards |
| **LGD** | Loss given default |
| **PD** | Probability of default |
| **PEG** | Price earnings growth |
| **PFMA** | Public Finance Management Act |
| **POCI** | Purchased or originated credit impaired loans |
| **ROU** | Right of use |
| **RSA** | Republic of South Africa |
| **SPPI** | Solely Payment of Principal and Interest |
| **USD** | United States Dollar |
| **ZAR** | South African Rand |