DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022

RESILIENCE • RECOVERY

DEVELOPMENT BANK OF SOUTHERN AFRICA

The reports and statements set out below comprise the Condensed Interim Financial Statements.

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CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

The executive directors, whose names are stated below, hereby confirm that:

a) The Condensed Interim Financial Statements set out on pages 5 to 71, fairly present in all material respects the financial position, financial performance and cash flows of the Bank in terms of IFRS;

b) No facts have been omitted or untrue statements furnished that would make the Condensed Interim Financial Statements false or misleading;

c) Internal financial controls have been put in place to ensure that material information relating to the Bank has been provided to effectively prepare the Condensed Interim Financial Statements; and

d) The internal financial controls are adequate and effective and can be relied upon in compiling the Condensed Interim Financial Statements.

Patrick Khulekani Dlamini
Chief Executive Officer

Boitumelo Mosako
Chief Financial Officer

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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

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

» The Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act);
» International Financial Reporting Standards (IFRS) and the presentation requirements of IAS 34: Interim Financial Reporting;
» 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; and
» JSE Debt Listings Requirements.

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 Condensed 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;
» The Audit and Risk Committee reviews the financial and internal control systems, accounting policies and disclosures; and
» Internal Audit reviews the financial and internal controls during the period.

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 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 Condensed Interim Financial Statements.

The Condensed Interim Financial Statements that appear on pages 5 to 71 were approved by the Board of Directors on 30 November 2022 and are signed on its behalf by:

Professor M Swilling	**Patrick Khulekani Dlamini**	**Martie Janse Van Rensburg**
Chairman of the Board	**Chief Executive Officer**	**Chairman of the Audit and Risk Committee**

in thousands of rands	Notes	30 September 2022 Reviewed	31 March 2022 Audited
Assets			
Cash and cash equivalents at amortised cost		9 101 199	7 990 108
Trade receivables and other assets		336 946	259 293
Investment securities		436 350	444 287
Derivative assets held for risk management purposes		493 688	458 243
Other financial asset		38 091	43 067
Development loans held at fair value through profit or loss	5	24 332	19 309
Equity investments held at fair value through profit or loss	6	5 230 246	4 976 507
Development bonds at amortised cost	8	2 160 232	1 151 903
Development loans at amortised cost	9	89 761 289	84 177 054
Property, equipment and right of use of assets		463 913	444 847
Intangible assets		64 763	63 423
Total assets		**108 111 049**	**100 028 041**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	10	980 624	890 743
Derivative liabilities held for risk management purposes		938 056	34 240
Liability for funeral and post-employment medical benefits		48 529	48 529
Debt funding designated at fair value through profit or loss	12	676	688
Debt funding held at amortised cost	13	60 014 890	55 535 354
Provisions and lease liabilities	11	164 399	91 795
Deferred income	14	527 069	515 667
Total liabilities		**62 674 243**	**57 117 016**
Equity			
Share capital		200 000	200 000
Retained income		31 445 958	28 881 710
Permanent government funding		11 692 344	11 692 344
Other reserves		30 396	281 800
Reserve for general loan risk		2 068 108	1 855 171
Total equity		**45 436 806**	**42 911 025**
Total equity and liabilities		**108 111 049**	**100 028 041**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

in thousands of rands	Notes	30 September 2022 6 Months Reviewed	30 September 2021 6 Months Reviewed
Interest income			
Interest income calculated using the effective interest rate	15	4 994 435	4 360 292
Other interest income	15	136 882	91 418
Interest expense			
Interest expense calculated using the effective interest rate	16	(1 845 028)	(1 505 245)
Other interest expense	16	(2 261)	(62 590)
Net interest income	16	3 284 028	**2 883 875**
Net fee income	17	124 684	139 565
Net foreign exchange gain		825 514	179 087
Net (loss)/gain from financial assets and financial liabilities		(147 958)	67 606
Investment and other income		70 893	36 511
Other operating income		873 133	**422 769**
Operating income		4 157 161	**3 306 644**
Project preparation expenditure		(9 956)	(30 459)
Development expenditure		(34 928)	(30 149)
Impairment losses	18	(555 851)	(394 667)
Personnel expenses		(460 805)	(450 015)
General and administration expenses		(301 916)	(138 868)
Depreciation and amortisation		(15 281)	(18 261)
Profit from operations		2 778 424	**2 244 225**
Grants paid		(1 239)	(9 640)
Profit for the period		2 777 185	**2 234 585**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

in thousands of rands	30 September 2022 6 Months Reviewed	30 September 2021 6 Months Reviewed
Profit for the period	2 777 185	2 234 585
Items that will not be reclassified to profit or loss		
Movements in own credit risk for funding held at FVTPL	(6)	(4 643)
Items that may be reclassified subsequently to profit or loss		
Unrealised loss on cash flow hedges	(703 263)	(83 679)
Loss on cash flow hedges reclassified to profit or loss	451 865	36 783
	(251 398)	(46 896)
Other comprehensive loss	(251 404)	(51 539)
Total comprehensive income for the period	2 525 781	2 183 046

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

				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	Total of other reserves	Retained income	Total equity
Balance as at 1 April 2021 (audited)	**200 000**	**11 692 344**	**2 545 939**	**182 434**	**129 046**	**34 437**	**345 917**	**24 366 254**	**39 150 454**
Net profit for the period							-	2 234 585	2 234 585
Other comprehensive income/(loss)									
Movements in own credit risk for funding held at FVTPL						(4 643)	(4 643)		(4 643)
Unrealised loss on cash flow hedges					(83 679)		(83 679)		(83 679)
Loss on cash flow hedges reclassified to profit or loss					36 783		36 783		36 783
Transfer to general loan risk reserve			19 084				-	(19 084)	-
Total changes	**-**	**-**	**19 084**	**-**	**(46 896)**	**(4 643)**	**(51 539)**	**2 215 501**	**2 183 046**
Balance as at 30 September 2021 - reviewed	**200 000**	**11 692 344**	**2 565 023**	**182 434**	**82 150**	**29 794**	**294 378**	**26 581 755**	**41 333 500**
Net profit for the period							-	1 590 572	1 590 572
Other comprehensive income/(loss)									
Movements in own credit risk for funding held at FVTPL						(29 781)	(29 781)		(29 781)
Remeasurement of funeral and post employment benefit liabilities							-	(469)	(469)
Unrealised gain on cash flow hedges					24 440		24 440		24 440
Gain on cash flow hedges reclassified to profit or loss					(7 237)		(7 237)		(7 237)
Transfer from general loan risk reserve			(709 852)				-	709 852	-
Total changes	**-**	**-**	**(709 852)**	**-**	**17 203**	**(29 781)**	**(12 578)**	**2 299 955**	**1 577 525**
Balance as at 31 March 2022 (audited)	**200 000**	**11 692 344**	**1 855 171**	**182 434**	**99 353**	**13**	**281 800**	**28 881 710**	**42 911 025**
Net profit for the period								**2 777 185**	**2 777 185**
Other comprehensive income/(loss)									**-**
Movements in own credit risk for funding held at FVTPL						**(6)**	**(6)**		**(6)**
Unrealised loss on cash flow hedges					**(703 263)**		**(703 263)**		**(703 263)**
Loss on cash flow hedges reclassified to profit or loss					**451 865**		**451 865**		**451 865**
Transfer to general loan risk reserve			**212 937**				**-**	**(212 937)**	**-**
Total changes	**-**	**-**	**212 937**	**-**	**(251 398)**	**(6)**	**(251 404)**	**2 564 248**	**2 525 781**
Balance as at 30 September 2022 reviewed	**200 000**	**11 692 344**	**2 068 108**	**182 434**	**(152 045)**	**7**	**30 396**	**31 445 958**	**45 436 806**

** Total of other reserves comprises revaluation reserve on land and buildings, cash flow hedge reserve and own credit risk reserve.*

in thousands of rands	Note	30 September 2022 6 Months Reviewed	30 September 2021 6 Months Reviewed
Cash flows from operating activities			
Net profit adjusted for non-cash items and items separately disclosed	19	(668 818)	(24 688)
Interest received		3 936 412	4 077 661
Interest paid		(1 476 957)	(1 365 405)
Dividends received		14 932	5 473
Net cash generated from operating activities		**1 805 569**	**2 693 041**
Cash flows from development activities			
Development loan disbursements		(4 479 875)	(6 937 460)
Development loan principal repayments		4 696 815	4 481 495
Equity investments disbursements		(24 296)	(111 366)
Equity investments repayments		272 116	81 167
Development bonds purchased		(1 000 000)	-
Grants, development and project preparation expenditure paid		(11 195)	(40 099)
Increase/(decrease) in deferred income		11 402	(340)
(Increase)/decrease in advances to National Mandates		(85 358)	8 588
Net cash used in development activities		**(620 391)**	**(2 518 015)**
Net cash generated from operating and development activities		**1 185 178**	**175 026**
Cash flows from investing activities			
Purchase of property and equipment		(18 972)	(30 727)
Purchase of intangible assets		(11 798)	(2 449)
Disposal of financial market instruments		7 525	6 664
Net cash utilised by investing activities		**(23 245)**	**(26 512)**
Cash flows from financing activities			
Gross financial market liabilities repaid		(2 203 393)	(6 142 616)
Gross financial market liabilities raised		1 860 000	3 737 219
Net cash utilised by financing activities		**(343 393)**	**(2 405 397)**
Net increase/(decrease) in cash and cash equivalents		**818 540**	**(2 256 883)**
Effect of exchange rate movements on cash balances		292 551	(53 726)
Movement in cash and cash equivalents		**1 111 091**	**(2 310 609)**
Cash and cash equivalents at the beginning of the year		7 990 108	8 978 608
Cash and cash equivalents at the end of the period		**9 101 199**	**6 667 999**

1. STATEMENT OF COMPLIANCE

The reviewed Condensed Interim Financial Statements for the period have been prepared in compliance with International Financial Reporting Standards (IFRS) and the presentation requirements of IAS 34: Interim Financial Reporting; 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 the JSE Debt Listings Requirements. The reviewed Condensed Interim Financial Statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual financial statements. The first half year results for 2022/23 financial period have not been audited, but have been independently reviewed by the Bank's external auditors.

1.1 Basis of preparation

1.1.1 Basis of measurement

The Condensed Interim Financial Statements are separate financial statements prepared on the historical cost basis, except for the following items which were measured at fair value:

» Financial instruments held at fair value through profit or loss;
» Financial instruments designated at fair value through profit or loss;
» Derivative financial instruments;
» Equity investments; and
» Land and buildings.

Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2022. The preparation of the Condensed 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.

1.1.2 Significant accounting judgements, estimates and assumptions

The preparation of the Condensed Interim Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The notes to the Condensed Interim Financial Statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Bank. These policies have been consistently applied to all the years presented, unless otherwise stated.

The application of the Bank's accounting policies requires the use of judgements, estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Bank.

Assumptions made at each reporting date are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies which are most sensitive to the use of judgement, estimates and assumptions are specified in (a) judgements and (b) assumptions and estimates below:

(a) Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the Condensed Interim Financial Statements:

(i) Business model

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 their performance 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 profit or loss 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. If the business model for the remaining assets is not appropriate or if there is a change in business model, a prospective change to the classification of those assets will take place.

(ii) Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of assets as well as in estimating expected credit losses. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to note 7 for more details on fair value measurement.

(iii) Identification of substantial modifications

When financial instruments measured at amortised cost are restructured, reorganised or otherwise altered in a manner consistent with the definition of a modification, each such modification is evaluated to determine whether or not it results in a substantial modification.

In deciding whether or not a modification is substantial, on occasion the application of judgement may be required in those instances where it may not be patently obvious that the restructured loan is substantially different to the original loan. In such cases judgement is applied in evaluating the impact, both quantitative and qualitative, of changes to the instrument, taken both separately and in aggregate. Judgement is applied in the evaluation of the nature and extent of changes between the initial and modified instruments as well as the impact of such changes, in order to determine whether such changes indicate a fundamental alteration of either the DBSA or borrower's legal rights and/or obligations.

(b) Assumptions and estimation

Information about assumptions and estimation applied that have significant risks of resulting in a material adjustment is detailed below:

(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.

The Condensed Interim Financial Statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Bank has reasonable belief that there are adequate resources to continue as a going concern for the foreseeable future, based on forecasts and available cash resources. The Bank has assessed the impact of COVID-19 on the Bank's ability to continue as a going concern. The Bank has concluded that there are no material uncertainties that could cast significant doubt over it's ability to continue as a going concern.

The Bank continues to monitor the COVID-19 pandemic impact on impairments, pricing and profitability to ensure that the Bank remains financially and operationally sustainable. The Bank has continued to be successful in raising funding from international development finance institutions as well as international and local commercial banks and asset managers. Refer to note 20 for further disclosures on COVID-19.

(ii) 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 ECLs.

» 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.

(iii) Valuation of equity investments

Fair value measurement

The objective of fair value measurement is to estimate the price at which asset can be sold or a liability transferred in an orderly transaction between market participants at the measurement date, considering current market conditions. Fair value measurements considers the following among other factors:

» The particular asset that is being measured (considered as the appropriate unit of account).

» The most advantageous market for the asset.

» The most appropriate valuation technique for measurement, considering the availability of market-observable inputs and assumptions.

Significant management judgement is applied in the determination of the selection of the appropriate valuation technique, fair value and fair value hierarchy assessments. Such manage judgement is applied taking into account the following context:

» whether the necessary criteria for identification of a 'market' have been met;

» whether the market identified is active or inactive, in terms of volume and frequency of activity;

» identification of the principal market (being that market with the highest greatest volume and level of activity for the relevant instrument);

» considering whether the principal market is in fact the appropriate and most advantageous market to be utilised;

» in the absence of an active market, selection of the appropriate valuation technique(s) to be applied to each investment to determine a fair value estimate;

» where valuation techniques are used, evaluating the observability of each valuation input, in the context of the public availability of such information, considering relevant jurisdictional considerations and the assessment of the relative weight that market participants would use when pricing the instrument; and

» where valuation techniques are used, assessing the (relative) significance of each particular valuation input to the entire measurement, considering factors specific to the instrument being valued.

Fair value measurements of individual instruments are categorised within Level 1, 2 or 3 of the fair value hierarchy based on the assessed observability of the lowest level input that is significant to the entire measurement. In making the determination as to the relative significance of inputs to the entire measurement of any particular asset, the DBSA considers the (relative) impact of each valuation input and the sensitivity of the fair value measurement to changes in such valuation inputs.

Inputs and valuation techniques – Listed equities

Where equity investments comprise holdings in publicly listed entities, fair value is determined using unadjusted prices quoted (from an exchange, broker, or pricing service, as applicable) in active markets for identical assets or liabilities, where this is readily available, and the price represents actual and regularly occurring market transactions. If such information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Inputs and valuation techniques – Unlisted equities

Where equity investments comprise holdings in unlisted entities (i.e. private-equity investments), fair value is determined using appropriate valuation methodologies. The selection of the appropriate methodology is based on management judgement taken in the context of the nature and structure of the investment and may include an analysis of the investee entity's financial performance and/or position, risk profile and prospects, asset/enterprise value analysis, recent transactions for identical/similar instruments.

The fair value of unlisted direct investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cash flow analysis, net-asset-value calculations, and directors' valuations. In some cases, the underlying investments of the unlisted funds included listed investments on regulated markets. Investments in private equity funds are valued by fund managers periodically in accordance with international private equity and venture capital valuation guidelines. These guidelines take into consideration the prescripts of IFRS and set out recommendations that represent current best practice on the valuation of a private equity and venture capital investments. The guidelines 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 prices of recent investment, earnings multiples, discounted cash flows or earnings (of underlying businesses), discounted cash flows (from the investment) and industry valuation benchmarks.

Valuation adjustments

In determining the fair value estimate and the appropriate fair value hierarchy of each instrument, management applies judgement in considering the necessity and impact of any adjustments to fair value estimates derived using valuation techniques. The impact of such valuation adjustments is intended to be representative of the premia or discounts which market participants would reasonably be expected to apply in determining a fair market price. Such valuation adjustments may be applied for several reasons including but not limited to:

» Liquidity risk adjustment;
» Control premium or discount;
» Prudence valuation adjustment;
» Generic risk adjustment; and
» Specific risk premium or discount.

Where such valuation adjustments are required, management applies judgement when determining the relative significance of the valuation adjustment to the entire fair value measurement and not only the magnitude of the discount (in percentage terms) when assessing whether the adjustment impacts the fair value hierarchy, in accordance with internal policy. However, in those instances where the valuation discount is the most significant input to the entire measurement the DBSA applies the following policy guidelines for fair value hierarchy determination:

Approved policy range regarding percentage adjustments to fair value	Fair value hierarchy level
0% to 10%	Level 1
10% to 20%	Level 2
Greater than 20%	Level 3

As indicated above, the DBSA's policy provides for discounts ranging from 0% to 30% with no discounts applied to listed instruments. This policy is supported by the periodic sensitivity analysis conducted on the relevant portfolio.

(iv) Debt securities

Debt securities that are designated at fair value through profit or loss consist of bonds which are listed. At initial recognition of the debt securities, the fair value is estimated to be the purchase price. Fair values of debt securities are estimated using market observable prices from the JSE Limited. In determining the changes in fair value of debt securities designated at fair value through profit or loss that is due to changes in the Bank's own credit risk, judgement is used in determining which portion of the change in spread is due to credit risk.

Debt securities held at amortised cost consists of bonds, floating notes, commercial paper and bridging bonds. At initial recognition of the debt securities, the fair value is estimated to be the purchase price less transaction costs.

(v) Investment securities

Fair value of investment securities is estimated using market observable prices from the JSE.

(vi) Derivative and hedge accounting

In measuring the fair value of the derivatives the Bank takes into account credit value adjustments (CVA) and debit value adjustments (DVA). CVA and DVA adjustments include adjustments for the credit risk of the derivative counterparty (CVA) as well as the Bank's own credit risk (DVA). The CVA/DVA model methodology captures the exposure at default and capital charges using Basel 3 standardised approach for counterparty credit risk model and capital charge is used as a proxy for CVA/DVA adjustments and this methodology is appropriate for small banks with relatively smaller derivative portfolios.

(vii) Loan commitments

To the extent that the amount of the ECL 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.

(viii) Loan restructures

The Bank may modify/restructure the terms of loans as a result of commercial renegotiations or distressed loans. Restructuring policies and practices are based on indicators or criteria, which in the judgement of management, indicate that payment will most likely continue. These policies are reviewed continuously.

(ix) 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.

(x) Write-offs

The Bank applies significant judgements for write-offs. In the ordinary course of lending business, loans can be distressed and Stage 3 loans/NPL loans are managed by the BSRU. The recovery process for the Bank as a DFI can be long and varies depending on each loan circumstances and in all cases the DBSA seeks to maximise recovery of loan. The long process coupled with a higher default interest that is associated with NPLs results in some loans' contractual carrying amounts increasing substantially and some loans reaching in duplum. There are cases where the recovery process reaches a point where costs of recovery process exceeds benefit with no reasonable prospect of further recoveries; and at that point; the Bank write-off loans. The approvals for write-offs is a strict Bank governance process and write-offs are approved by Investment Committee, Audit and Risk Committee and Board.

(c) Macro-economic shock events

The waning impact of the COVID-19 pandemic combined with the elevated uncertainty resulting from the conflict in eastern Europe continues to shape the global macro-economic outlook. Increasing consumer activity against the backdrop of disruptions to food and fuel supply chains have combined to produce a demand-pull inflationary environment across the globe with no regions remaining unaffected. Fiscal policy responses have been consistent in accelerated unwinding of pandemic-era relief measures with rising interest rates across the board.

The risk of a sustained period of elevated global inflation together with slower-than-anticipated economic growth is expected to exacerbate pressure on national governments' attempts to ensure an orderly post-pandemic recovery, a factor already expressed in rapidly rising borrowing costs deployed in bid to curb inflation. The efficacy of such policy responses has, to date, been muted at best with a significant uncertainty in the growth and recovery prospects noted.

Given the unprecedented impact of macro-economic shocks caused by the Russia-Ukraine conflict, the economic outlook remains uncertain, notably in African Emerging Market and Development Economies, where the Bank's financial asset risk exposures are concentrated. While the specific areas of judgement detailed in note 1 of the accounting policies did not change, due to the dynamic and evolving nature of global shock events, the Bank's and experience drawn from the economic and financial impact of the pandemic has resulted in a requirement to continue to apply judgements, within certain identified areas, which in turn resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the Bank's assets and liabilities.

Accounting for the following items within the statements of financial position and comprehensive income has been significantly impacted by the complexity and uncertainty resulting from the fallout from recent macro-economic shock events:
» Development loans held at FVTPL (note 5)
» Equity investments held at FVTPL (note 6)
» Development bonds at amortised cost (note 8)
» Development loans at amortised cost (note 9)
» ECLs on financial assets held at amortised cost (note 18).

Significant judgements and estimates impacted by macro-economic shock events

(i) Impairment of financial instruments
Incorporating forward-looking information
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in deriving the Bank's forward-looking assumptions for the purposes of its expected credit loss (ECL) determination, is provided in note 20. Taking into consideration the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of macro-economic shock events, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Significant increase in credit risk
The Bank has not applied an overall blanket approach to the ECL impact of elevated uncertainty driven by macro-economic shock events (which assumes that such events represent a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of loans moving into their next respective staging bucket). The Bank has continued to apply a customer and facility-based risk assessment approach which is in aligned to the existing credit risk management policy.

(ii) Global sovereign debt relief initiatives
Due to macro-economic shock events and their combined impact on the world economy, several the Bank's customers have and continued to experience liquidity concerns. The Bank continues to apply its established policy of providing relief only upon formal request from affected borrower and following application of the necessary due diligence and approval by the appropriate governance framework. To assist customers, the Bank has considered individual debt relief applications received as follows:
» Applications received under the international multilateral relief programmes (such as the G20 Debt Service Suspension Initiative or 'DSSI', precursor to the Common Framework for Debt Treatment beyond the DSSI) where the restructure of existing exposures have not altered the present value of estimated future cash flows.
» Bilateral debt relief applications where bespoke debt relief measures were provided on a client-by-client basis.

In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 1.2.1.2 dealing with modifications of financial instruments were applied.

(iii) Fair value measurement
The valuation techniques for fair value measurement of financial instruments have been assessed by the appropriate committees to determine and analyse the impact that the market volatility introduced by macro-economic shock events has had on the fair value measurements of these instruments.

When assessing the fair value measurement of financial instruments for the interim period, the valuations take into consideration inputs that are reflective of benchmarked market participant input as opposed to Bank-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.

(iv) Post-model adjustments
As noted above, macro-economic shock events continue to have a significant impact on global economic activity and output and with all current indicators pointing towards an interim period of elevated uncertainty while the conflict in eastern Europe continues. As mentioned in the sections above, in determination of the forward-looking impact, from an IFRS 9 perspective, the Bank defined 3 three possible future macroeconomic scenarios in defining its forecasts, being the Base, Best and Adverse case scenarios and attributed weightings to these three scenarios.

The final outcome of the noted shock events and the correlation of their combined impact to the Bank's defined scenarios is unpredictable which makes determining these scenarios and the assumptions underlying them complex and subjective. This uncertainty has had a significant impact on the output derived from the Bank's financial models, in particular those used to determine credit risk exposures.

The Bank's internal credit models have not been re-calibrated to consider the effect of the shock events. Given the fact that outcome of these shocks and their correlation to the Bank's defined scenarios remains unpredictable together with the fact that any determination of potential outcomes remains complex and subjective, the Bank has opted to retain the application of post-model adjustments where appropriate. Post-model adjustments continue to be subject to the appropriate governance process.

Despite being situated in eastern Europe, the conflict between Ukraine and Russia continues to have impact at a global level and this remains difficult to predict the full extent of either a likely outcome or the probable impact of the resolution of that conflict. The heightened uncertainty and volatility continues to impact borrowers across all geographies, sectors, and client segments. In order to manage and mitigate the potential for risk elements not captured by quantitative models, management adjustments continue to be retained and applied, in addition to ECL model outputs, to provide a more appropriate assessment of the Bank's risk profile.

The nature of the DBSA's lending activities exposes the organisation to significant concentration risk within often interrelated sectors and client segments. While the lending portfolio is managed based on a measure of diversification the common thread underpinning the majority of the entity's credit risk portfolio is its exposure to public sector entities.

Accordingly the post-model adjustments applied give due consideration to factors, including, but not limited to:
» geographical or regional risk concentrations;
» large exposure or single name risk concentrations;
» industry and/or sector risk factors; and
» the potential interrelationships between categories of clients.

1.2 Financial Instruments

Financial assets and financial liabilities are recognised in 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:
» If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss); and
» In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial instruments consist of cash and cash equivalents, investment securities, derivatives assets and liabilities, equity investments, development loans and bonds, trade and other receivables, trade and other payables, debt securities, funding lines of credit and repurchase agreements.

1.2.1 Financial assets

Initial recognition

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

1.2.1.1 Classification and subsequent measurement

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

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

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

(i) Financial assets held at amortised cost

A debt instrument that meets both of the following conditions (other than those designated at FVTPL):
» 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 effective interest rate 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 held 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.

(a) Financial assets at FVTPL are:
» Assets with contractual cash flows that are not SPPI; or/and
» Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

The Bank may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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 7. These assets consist of development loans, other financial assets, equity investments, investment securities and derivatives.

(b) Investment in equity instruments
The Bank does not hold equity investments for trading and did not elect to designate the equity investments at fair value through other comprehensive income. The equity investments are held at FVTPL.

Financial assets held at fair value through profit or loss 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 7.

1.2.1.2 Modification of financial assets

The DBSA as a development finance institution, considers unique facts and circumstances applicable for each borrower in assessing the terms and conditions of restructures that result in loan modifications. The Bank's primary objective in restructures is to ensure outstanding debt is recovered and therefore considers entity-specific qualitative and quantitative factors. The negotiation of the terms and conditions of loan restructures is aimed at ensuring that the outstanding debt is recovered in a manner optimal for both borrower and lender, and in some cases these may result in modifications which are net present value neutral. For financial assets measured at amortised cost, whether newly originated or resulting from substantial modifications, fair value at initial recognition is equal to the principal debt amount (proxy to fair value) which is the fair representation of transaction price, plus or minus any applicable transaction costs.

When either the contractual terms or cash flows of a financial asset are altered, the Bank considers whether a modification has occurred. In accordance with the Bank's policy, a modification is defined as:
» any observable change(s) to the salient features of the agreement between the Bank and its counterparty;
» where such change(s) alter the value or timing of the contractual cash flows;
» where such change(s) alter the nature of the all or part of the whole agreement;
» where such changes do not result from the existing contractual terms, i.e. any explicit changes or alterations made by the contracting parties; and
» such changes arise after the fact, i.e. which were not contemplated or anticipated in the original agreement.

In accordance with the Bank's policy, a modification results in derecognition when the modified financial asset is substantially different to the existing financial asset. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:
» **Quantitative assessment:** The net present value of the modified cash flows under the new terms, discounted at the original effective interest rate is at least 10% different from the carrying amount of the existing financial asset.
» **Qualitative assessment:** A significant change in the terms and conditions that is so fundamental that immediate derecognition is required with no additional quantitative analysis (e.g. new debt having a different currency to the old debt, equity instrument embedded in the new debt, etc.) which per IFRS 9 is applicable to financial assets.

As part of the above assessments the Bank also considers the following factors:
» Change in counterparty
» Change in security provisions
» Changes to source of funds or credit base
» Debt consolidation
» Changes to financial and/or non-financial covenants
» Changes in jurisdiction of governing law
» Introduction of significant new terms, e.g. the addition of a profit share/equity-based returns
» Change in obligor or legal counterparty
» Change in collateral or guarantees
» Change in facility currency
» Change in product type, i.e. term loan to revolving facility
» Changes resulting in financial instrument reclassification
» Changes in representations required to be made by the borrower
» Change in credit rating of facility
» Previous restructures on the facility in question
» Concentration risk
» Indicators of actual or potential financial distress of borrower.

Where interim debt relief is granted to borrowers (either as part of national or international debt relief initiatives or on a bilateral basis), the Bank also considers the effect and intent of such relief in making an assessment as to whether a substantial modification has occurred. In addition to the factors noted above, the Bank considers whether the relief granted is an interim measure aimed at alleviating short term liquidity pressure(s) on its counterparties as part of the overall extended formal restructuring negotiations. This is the case in ‘stepped or ‘phased’ restructuring exercises, which may be achieved in more than one distinct phases over an extended period of time.

As such, the Bank considers whether the modification of cash flows merely represents an attempt to recover the original outstanding debt in the most optimal manner for both lender and borrower, or whether there is an indication that the restructured debt distinctly differs from the original loan in that a fundamental alteration of the Bank’s risks and rewards have occurred. In evaluating the modified cash flows against the aforementioned criteria, the Bank considers the following:
» Whether the modification involves a holistic re-evaluation of the credit risk and credit worthiness of the borrower; and/or
» Whether the modification requires that the facility is repriced to current market levels to reflect the lending risk associated.

The judgement(s) applied are client specific and will vary from client to client with certain factors holding a higher priority than others depending on various elements. As such, in the case of a judgemental overlay, no two evaluations are expected to be identical.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The Bank derecognises a financial asset, such as development loans, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The Bank treats the date of the modification as the date of initial recognition of the new financial asset when applying the ECL requirements to the new financial asset. Accordingly, the Bank classifies the new financial asset as stage 1 and measures the ECL allowance at an amount equal to 12-month ECL until such time as a trigger event necessitates a SICR assessment. If the replacement financial asset has been recognised as originated-credit impaired, the Bank recognises an ECL allowance equal to lifetime ECL from the date of initial recognition.

If the modification does not result in terms that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

1.2.2 Financial liabilities

Debt that is issued is classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank’s own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank’s own equity instruments.

(a) Classification and measurement

The Bank accounts for its financial liabilities either as:
» held at fair value through profit or loss; or
» held at amortised cost.

The Bank initially recognises financial liabilities on the date at which they are originated (interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes). The origination date for regular way purchases are recognised on the trade date at which the Bank commits to the purchase. All other financial liabilities (including liabilities designated at FVTPL) are initially recognised on the trade date on which the Bank becomes a party to the contractual provisions of the instrument. A financial liability is measured initially at fair value less transaction costs that are directly attributable to its issue.

The Bank accounts for its financial liabilities either as financial liabilities held at FVTPL or financial liabilities held at amortised cost. Management determines the classification of the financial liabilities on initial recognition and re-evaluates this classification at the reporting date. The basis for designation is discussed under each category in the table below.

The classification of financial liabilities is detailed below:

Portfolio – Group of liabilities	Objective of portfolio	Classification and measurement
Debt funding designated at fair value through profit or 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	Derivative liabilities held for risk management	Fair value through profit or loss
Repurchased agreements at amortised cost	Forms part of the asset- liability management purpose	Held at amortised cost

(i) Financial liabilities at fair value through profit or loss
Financial liabilities at FVTPL include debt securities and derivatives held for risk management. The Bank has designated financial liabilities at FVTPL in the following circumstances:
» The liabilities are managed, evaluated and reported internally on a fair value basis; and
» The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition the financial liability held at FVTPL is measured at fair value, with the changes in fair value recognised in the statement of comprehensive income. Changes in fair value of the derivatives used to hedge the interest rate risk are reported in net interest income in the statement of comprehensive income.

(ii) Financial liabilities held at 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 effective interest method, of any difference between the initial amount recognised and the maturity amount.

(b) Changes in fair value of liabilities due to changes in the Bank's own credit risk
Changes in fair value of liabilities due to changes in the Bank's own credit risk is recognised in OCI.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss.

Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

(c) Derivative financial instruments

The Bank enters into a variety of derivative financial instruments which are held to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps, cross currency swaps, currency options, options and forward rate agreements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

In measuring the fair value of the derivatives, the Bank takes into account credit-value adjustment (CVA) and debit-value adjustment (DVA). CVA and DVA includes adjustment for the credit risk of the derivative counterparty (CVA) as well as the Bank's own credit risk (DVA). Collateral is taken into account in calculating the CVA/DVA, if any.

1.2.3 Impairment of financial instruments

The Bank recognises ECL on the following instruments:
» Financial assets held at amortised costs;
» Financial guarantees issued; and
» Fixed loan commitments issued.

(i) Expected credit losses

For the measurement of ECL, the Bank applies a three-stage approach to measuring ECL on debt instruments accounted for at amortised 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 are not credit impaired upon origination, the ECL associate for these financial assets is based on a 12-month 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. By definition a financial asset is classified as a stage 3 when the counterparty has defaulted. Financial assets that are more than 90 (ninety) days in arrears are classified as non-performing thus credit impaired. Further, the Bank uses stringent measures on loans with monthly repayments. When two consecutive payments have been missed or exposure in arrears equals to two monthly repayments, the exposure is transferred to stage 3.

A financial asset that is credit impaired that has been renegotiated due to a deterioration in the borrower's condition, and results in the derecognition of the financial asset and 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.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit impaired includes 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; and
» The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Purchased or originated credit impaired loan (POCI) – Lifetime ECL – Credit impaired
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 or its gross carrying amount and incorporates the impact of ECLs in the estimated future cash flows.

(ii) Determining the staging 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.

The Bank also considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

This includes quantitative and qualitative information and also forward-looking analysis.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual loan level basis.

The Bank does not rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Bank uses past due information to determine whether there have been significant increases in credit risk since initial recognition.

(iii) Measurement of ECLs
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:
» **Financial assets that are not credit impaired at the reporting date:** As the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive;
» **Financial assets that are credit impaired at the reporting date:** As the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate;
» **Undrawn loan commitments:** As the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
» **Financial guarantee contracts:** As the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:
» **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
» **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
» **LGD:** The Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

ECLs are recognised using a provision for impairment loss account in profit or loss. In case of financial guarantees, the measurement of ECLs is based on the three-stage approach as applied to financial assets at amortised cost. The Bank recognises the provision for impairment loss charge in profit or loss. The corresponding amount is recognised in the statement of financial position, with no reduction in the carrying amount of the asset in the balance sheet.

When estimating the ECLs, the Bank considers three scenarios (base case, best case and worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs relevant to Bank's loan book, such as:
» CPI;
» GDP;
» Central Bank base rates (JIBAR, repo, prime);
» Crude oil; and
» Exchange rates (ZAR/USD).

For further details on how the Bank calculates ECLs, including the use of forward-looking information, refer to note 20.3.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Condensed Interim Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

1.3 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 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;
» 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 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; and
» The main sources of hedge ineffectiveness in these hedging relationships are changes in terms of the hedged item, changes in terms of the hedging instrument, changes in counterparty's credit risk, changes in the Bank's credit risk.

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 time accrual basis (transaction related) and reclassified back to the profit or loss when option matures or is exercised.

1.4 Debt funding

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 effective interest method, except where the Bank designates liabilities at FVTPL in which case it is measured at fair value with changes in FVTPL. For the determination of the fair value, refer to note 7.

1.5 Loan commitments

Loan commitments are recognised at the date that the Bank becomes a party to the irrevocable commitment (fixed commitment); that the date when all the conditions precedent (CPs) are met and the loan is on 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 asset at an amount less than the amount advanced.

The Bank will recognise ECL on loan commitments. Refer to note 23 and accounting policy 1.2.3 for the policy disclosure. ECLs arising from loan commitments are included within provisions (refer to note 11).

Subsequently, they are measured at amortised amount less the amount of ECL allowance.

The financial asset would be assessed for impairment annually based on the total value of the facility that has been made available to the debtor.

Where there has been a significant increase in the credit risk of that specified debtor the loss allowance calculation would be based on the expected lifetime credit losses.

1.6 Revenue recognition

(i) Net Interest income

Interest income and expense for all financial instruments except for those measured or designated as at FVTPL are recognised in the profit or loss account using the effective interest rate method. Interest on financial instruments measured as at FVTPL is recognised in 'other Interest income' and 'other interest expense'.

The effective interest rate (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. In circumstances where the future cashflows cannot be estimated reliably, the effective interest rate is estimated using total contractual cashflows.

The calculation of the EIR includes all the fees that are considered to be an integral part of the lending arrangement, transaction cost 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 is calculated by applying the EIR to the gross carrying amount of non-credit impaired (stage 1 and stage 2) 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 (stage 3) 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 financial assets purchased or originated credit impaired (POCI), the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income and expense in the Bank's statement of profit or loss also include 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, 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.

(ii) Fee income and expense

Fee income and expense include fees other than those that are an integral part of EIR (see above). The fees include, among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees. Fee income and expenses with regard to services are accounted for as the services are received according to the five-step model. The five-step model includes:
» identifying the contract with the customer;
» identifying each of the performance obligations included in the contract;
» determining the amount of consideration in the contract;
» allocating the consideration to each of the identified performance obligations; and
» recognising revenue as each performance obligation is satisfied.

1.7 Contingent liabilities and commitments

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

Items are classified as commitments when the Bank commits itself to future transactions with external parties.

1.8 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 Annual 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.

1.9 Related parties

The Bank operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Bank. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Bank.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Bank.

Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of the standard and the Condensed Interim Financial Statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

1.10 Government grants

A government grant is recognised when there is reasonable assurance that the Bank will comply with the conditions attaching to it, and that the grant will be received. Government grants received are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

1.11 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.

1. NEW STANDARDS AND INTERPRETATIONS

1.1. Standards and interpretations issued but not yet effective

1.1.1. The following standards were also issued and have been assessed by the Bank. The standards have no impact on the Bank's financial statements:

» **IFRS 1: First-time Adoption of International Financial Reporting Standards** – Effective for annual periods on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.

» **IFRS 3: Business Combinations** – Effective for annual periods on or after 1 January 2022:

Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

» **IFRS 9: Financial Instruments** – Effective for annual periods on or after 1 January 2022:

Annual Improvements to IFRS Standards 2018– 2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

» **IAS 1: Presentation of Financial Statements** – Effective for annual periods on or after 1 January 2023:

Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

» **IAS 8: Accounting Policies, changes in accounting estimates and errors** – Effective for annual periods on or after 1 January 2023:

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The requirements for recognising the effect of change in accounting prospectively remain unchanged.

» **IAS 16: Property, Plant and Equipment –** Effective for annual periods on or after 1 January 2022:

Property, Plant and Equipment: Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

» **IAS 37: Provisions, Contingent Liabilities and Contingent Assets –** Effective for annual periods on or after 1 January 2022:

Directly related cost approach: The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

1.2 Amended standards effective for the current financial year

The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39 requirements to enable entities to deal with the effects on financial instruments and to continue providing useful information to stakeholders. These amendments are highlighted below:

Modification of financial instruments

The change to the alternative risk free rates may result in changes to the contractual cash flows of the related financial instruments. This may trigger an assessment in order to determine whether there has been a significant change in the cash flows that may result in derecognition of the financial instruments. The amendment to IFRS 9 allows the entities to continue recognising the financial instruments provided that the adjustments were as a result of the reform and were made on an economically equivalent basis.

The practical expedient above will be applied to the development loans. Any other changes to the contractual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the Bank's modification policy.

Hedge accounting

The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation if the hedge meets the other hedge accounting criteria. The Bank is currently in phase 1 of the IBOR reforms.

Risks

The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to Alternative Reference Rates (ARRs). The Bank will transition to ARRs as each interest rate benchmark is replaced. Refer to note 20.5 for additional risk disclosures.

	in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
2.	**CONDENSED SEGMENT INFORMATION**		
	Total interest income		
	RSA Municipalities	1 730 317	1 599 461
	RSA Economic and Social	1 989 664	1 703 270
	Rest of Africa	1 191 542	1 022 326
	Treasury and Balance Sheet Management	219 794	126 653
	Total DBSA	**5 131 317**	**4 451 710**
	Profit for the period		
	RSA Municipalities	717 436	514 333
	RSA Economic and Social	1 228 118	1 020 794
	Rest of Africa	34 328	536 696
	Infrastructure Delivery	(26 587)	(26 576)
	Treasury and Balance Sheet Management	866 184	272 336
	All other *	(42 294)	(82 998)
	Total DBSA	**2 777 185**	**2 234 585**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Total assets		
RSA Municipalities	33 256 716	32 182 856
RSA Economic and Social	37 967 014	37 489 157
Rest of Africa	26 605 180	21 299 932
Infrastructure Delivery	246 520	179 309
Treasury and Balance Sheet Management	9 432 944	8 313 271
All other *	602 675	563 516
Total DBSA	**108 111 049**	**100 028 041**
Total liabilities		
RSA Municipalities	17 695 672	17 339 248
RSA Economic and Social	18 407 600	19 157 861
Rest of Africa	18 007 955	12 737 033
Infrastructure Delivery	290 584	196 787
Treasury and Balance Sheet Management	3 576 127	3 071 234
All other *	4 696 305	4 614 853
Total DBSA	**62 674 243**	**57 117 016**

All revenue was derived from external customers and there are no inter-segmental revenues. *The All other segment includes Project Preparation and Corporate Assets.

3. FINANCIAL ASSETS BY CATEGORY

The tables below sets out the Bank's classification of financial assets and their fair values.

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
30 September 2022				
Cash and cash equivalents at amortised cost	9 101 199	-	9 101 199	9 101 199
Trade receivables and other assets	246 893	-	246 893	246 893
Investment securities*	-	436 350	436 350	436 350
Derivative assets held for risk management purposes*	-	493 688	493 688	493 688
Other financial asset	-	38 091	38 091	38 091
Development loans at FVTPL*	-	24 332	24 332	24 332
Equity investments held at FVTPL*	-	5 230 246	5 230 246	5 230 246
Development bonds at amortised cost	2 160 232	-	2 160 232	2 148 147
Development loans at amortised cost	89 761 289	-	89 761 289	98 269 712
	101 269 613	6 222 707	107 492 320	115 988 658

**Development loans, equity instrument, derivative assets held for risk management and investment securities are mandatorily held at fair value through profit or loss.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities*	-	436 350	-	436 350
Derivative assets held for risk management purposes*	-	493 688	-	493 688
Other financial asset	-	38 091	-	38 091
Development loans at FVTPL*	-	-	24 332	24 332
Equity investments held at FVTPL*	54 402	2 613 124	2 562 720	5 230 246
	54 402	3 581 253	2 587 052	6 222 707
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	9 101 199	-	9 101 199
Trade receivables and other assets	-	-	246 893	246 893
Development bonds at amortised cost	-	2 148 147	-	2 148 147
Development loans at amortised cost	-	-	98 269 712	98 269 712
	-	11 249 346	98 516 605	109 765 951
Total fair value of financial assets	**54 402**	**14 830 599**	**101 103 657**	**115 988 658**

**Development loans, equity instrument, derivative assets held for risk management and investment securities are mandatorily held at fair value through profit or loss.*

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2022				
Cash and cash equivalents at amortised cost	7 990 108	-	7 990 108	7 990 108
Trade receivables and other assets	162 249	-	162 249	162 249
Investment securities*	-	444 287	444 287	444 287
Derivative assets held for risk management purposes*	-	458 243	458 243	458 243
Other financial asset	-	43 067	43 067	43 067
Development loans at FVTPL*	-	19 309	19 309	19 309
Equity investments held at FVTPL*	-	4 976 507	4 976 507	4 976 507
Development bonds at amortised cost	1 151 903	-	1 151 903	1 253 936
Development loans at amortised cost	84 177 054	-	84 177 054	96 090 947
	93 481 314	**5 941 413**	**99 422 727**	**111 438 653**

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities*	-	444 287	-	444 287
Derivative assets held for risk management purposes*	-	458 243	-	458 243
Other financial asset	-	43 067	-	43 067
Development loans at FVTPL*	-	-	19 309	19 309
Equity investments held at FVTPL*	60 672	2 256 544	2 659 291	4 976 507
	60 672	**3 202 141**	**2 678 600**	**5 941 413**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	7 990 108	-	7 990 108
Trade receivables and other assets	-	-	162 249	162 249
Development bonds at amortised cost	-	1 253 936	-	1 253 936
Development loans at amortised cost	-	-	96 090 947	96 090 947
	-	**9 244 044**	**96 253 196**	**105 497 240**
Total fair value of financial assets	**60 672**	**12 446 185**	**98 931 796**	**111 438 653**

**Development loans, equity instrument, derivative assets held for risk management and investment securities are mandatorily held at fair value through profit or loss.*

4. FINANCIAL LIABILITIES BY CATEGORY

The tables below sets out the Bank's classification of financial liabilities and their fair values.

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
30 September 2022				
Derivative liabilities held for risk management purposes*	-	938 056	938 056	938 056
Trade, other payables and accrued interest on debt funding	856 711	-	856 711	856 711
Debt funding designated at FVTPL	-	676	676	676
Debt funding held at amortised cost**	60 014 890	-	60 014 890	62 767 638
	60 871 601	938 732	61 810 333	64 563 081

**Derivative liabilities held for risk management are mandatorily held at fair value through profit or loss.*

***The accrued interest portion of R609 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest on debt funding line. Total debt funding at amortised cost inclusive of accrued interest is R60.62 billion and is made up of accrued interest of R609 million plus principal of R60.01 billion. The total fair value of the Bank's funding is R62.77 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Debt funding designated at FVTPL	-	676	-	676
Derivative liabilities held for risk management purposes*	-	938 056	-	938 056
	-	938 732	-	938 732
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	608 609	248 102	856 711
Debt funding held at amortised cost	-	62 767 638	-	62 767 638
	-	63 376 247	248 102	63 624 349
Total fair value of financial liabilities	-	64 314 979	248 102	64 563 081

**Derivative liabilities held for risk management are mandatorily held at fair value through profit or loss.*

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2022				
Derivative liabilities held for risk management purposes*	-	34 240	34 240	34 240
Trade, other payables and accrued interest on debt funding	687 750	-	687 750	687 750
Debt funding designated at FVTPL	-	688	688	688
Debt funding held at amortised cost**	55 535 354	-	55 535 354	58 394 422
	56 223 104	**34 928**	**56 258 032**	**59 117 100**

**Derivative liabilities held for risk management are mandatorily held at fair value through profit or loss.*

***The accrued interest portion of R449 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of R55.98 billion is made up of accrued interest of R449 million plus principal of R55.54 billion. The total fair value of the Bank's funding is R58 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Debt funding designated at FVTPL	-	688	-	688
Derivative liabilities held for risk management purposes*	-	34 240	-	34 240
	-	**34 928**	**-**	**34 928**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	449 582	238 168	687 750
Debt funding held at amortised cost	-	58 394 422	-	58 394 422
	-	**58 844 004**	**238 168**	**59 082 172**
Total fair value of financial liabilities	**-**	**58 878 932**	**238 168**	**59 117 100**

**Derivative liabilities held for risk management are mandatorily held at fair value through profit or loss.*

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
5.	**DEVELOPMENT LOANS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Balance at beginning of the year	115 535	99 566
	Movements for the year	40 920	15 969
	Gross development loans at FVTPL	**156 455**	**115 535**
	Fair value movements	(132 123)	(96 226)
	Balance at end of the period	**24 332**	**19 309**
	Movements during the period		
	Interest accrued	23 241	16 781
	Foreign exchange adjustments	17 679	(812)
	Movements during the period	**40 920**	**15 969**
5.1	**Fair value adjustment**		
	Balance at the beginning of the year	(96 226)	(82 719)
	Current year fair value adjustment	(35 897)	(13 507)
	Balance at end of the period	**(132 123)**	**(96 226)**
5.2	**Maturity analysis of development loans at FVTPL**		
	Due after three months but within one year	156 455	**115 535**
5.3	**Sectoral analysis of development loans at FVTPL**		
	Energy – electricity	156 455	**115 535**
5.4	**Geographical analysis of development loans at FVTPL**		
	Sierra Leone	156 455	**115 535**
	US dollar amounts included in development loans at FVTPL	8 622	**7 911**
5.5	**Client classification of development loans at FVTPL**		
	Private sector intermediaries	156 455	**115 535**
5.6	**Fixed and variable interest rate loans of development loans at FVTPL**		
	Fixed	156 455	**115 535**
5.7	**Analysis of development loans FVTPL**		
	Current portion*	156 455	**115 535**

** Due to delays, the project timelines have been re-estimated resulting in a further tenor extension. As such, the prior period balance was disclosed at current, based on expected payment at the time, and remains current.*

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
6.	**EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Equity investments held at FVTPL	**5 230 246**	**4 976 507**
6.1	**Equity investments held at FVTPL**		
	Cost		
	Balance at beginning of the year	**3 514 207**	3 445 516
	Acquisitions	**24 296**	246 514
	Capital return	**(272 116)**	(177 823)
	Balance at end of the period	**3 266 387**	**3 514 207**
	Fair value adjustment		
	Balance at beginning of the year	**58 385**	101 591
	Current period fair value adjustments	**(117 117)**	(46 349)
	Realised capital gain	**36 580**	3 143
	Balance at end of the period	**(22 152)**	**58 385**
	Foreign exchange adjustments		
	Balance at beginning of the year	**1 403 915**	1 460 352
	Unrealised gain/(loss)	**561 106**	(121 063)
	Realised gain	**20 990**	64 626
	Balance at end of the period	**1 986 011**	**1 403 915**
	Fair value at the end of the period	**5 230 246**	**4 976 507**

Equity investments held at fair value through profit or loss consist of direct equity in ordinary shares and third party managed private equity funds.

The DBSA equity investment portfolio comprises ‘Fund of Fund’ investments and direct equity investments. At the reporting date the portfolio is denominated in both foreign currency (EUR and USD) and ZAR. The non-ZAR portfolio is invested in commercial infrastructure projects, such as energy, roads, and logistics sectors with the balance invested in the financial sector. The ZAR portfolio is invested in affordable housing projects, commercial infrastructure and the information technology sector. A significant portion of the funds are approaching maturity and the Bank is exiting each underlying investment on an investment-by-investment basis (refer note 6.2).

6.2	**Period since initial investment**		
	Less than 1 (one) year but within 4 (four) years	**290 356**	290 562
	4 (four) years but within 9 (nine) years	**533 841**	431 093
	9 (nine) years but within 13 (thirteen) years	**1 701 040**	1 911 076
	13 (thirteen) years but within 15 (fifteen) years	**2 705 009**	2 343 776
	Balance at end of the period	**5 230 246**	**4 976 507**
6.3	**Sectoral analysis of equity investments held at FVTPL**		
	Commercial – construction	**73 009**	71 369
	Commercial – financial	**149 307**	120 160
	Commercial – fund	**2 520 919**	2 382 458
	Commercial – communications	**253 545**	197 540
	Institutional infrastructure	**1 043 261**	878 572
	Residential facilities	**1 190 205**	1 326 408
	Balance at end of the period	**5 230 246**	**4 976 507**

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
6.4	**Geographical analysis of equity investments held at FVTPL**		
	South Africa	1 658 433	1 773 165
	International (the rest of the Africa excluding South Africa)	3 571 813	3 203 342
	Balance at end of the period	**5 230 246**	**4 976 507**
6.5	**US dollar and Euro amounts included in the above Africa and International equity investments**		
	US Dollar amount included	**144 004**	**154 518**
	Euro amount included	**34 407**	**33 445**
6.6	**Equity investments comprises of:**		
	Direct (In house managed funds)	1 339 577	1 146 544
	Indirect funds (Third party managed funds)	3 890 669	3 829 963
	Balance at end of the period	**5 230 246**	**4 976 507**
6.7	**Analysis of equity investments**		
	Current portion	-	36 580
	Non-current portion	5 230 246	4 939 927
	Balance at end of the period	**5 230 246**	**4 976 507**

7. FAIR VALUE OF ASSETS AND LIABILITIES

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

Assets and liabilities 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

Assets and liabilities 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. Assets and liabilities valued using discounted cash flow analysis. This category includes unlisted equity investments and development loans (both measured at fair value and at amortised cost). No significant interrelationships between unobservable inputs used in the valuation of its level 3 equity investments have been identified.

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

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
30 September 2022					
Fair value disclosures					
Assets at FVTPL					
Investment securities	3	-	436 350	-	436 350
Derivative assets held for risk management purposes	3	-	493 688	-	493 688
Development loans at FVTPL	3	-	-	24 332	24 332
Other financial asset	3	-	38 091	-	38 091
Equity investments held at FVTPL*	3	54 402	2 613 124	2 562 720	5 230 246
Land and buildings		-	-	426 385	426 385
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	9 101 199	-	9 101 199
Trade receivables and other assets	3	-	-	246 893	246 893
Development bonds	3	-	2 148 147	-	2 148 147
Development loans	3	-	-	98 269 712	98 269 712
Total assets		**54 402**	**14 830 599**	**101 530 042**	**116 415 043**

Exchange rate movements are a material driver of the fair value of equity instruments categorised as level 2. The fair value of R2.8 billion (31 March 2022: R2.2 billion) includes foreign currency translation impact of R2 billion (31 March 2022: R1.4 billion) which is driven by observable currency exchange rates.

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	4	-	938 056	-	938 056
Debt funding designated at FVTPL	4	-	676	-	676
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	608 609	248 102	856 711
Debt funding held at amortised cost	4	-	62 767 638	-	62 767 638
Total financial liabilities		**-**	**64 314 979**	**248 102**	**64 563 081**

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
31 March 2022					
Fair value disclosures					
Assets at FVTPL					
Investment securities	3	-	444 287	-	444 287
Derivative assets held for risk management purposes	3	-	458 243	-	458 243
Development loans at FVTPL	3	-		19 309	19 309
Other financial asset	3	-	43 067	-	43 067
Equity investments held at FVTPL*	3	60 672	2 256 544	2 659 291	4 976 507
Land and buildings		-	-	413 021	413 021
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	7 990 108	-	7 990 108
Trade receivables and other assets	3	-	-	162 249	162 249
Development bonds	3	-	1 253 936	-	1 253 936
Development loans	3	-	-	96 090 947	96 090 947
Total assets		**60 672**	**12 446 185**	**99 344 817**	**111 851 674**

Exchange rate movements are a material driver of the fair value of equity instruments categorised as level 2. The fair value of R2.2 billion (31 March 2021: R2.1 billion) includes foreign currency translation impact of R1.4 billion (31 March 2021: R1.5 billion) which is driven by observable currency exchange rates.

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	**4**	-	34 240	-	34 240
Debt funding designated at FVTPL	**4**	-	688	-	688
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	**4**	-	449 582	238 168	687 750
Debt funding held at amortised cost	**4**	-	58 394 422	-	58 394 422
Total financial liabilities		**-**	**58 878 932**	**238 168**	**59 117 100**

Reconciliation of Level 3 financial assets held at FVTPL

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Equity investments held at FVTPL		
Balance at the beginning of the year	**2 659 291**	2 797 224
Decrease in fair value of equity investments - unrealised*	**(96 571)**	(137 933)
Balance at the end of the period	**2 562 720**	**2 659 291**

**The total unrealised loss of R97 million (31 March 2022: R138 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

Valuation techniques for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as day one, profit or loss, is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The valuation techniques that uses as inputs interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlying and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and observable transaction prices where available. The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred.

The Bank's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:
» Changes in market and trading activity (e.g. significant increases/decreases in trading activity); and
» Changes in inputs used in valuation techniques (e.g. inputs becoming/ceasing to be observable in the market or significant adjustments required due to material risk events, such as COVID-19, applicable as from the year under review).

Development loans at FVTPL		
Balance at the beginning of the year	**19 309**	16 847
Other movements (note 5)	**40 920**	15 969
Decrease in fair value of development loans at FVTPL (note 5.1)**	**(35 897)**	(13 507)
Balance at the end of the period	**24 332**	**19 309**

*** The total unrealised loss of R36 million (31 March 2022: R14 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

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

in thousands of rands	30 September 2022 Fair value	30 September 2022 Fair value hierarchy	31 March 2022 Fair value	31 March 2022 Fair value hierarchy
Financial instruments				
Derivative assets (a)	493 688	2	458 243	2
Investment securities (b)	436 350	2	444 287	2
Development loans at FVTPL (f)	24 332	3	19 309	3
Equity investments (c)	5 230 246	1,2 and 3	4 976 507	1,2 and 3
Other financial asset (d)	38 091	2	43 067	2
Financial assets	**6 222 707**		**5 941 413**	
Derivative liabilities (a)	938 056	2	34 240	2
Debt funding designated at FVTPL (e)	676	2	688	2
Financial liabilities	**938 732**		**34 928**	

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 Johannesburg Stock Exchange interest rate market. For segregated funds, the fair value is determined based on the asset manager's valuation. Inputs include the quoted market prices.

(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 provide 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 and management judgment regarding fair value hierarchy

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 above guidelines are applied by the Bank's fund managers who provide a calculated fair value estimates as inputs to the Bank's assessment. The Bank thereafter applies these guidelines which 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.

Given the illiquidity concerns of some of the closed ended funds, the Bank considers marketability and liquidity discounts in valuing DBSA's unit of account in the fund. DBSA equity exposures are in different jurisdiction in Africa. The investments go through an investment phase, growth phase and exit phase. A significant portion of the investments are in the exit phase and in this phase there is active secondary market for the underlying investment that are being exited. Adjustments to NAV (for assets within the exit phases) greater than 20% are considered significant to enable a level 3 input classification even if there is some evidence of exits in the underlying investments within the secondary markets. Adjustments to Net Asset Value (NAV) (for assets within the investment phase) greater than 10% are considered significant to enable a level 3 input classification even if there is some evidence of infrastructure secondary market activity. The determination of 10% and 20% thresholds are a significant management judgement. The differentiation between the investment phase and exit phase is appropriate given the nature of infrastructure cycle and infrastructure primary and secondary market activities across the African continent. There are, however, no bright lines for determining significance of an input to the fair value measurement in its entirety management has consistently applied the evaluation criteria for the significance of inputs. In assessing the significance of unobservable inputs to an asset fair value, DBSA management (a) considers sensitivity of the asset overall value to changes in the data and (b) reassesses the likelihood of variability in the data over the life of the asset.

(iii) Valuation techniques – Unlisted equities

If the market for a financial instrument is not active, the Bank determines fair value by using various valuation techniques. These techniques include i) using recent arm's length market transactions between knowledgeable, willing parties; ii) reference to the current fair value of another instrument that is substantially the same in nature; iii) reference to the value of the net assets of the underlying business; iv) earnings multiples; and v) discounted-cashflow analysis.

To estimate a reliable fair value, where appropriate, the Bank applies certain valuation adjustments to the information derived from the above sources. In making appropriate adjustments, the Bank considers certain adjustments to the modelled price that market participants would make when pricing that instrument. The Bank also reviews its portfolio to identify any correlation between key valuation inputs which may serves as proxy inputs. Where reliable information relating to a correlated input is not readily available the Bank may reference its proxy in determining an appropriate fair value.

Fair value measurements are categorised into level 2 or 3 within the fair value hierarchy based on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

The Bank policy is to apply a range between 10%–30%. However, the actual discount rate applied for level 2 and 3 equity investment ranged between 15%–20% and in the prior year this was 10%–25%.

For both equity investments in third party managed funds and unlisted equities, price quotes may be a level 2 or level 3 input or may not represent fair value and therefore the Bank considers the following factors in making a determination: volume of recent transactions for the instrument, price quotations that are not developed using current information, price quotations that vary substantially either over time or among market makers, indices that were previously highly correlated with the fair value of the asset or liability are demonstrably uncorrelated with recent indications of fair value, whether there is significant increases in implied liquidity premiums, yields or performance indicators for observed transactions or quoted prices when compared with the entity's estimate of expected future cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability, wide bid-ask spread or a significant increase in the bid-ask spread, significant decline in the activity of, or there is an absence of a market for new issues for the asset or liability or similar assets or liabilities and there is little information publicly available.

Level 1 inputs	Level 2 inputs	Level 3 inputs
Quoted prices in active markets	Quoted prices for similar assets or liabilities in active markets	Marketability discounts not collaborated by observable market information
Unadjusted prices	Quoted prices for identical or similar assets or liabilities in markets that are not active	Liquidity discounts
Accessible prices at measurement date	Inputs other than quoted prices that are observable for the assets or liability, for example: » Interest rates; » Yield curves; and » Credit spreads and implied volatility.	Earnings multiples
	Quotes corroborated with observable market information	Unlisted equity investments
	Exchange rate movements with direct correlation to fair value	Valuations based on significant proprietary information
	Development loans	Where there is a significant increase in bid/ask spread
	Where there is increase in bid/ask spread	

(d) Other financial asset
The fair value of other financial asset is based on the valuation performed by the fund managers.

(e) Debt funding designated at FVTPL
Market observable bond prices from the interest rate market of the JSE. Inputs include the quoted market prices.

(f) 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.

(g) Development loans, development bonds, debt funding and repurchase agreements at amortised cost
Financial instruments valued using discounted cash flow analysis. The inputs include published reference interest rates.

(h) Land and buildings
The fair value of land and buildings is calculated using the capitalised net rental approach. This involves estimating the net market monthly rental income that the property would command if the property is rented at valuation date in the open market. The inputs include the capitalisation rate.

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
8.	**DEVELOPMENT BONDS AT AMORTISED COST**		
	Municipal bonds	**2 160 232**	**1 151 903**
8.1	**Analysis of development bonds**		
	Balance at the beginning of the year	1 290 413	1 290 219
	Movement during the year	1 038 269	194
	Gross development bonds	**2 328 682**	**1 290 413**
	Provision for ECL on development bonds	(168 450)	(138 510)
	Balance at the end of the period	**2 160 232**	**1 151 903**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
8.2 Movements during the period		
New bonds purchased	1 000 000	-
Interest accrued	99 199	122 054
Gross interest repayments	(60 930)	(121 860)
Net movements for the period	1 038 269	**194**
8.3 Reconciliation of provision for ECL on development bonds		
Balance at the beginning of the year	138 510	10 984
Increase in provision for ECL on development bonds	29 940	127 526
Balance at the end of the period	168 450	**138 510**

Development bonds are bullet bonds with fixed interest rates and are held at amortised cost using the effective interest rate method. The contractual rate is equal to the effective interest rate.

8.4 Analysis of development bonds		
Client classification		
Local government	2 328 682	**1 290 413**
Regional		
South Africa	2 328 682	**1 290 413**
Geography		
Gauteng	2 328 682	**1 290 413**
Sector		
Energy	1 309 354	1 290 413
Social infrastructure	1 019 328	-
	2 328 682	**1 290 413**

8.5 Reconciliation of development bonds

The table below shows the reconciliation of the opening balance to the closing balance of development bonds gross carrying amount and the provision for ECLs:

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
30 September 2022				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	517 865	772 548	-	1 290 413
New bonds purchased	1 000 000	-	-	1 000 000
Changes in interest accrual	44 932	54 267	-	99 199
Repayments	(25 552)	(35 378)	-	(60 930)
Balance at the end of the period	1 537 245	791 437	-	2 328 682
Reconciliation of provision for ECL				
Balance at the beginning of the year	15 060	123 450	-	138 510
New bonds purchased	30 000	-	-	30 000
Subsequent change in ECL due to changes in risk parameters (PD's, LGDs and EADs)	(60)	-	-	(60)
Balance at the end of the period	45 000	123 450	-	168 450

The increase in ECL was mainly due to new bond purchases. Existing ECL allowances remain adequate cover for the bond exposures carried forward from prior periods.

The table below shows the reconciliation of the opening balance to the closing balance of development bonds gross carrying amount and the provision for expected credit losses.

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
31 March 2022				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	517 865	772 354	-	1 290 219
Changes in interest accrual	51 104	70 950	-	122 054
Repayments	(51 104)	(70 756)	-	(121 860)
Balance at the end of the year	**517 865**	**772 548**	-	**1 290 413**
Reconciliation of provision for ECL				
Balance at the beginning of the year	189	10 795	-	10 984
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EADs)	14 871	112 655	-	127 526
Balance at the end of the year	**15 060**	**123 450**	-	**138 510**

	in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
8.6	**Expected credit losses**		
	ECL charge to the statement of comprehensive income	29 940	**49 171**

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
8.7	**Analysis of current and non-current portion of development bonds**		
	Current portion	157 638	38 413
	Non-current portion	2 171 044	1 252 000
	Gross development bonds	2 328 682	**1 290 413**
	Provision for ECL	(168 450)	(138 510)
	Balance at the end of the period	2 160 232	**1 151 903**

9. DEVELOPMENT LOANS AT AMORTISED COST

9.1.	**Analysis of development loans**		
	Balance at the beginning of the year	95 876 051	94 098 188
	Movements during the period	5 905 589	1 777 863
	Gross development loans	101 781 640	**95 876 051**
	Provision for ECLs on development loans	(12 020 351)	(11 698 997)
	Net development loans at the end of the period	89 761 289	**84 177 054**
9.1.1.	**Movements during the period**		
	Loans disbursed – current year	4 479 875	12 919 784
	Effective interest income on development loans (refer to note 15)	4 686 709	8 414 801
	Movement in deferred fee	(59 990)	(70 516)
	Transfers from other assets	-	23 728
	Contractual interest on stage 3	41 042	(147 138)
	Development loans written off (refer to note 9.9)	(239 522)	(542 565)
	Foreign exchange adjustment	5 307 896	(732 462)
	Gross loan repayments	(8 379 802)	(18 492 889)
	Fees raised	122 914	250 633
	Modification gains	-	157 693
	Other administrative adjustments	-	(3 206)
	Unrealised day 1 gains/losses on below market rate loans*	(53 533)	-
	Loans de-recognised due to substantial modification	(196 596)	(1 877 507)
	New loans recognised after substantial modification	196 596	1 877 507
	Movements for the period	5 905 589	**1 777 863**

*During the period under review, the Bank identified certain valuation adjustments related to development loans at amortised cost. These adjustments arise due to loans having been granted to borrowers at below market interest rates (at time of origination) resulting in differences between the fair values at initial recognition and transaction prices. These amounts were previously presented and disclosed as part of provisions(refer to note 11.1). In accordance with IAS 8, these adjustments are not deemed to be material and as such the Bank has affected the transfer of the relevant balance on a current and prospective basis.

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
9.2	**Maturity analysis of gross development loans**		
	Due within 1 (one) year	7 100 728	11 081 829
	Due after 1 (one) year but within 2 (two) years	7 490 285	6 800 009
	Due after 2 (two) years but within 3 (three) years	7 875 747	6 914 377
	Due after 3 (three) years but within 4 (four) years	7 908 376	6 933 847
	Due after 4 (four) years but within 5 (five) years	7 347 400	7 168 717
	Due after 4 (four) years but within 9 (nine) years	34 150 509	32 593 078
	Due after 9 (nine) years but within 14 (fourteen) years	19 635 528	17 862 170
	Due after 14 (fourteen years)	10 261 194	6 513 807
	Total long term development loans	**101 769 767**	**95 867 834**
	Bridging finance development loans		
	Due within 1 (one) year	8 949	6 170
	Due after 1 (one) year but within 2 (two) years	2 924	2 047
	Total bridging finance development loans	**11 873**	**8 217**
	Total development loans	**101 781 640**	**95 876 051**
9.3	**Sectoral analysis of gross development loans**		
	Long term development loans		
	Commercial – fund	284 943	235 039
	Commercial – manufacturing	73 737	74 286
	Commercial – mining	111 000	111 000
	Commercial – tourism	395 907	306 776
	Commercial – other	220 956	181 980
	Communication and transport infrastructure	17 680 380	16 605 083
	Energy – electricity	45 444 184	45 406 918
	Oil and gas	4 920 018	3 410 671
	Energy – non-grid standalone	1 696 880	44 215
	Human resources development	1 834 243	1 674 501
	Institutional infrastructure	6 902	–
	Residential facilities	2 283 440	2 382 612
	Roads and drainage	18 019 845	16 386 075
	Sanitation	713 931	795 849
	Social infrastructure	5 532 770	5 633 870
	Water	2 550 631	2 618 959
	Total long term development loans	**101 769 767**	**95 867 834**
	Bridging finance development loans		
	Human resources development	11 873	8 217
	Total bridging finance development loans	**11 873**	**8 217**
	Total development loans	**101 781 640**	**95 876 051**

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
9.4	**Geographical analysis of gross development loans**		
	Long term development loans		
	Eastern Cape	821 736	865 443
	Free State	1 587 552	1 565 148
	Gauteng	47 185 441	46 617 648
	KwaZulu-Natal	4 960 191	5 292 284
	Limpopo	837 253	861 414
	Mpumalanga	608 134	635 384
	North West	721 892	664 333
	Northern Cape	8 718 330	8 621 361
	Western Cape	5 237 277	5 194 075
	Rest of Africa	31 091 961	25 550 744
	Total long term development loans	**101 769 767**	**95 867 834**
	Bridging finance development loans		
	KwaZulu-Natal	6 985	7 012
	North West	4 888	1 205
	Total bridging finance development loans	**11 873**	**8 217**
	Total development loans	**101 781 640**	**95 876 051**
	Rest of Africa		
	Angola	6 794 842	6 049 302
	Congo	1 264 309	1 094 519
	Côte d'Ivoire	4 029 973	3 536 724
	Democratic Republic of Congo	210 659	186 150
	Ethiopia	696 521	589 576
	Gabon	(10 562)	-
	Ghana	5 141 244	3 995 646
	Kenya	163 253	189 471
	Lesotho	185 703	226 294
	Madagascar	365 237	316 501
	Mauritius	70	12 813
	Mozambique	885 818	711 568
	Senegal	576 583	6 702
	Swaziland	32 032	35 346
	Tanzania	1 034 029	700 471
	Zambia	7 399 640	5 803 301
	Zimbabwe	2 322 610	2 096 360
	Total	**31 091 961**	**25 550 744**
	Euro amount included in the Rest of Africa loans	**380 514**	**338 490**
	US dollar amounts included in the above Rest of Africa loans	**1 328 527**	**1 357 013**
9.5	**Client classification of gross development loans**		
	Long term development loans		
	Educational institutions	1 514 310	1 463 181
	Local government	32 256 657	32 131 506
	National and provincial government	11 114 259	8 972 035
	Private sector intermediaries	26 590 486	25 049 097
	Public utilities	30 294 055	28 252 015
	Total long term development loans	**101 769 767**	**95 867 834**
	Bridging finance development loans		
	Private sector intermediaries	11 873	8 217
	Total bridging finance development loans	**11 873**	**8 217**
	Total development loans	**101 781 640**	**95 876 051**

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
9.6	**Fixed and variable interest rate gross development loans**		
	Long term development loans		
	Fixed interest rate loans	42 728 989	41 832 994
	Variable interest rate loans	59 040 778	54 034 840
	Total long term development loans	**101 769 767**	**95 867 834**
	Bridging finance development loans		
	Variable	11 873	8 217
	Total bridging finance development loans	**11 873**	**8 217**
	Total development loans	**101 781 640**	**95 876 051**

9.7	**Credit impaired loans (included in total development loans)**		
9.7.1.	**Sectoral analysis of gross credit impaired loans**		
	Non-performing loans (stage 3)		
	Commercial – manufacturing	73 737	74 286
	Commercial – mining	111 000	111 000
	Commercial – tourism	395 907	306 776
	Commercial – other	192 122	150 424
	Communication and transport infrastructure	945 997	719 862
	Energy	1 719 023	1 410 838
	Human resources development	1 748	255 955
	Oil and gas	734	-
	Residential facilities	249 473	249 473
	Roads and drainage	579 696	549 814
	Sanitation	144 138	142 811
	Social infrastructure	270 702	265 594
	Water	200 664	200 056
	Total non-performing loans	**4 884 941**	**4 436 889**
	Purchased or originated credit-impaired loans		
	Oil and gas	1 263 575	1 094 520
	Human resources development	-	16 255
	Total purchased or originated credit-impaired loans	**1 263 575**	**1 110 775**
	Total credit-impaired loans	**6 148 516**	**5 547 664**

9.7.2	**Geographical analysis of gross credit-impaired loans**		
	Non-performing loans (stage 3)		
	Free State	44 546	46 755
	Gauteng	394 665	857 659
	Limpopo	317 175	313 523
	Mpumalanga	381 322	382 504
	North West	137 193	138 766
	Northern Cape	91 441	102 740
	Rest of Africa	3 518 599	2 594 942
	Total non-performing loans	**4 884 941**	**4 436 889**
	Purchased or originated credit-impaired loans		
	North West	-	16 255
	Rest of Africa	1 263 575	1 094 520
	Total purchased or originated credit-impaired loans	**1 263 575**	**1 110 775**
	Total credit-impaired loans	**6 148 516**	**5 547 664**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Rest of Africa		
Congo	1 264 309	1 094 520
Madagascar	365 237	-
Mauritius	70	12 812
Mozambique	397 159	308 172
Zambia	2 083 297	1 672 706
Zimbabwe	672 102	601 252
Total	**4 782 174**	**3 689 462**

9.7.3 Client classification on gross credit-impaired loans

Non-performing loans (stage 3)		
Educational institutions	1 748	1 653
Local government	441 641	443 990
Private sector intermediaries	2 189 533	2 117 838
Public utilities	2 252 019	1 873 408
Total non-performing loans	**4 884 941**	**4 436 889**
Purchased or originated credit-impaired loans		
Educational Institutions	-	16 255
Private sector intermediaries	1 263 575	1 094 520
Total purchased or originated credit-impaired loans	**1 263 575**	**1 110 775**
Total credit-impaired loans	**6 148 516**	**5 547 664**

9.8 Client concentration of gross development loans

One client as percentage of total loan portfolio (%)	13.0	**13.7**
Seven clients as percentage of total loan portfolio (%)	48.2	**50.9**
Ten clients as percentage of total loan portfolio (%)	56.6	**58.9**

9.9 Provision for ECLs on development loans reconciliation

Balance at the beginning of the year	11 698 997	11 364 740
Impairment of current period interest	41 042	(147 138)
Loans written off during the period	(239 522)	(542 565)
Administrative corrections	-	(3 206)
ECLs (note 18)	519 834	**1 027 166**
Credit-impaired (stage 3 and POCI)	658 145	(258 745)
Stage 1 and 2	(138 311)	1 285 911
Balance at the end of period	**12 020 351**	**11 698 997**

9.10 Analysis of impairment charge

in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
Stage 3 loans		
Stage 3 and POCI ECLs	658 145	(16 608)
Stage 1 and 2 loans		
Stage 1 ECLs	(197 492)	64 659
Stage 2 ECLs	59 181	285 246
Balance at the end of period	**519 834**	**333 297**

9.11 Reconciliation of net carrying amount development loans

The table below shows the reconciliation of the opening balance to the closing balance of the net carrying amount of development loans:

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
30 September 2022					
Long term development loans					
Balance at the beginning of the year	58 367 285	31 952 885	4 436 889	1 110 775	95 867 834
Transfer from Stage 1 to Stage 2	(1 923 111)	1 923 111	-	-	-
Transfer from Stage 2 to stage 3	-	(316 501)	316 501	-	-
Transfer from Stage 2 to stage 1	3 786 908	(3 786 908)	-	-	-
Disbursements	4 408 849	62 699	-	-	4 471 548
Repayments	(5 857 146)	(1 869 680)	(472 320)	(175 378)	(8 374 524)
Effective interest on development loans	2 969 964	1 497 798	156 338	62 002	4 686 102
Contractual interest on stage 3	-	-	41 042	-	41 042
Write offs & waivers	-	(342)	(239 180)	-	(239 522)
Foreign exchange movements	2 337 002	2 059 537	645 862	265 495	5 307 896
Other movements- Fees	97 489	24 306	438	681	122 914
Adjustment for development expense	(31 340)	(21 564)	(629)	-	(53 533)
Interest at credit-adjusted effective interest rate	(41 339)	(18 651)	-	-	(59 990)
Gross carrying amount of long term development loans	64 114 561	31 506 690	4 884 941	1 263 575	101 769 767
Bridging finance development loans					
Balance at the beginning of the year	8 217	-	-	-	8 217
Disbursements	8 327	-	-	-	8 327
Repayments	(5 278)	-	-	-	(5 278)
Interest on bridging finance development loans	607	-	-	-	607
Gross carrying amount of bridging finance development loans	11 873	-	-	-	11 873
Total gross carrying amount	64 126 434	31 506 690	4 884 941	1 263 575	101 781 640
Less provisions for ECL	(1 136 134)	(6 308 495)	(3 714 921)	(860 801)	(12 020 351)
Balance at the end of the period	62 990 300	25 198 195	1 170 020	402 774	89 761 289

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2022					
Long term development loans					
Balance at the beginning of the year	53 730 020	33 081 869	7 270 769	15 530	94 098 188
Transfer from stage 1 to stage 2	(1 806 665)	1 806 665	-	-	-
Transfer from stage 2 to stage 1	40 043	(40 043)	-	-	-
Transfer from other assets	-	-	23 728	-	23 728
Transfer from stage 3 to stage 2	-	364 700	(364 700)	-	-
Write-offs	-	-	(542 565)	-	(542 565)
Disbursements	11 444 958	1 464 094	2 515	-	12 911 567
Repayments	(10 087 499)	(7 638 951)	(546 637)	(219 534)	(18 492 621)
New loans recognised after substantial modification	538 244	-	-	1 339 263	1877 507
Loans derecognised due to substantial modification	(216 073)	-	(1 661 434)	-	(1877 507)
Effective interest on development loans during the year	4 789 049	2 981 043	438 201	-	8 208 293
Interest at credit-adjusted effective interest rate	-	-	-	135 797	135 797
Contractual interest on stage 3	-	(1 053)	(145 890)	-	(146 943)
Other administrative adjustments	(1 228)	(314)	(1 664)	-	(3 206)
Foreign exchange movements	(295 441)	(239 980)	(36 760)	(160 281)	(732 462)
Other movements – fees	234 262	15 869	234	-	250 365
Modification gain/(loss)	(2 385)	158 986	1 092	-	157 693
Gross carrying amount of long term development loans	**58 367 285**	**31 952 885**	**4 436 889**	**1 110 775**	**95 867 834**
Bridging finance development loans					
Disbursements	8 217	-	-	-	8 217
Repayments	(268)	-	-	-	(268)
Other movements – fees	268	-	-	-	268
Gross carrying amount of bridging finance development loans	**8 217**	**-**	**-**	**-**	**8 217**
Total gross carrying amount	**58 375 502**	**31 952 885**	**4 436 889**	**1 110 775**	**95 876 051**
Less provisions for ECL	(1 333 626)	(6 249 674)	(3 248 208)	(867 489)	(11 698 997)
Balance at the end of the period	**57 041 876**	**25 703 211**	**1 188 681**	**243 286**	**84 177 054**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited

9.12 Maximum exposure to loss

The gross carrying amount of development loans receivables and thus the maximum exposure to loss is as follows:

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Development loans receivable net of ECLs		
Stage 1 loans	64 126 434	58 375 502
Stage 2 loans	31 506 690	31 952 885
Stage 3 loans	4 884 941	4 436 889
POCI	1 263 575	1 110 775
Loss allowance	(12 020 351)	(11 698 997)
Development loans receivable net of ECLs	**89 761 289**	**84 177 054**

9.13 Reconciliation of ECLs of development loans

The table below shows the reconciliation of provision for ECLs of development loans:

in thousands of rands	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	POCI	Total
30 September 2022					
Balance at the beginning of the year	1 333 626	6 249 674	3 248 208	867 489	11 698 997
Transfer from Stage 1 to Stage 2	(217 328)	279 072		-	61 744
Transfer from Stage 2 to Stage 3	-	(149 705)	221 104	-	71 399
Transfer from Stage 2 to Stage 1	62 364	(691 286)		-	(628 922)
Disbursements	54 942	404	-	-	55 346
Repayments during the year	(97 451)	-	-	-	(97 451)
Suspended interest	-	-	41 042	-	41 042
Write-offs**	-	(360)	(239 162)	-	(239 522)
Foreign exchange movements	33 873	839 466	469 537	-	1 342 876
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	(33 892)	(218 770)	(25 808)	(6 688)	(285 158)
Balance at end of the period	1 136 134	6 308 495	3 714 921	860 801	12 020 351
ECL allowance recognised to income statement	(197 492)	59 181	664 833	(6 688)	519 834

*The ECL on development loans has increased marginally year-on-year mainly in response to a marginal deterioration in the credit risk of the development loan portfolio. This together with the effect of the unwinding of pandemic era relief policies, notably rising consumer inflation and interest rates, are key contributors to both domestic and international credit risk elements. In addition, incidents of global conflict, though outside the organisation's mandated investment area, have an adverse impact on the DBSA's borrowers, as these result in disruptions in food supply chains together, upward volatility in key commodity prices, driving up borrowing costs (resulting in liquidity stress) and finally restricting access to capital markets for the DBSA's borrowers.

In response to credit risk factors identified at both the macro-economic and client level, the Bank has deemed it appropriate to recognise an additional R543 million judgemental credit adjustment on the total development loan portfolio. The credit adjustment is based on management's best estimate relating to macro-economic variables at the reporting date. These additional management adjustments have been subjected to the appropriate governance framework.

**The net carrying amount of development loans written off in full during the period is R40 million (31 March 2022: R14 million). The total contractual amount outstanding on development loans with write-offs during the period and are still subject to enforcement activity is R40 million (31 March 2022: RNil million). The write-offs had no material impact on net profit for the Bank because these loans had been fully provided for in terms of ECL allowances. All amounts written off comprised stage 3 or nonperforming development loans were subject to lifetime ECL allowances. The measurement of ECL and net amortised cost, the carrying amounts reflected management's best estimate of the present value of estimated future cash flows discounted by the effective interest rate. Accordingly, the carrying amounts of loans written off had been systematically reduced through the application of ECL impairments recorded in prior financial year ends. As such the write-off values recorded are limited to:
» the residual carrying amount, not yet impaired, for accounts fully written off, and
» the difference between the recalculated present value of estimated (revised) future cash flows and the existing carrying amount. The total amount of undiscounted ECLs at initial recognition of purchased or originated credit-impaired assets at original recognition was R860 million (31 March 2022: R860 million).

in thousands of rands	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	POCI	Total
31 March 2022					
Balance at the beginning of the year	425 229	5 874 755	5 057 721	7 035	11 364 740
Transfer from Stage 1 to Stage 2	(24 942)	376 064	-	-	351 122
Transfer from Stage 2 to Stage 3	961	(689)	-	-	272
Transfer from Stage 3 to Stage 2	-	12 780	(4 203)	-	8 577
Disbursements	119 312	-	-	-	119 312
Other administrative adjustments	(1 227)	(314)	(1 665)	-	(3 206)
Suspended interest	-	(1 053)	(145 890)	(195)	(147 138)
New loans recognised after substantial modification	-	-	-	860 800	860 800
Substantial modification	-	-	(873 872)	-	(873 872)
Write-offs**	-	-	(542 565)	-	(542 565)
Foreign exchange movements	(3 035)	(71 231)	(40 861)	-	(115 127)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	817 328	59 362	(200 457)	(151)	676 082
Balance at end of the year	**1 333 626**	**6 249 674**	**3 248 208**	**867 489**	**11 698 997**
ECL allowance recognised to income statement	**909 624**	**376 287**	**(1 119 394)**	**860 649**	**1 027 166**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
9.14 Analysis of current and non-current portion of development loans		
Long term development loans		
Current portion	7 100 728	11 081 828
Non-current portion	94 669 039	84 786 006
Total long term development loans	**101 769 767**	**95 867 834**
Bridging finance development loans		
Current portion	8 949	6 170
Non-current portion	2 924	2 047
Total bridging finance development loans	**11 873**	**8 217**
Gross loan book	**101 781 640**	**95 876 051**
Provision for ECLs	(12 020 351)	(11 698 997)
Amortised cost	**89 761 289**	**84 177 054**

10. TRADE, OTHER PAYABLES AND ACCRUED INTEREST ON DEBT FUNDING

Financial liabilities at amortised cost		
Accrued interest (financial market liabilities – amortised cost)	608 609	449 582
Trade payables	246 239	237 781
Current portion of lease liabilities	1 863	387
Balance at the end of the period	**856 711**	**687 750**
Non-financial liabilities		
Bonus provision	118 281	192 353
PAYE, VAT and Compensation Commissioner	5 632	10 640
Balance at the end of the period	**123 913**	**202 993**
Trade, other payables and accrued interest on debt funding	**980 624**	**890 743**

In line with best practice, accrued interest on financial market liabilities held at fair value through profit or loss has been presented together with debt funding at fair value. The reclassification did not have an impact on retained earnings.

Analysis of trade and other payables		
Current portion	**980 624**	**890 743**

11. PROVISIONS AND LEASE LIABILITIES

11.1 Provisions

in thousands of rands	Opening balance	Current period provision	Transferred/ reversed/ utilised during the period	Closing balance
Reconciliation of provisions at 30 September 2022				
Development expenditure	57 516	-	(57 516)	-
Provision for ECLs on loan commitments	2 430	-	(2 430)	-
Strategic initiatives – COVID-19	31 721	-	(1 695)	30 026
Strategic initiatives – Flood Relief	-	128 370	-	128 370
	91 667	128 370	(61 641)	158 396
Reconciliation of provisions at 31 March 2022				
Development expenditure	65 482	-	(7 966)	57 516
Provision for ECLs on loan commitments	126	2 304	-	2 430
Strategic initiatives – COVID-19	48 877	-	(17 156)	31 721
	114 485	**2 304**	**(25 122)**	**91 667**

Provision for developmental expenditure

In response to meeting mandate requirements, the Bank approved the granting of assistance to municipalities in the Market 2 (secondary cities)/Market 3 (under-resourced municipalities) space by way of providing loans at rates lower than the required economic return on equity by the bank. The provision for developmental expenditure represents the quantum of the financial assistance provided on deals contracted, technical assistance and non-lending support to municipalities.

Provision for ECLs on loan commitments

The provision for development loans and commitments represents the ECLs on loan commitments. The ECL is the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. To the extent that the amount of the ECLs on loan commitment exceeds the gross 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.

COVID-19 provision

The outbreak of COVID-19 was declared a National Disaster by the South African Government on 15 March 2020. This required every stakeholder to work with Government to combat the spread of the pandemic particularly to the most vulnerable communities. The Bank is one of the key stakeholders expected to assist with the combating of this pandemic. DBSA responded as a key stakeholder.

Flood relief provision

Following the floods in KwaZulu-Natal and Eastern Cape in April 2022, these areas were declared disaster areas by the South African Government. The flood relief provision is to be utilised for the extension of humanitarian / non-lending support towards municipalities in the Eastern Cape and KwaZulu-Natal areas.

11.2 Lease liabilities

Reconciliation of lease liabilities

in thousands of rands	Opening balance	Addition	Change in estimate	Interest accrued	Repayments	Current portion	Total
Reconciliation of provisions at 30 September 2022							
Leases	515	7 945	369	147	(1 110)	(1 863)	6 003
Reconciliation of lease liabilities at 31 March 2022							
Leases	**2 917**	**187**	**350**	**147**	**(3 086)**	**(387)**	**128**

There are no other potential future cash flows to which the Bank is exposed to other than those that are reflected in the lease liabilities

	in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
11.3	**Total of provisions and lease liabilities**		
	Provisions	158 396	91 667
	Lease liabilities	6 003	128
	Total provisions and lease liabilities	**164 399**	**91 795**

12. DEBT FUNDING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Debt securities	**676**	**688**
Reconciliation of debt funding designated at FVTPL		
Balance at beginning of the year	688	1 513 997
Discounts and premiums	2	1 394
Fair value adjustments	19	(1 635)
Interest repayment	(33)	(89 733)
Capital repaid	-	(1 423 335)
Balance at the end of the period	**676**	**688**
Analysis of debt funding designated at FVTPL:		
Current portion	676	688
Balance at the end of the period	**676**	**688**

Debt securities designated at FVTPL consists of listed DV bonds. These instruments form part of a group of financial assets and liabilities that are managed and its performance evaluated on a fair value basis. These instruments were irrevocably designated at FVTPL at initial recognition because in doing so the Bank is significantly reducing a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The valuation of debt securities held at FVTPL incorporates own credit risk adjustment of R7 thousand (31 March 2022: R13 thousand). The change in fair value attributable to changes in credit risk on debt securities in issue is calculated using the credit spread observed for recent issuances of similar debt, adjusted for subsequent changes in the credit spread observed on NCDs. The carrying amount of the debt securities in issue at 30 September 2022 designated at FVTPL was R11 thousand higher than the contractual amount due at maturity of R665 thousand. The carrying amount of debt funding held at FVTPL for 30 September 2022 is inclusive of accrued interest amounting to R6 thousand (31 March 2022: R7 thousand).

13. DEBT FUNDING HELD AT AMORTISED COST

Debt securities	34 438 752	35 260 480
Lines of credit	25 576 138	20 274 874
Balance per statement of financial position	**60 014 890**	**55 535 354**
Accrued interest (note 10)	608 609	449 582
Balance at end of the period including accrued interest	**60 623 499**	**55 984 936**
Reconciliation of debt funding held at amortised cost		
Balance at beginning of the year	55 535 354	56 982 792
Capital raised	1 860 000	8 371 185
Capital repaid	(2 203 812)	(9 579 240)
Amortisation of discounts, premiums and transaction costs	218 848	392 415
Foreign exchange adjustments on lines of credit	4 604 500	(631 798)
Accrued interest (note 10)	608 609	449 582
Balance at end of the period including accrued interest	**60 623 499**	**55 984 936**
Analysis of debt funding at amortised cost:		
Current portion	16 240 938	15 087 550
Non-current portion	43 773 952	40 447 804
Balance at the end of the period	**60 014 890**	**55 535 354**

in thousands	30 September 2022 Reviewed	31 March 2022 Audited
Euro amount included in debt funding held at amortised cost	**333 878**	**341 995**
US dollar amounts included in debt funding held at amortised	**1 108 463**	**1 147 071**

R23 billion (31 March 2022: R24 billion) is currently registered and listed on the JSE.

Debt securities carried at amortised cost consists of Eurorand bond issues, Money Market issuances, bridging bonds medium and long term fixed rate and floating rate bonds.

The Bank did not have any defaults of principal or interest or other breaches with respect to its debt securities during the periods ended 30 September 2022 and 31 March 2022.

The total carrying amount of funding debt securities held at amortised cost inclusive of accrued interest amount of R423 million is R34.86 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R109 million is R25.69 billion.

14. DEFERRED INCOME

Balance at the beginning of the year	515 667	503 086
Current movements	11 405	15 028
Interest income and recoveries on loans	-	1 522
Deferred income recognised during the period	(3)	(3 969)
Balance at the end of the period	**527 069**	**515 667**

15. INTEREST INCOME

in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
Interest income calculated using the effective interest rate		
Cash and cash equivalents	208 527	94 164
Development bonds	99 199	61 177
Effective interest income on development loans*	4 686 709	4 204 951
Total interest income calculated using the effective interest rate	**4 994 435**	**4 360 292**

*During the year, the Bank revised its' estimates of cash flows on a group of financial instruments. The amortised cost adjustment of R643 million was recognised against the effective interest income on development loans. Due to the current economic and interest rate environment, the impact on the future periods cannot be determined.

Other interest income		
Interest received on financial assets held at fair value through profit		
Derivative hedged assets**	(1 688)	10 630
Development loans held at FVTPL	23 241	9 404
Equity investments – interest received from mezzanine instruments	93 301	49 524
Investment securities	22 028	21 860
Total other interest income	**136 882**	**91 418**
Total interest income	**5 131 317**	**4 451 710**

**During the current financial period there were maturity of cross currency swaps.

15.1 Interest income on development loans per staging

Stage 1 loans	2 970 571	2 346 898
Stage 2 loans	1 497 798	1 528 680
Stage 3 loans	156 338	328 533
POCI	62 002	840
Total interest income on effective interest rate	**4 686 709**	**4 204 951**

	in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
15.2	**Effective interest income on development loans per client classification**		
	Development finance institutions	-	736
	Educational institutions	63 854	47 407
	Local government	1 615 880	1 532 189
	National and provincial government	329 545	234 360
	Private sector intermediaries	1 299 802	1 104 933
	Public utilities	1 377 628	1 285 326
	Total interest income on effective interest rate	**4 686 709**	**4 204 951**
16.	**INTEREST EXPENSE**		
	Interest expense on financial liabilities calculated using the effective interest rate		
	Bank and other payables	4 580	525
	Debt funding held at amortised cost	1 840 448	1 504 720
	Total interest expense on financial liabilities calculated using the effective interest rate	**1 845 028**	**1 505 245**
	Other interest expense		
	Interest expense on financial liabilities held at FVTPL		
	Derivatives hedging liabilities	2 226	(9 514)
	Funding: debt securities at FVTPL	35	72 104
	Total other interest expense	**2 261**	**62 590**
	Total interest expense	**1 847 289**	**1 567 835**
	Net interest income (Note 15 less Note16)	**3 284 028**	**2 883 875**
17.	**NET FEE INCOME**		
	Gross fee income		
	Lending fees	56 841	98 111
	Management fees	85 683	63 088
	Non-lending fees	79	931
	Total fee income	**142 603**	**162 130**
	Gross fee expense		
	Fees on funding	3 403	5 282
	Guarantee fees	14 462	17 233
	Other fees	54	50
	Total fee expense	**17 919**	**22 565**
	Net fee income	**124 684**	**139 565**

Lending fees

Lending fees are fees that are earned in funding transactions which are not an integral part of the loan and therefore do not form part of the effective interest rate calculation of the loan. The fees are recognised when the service obligation is discharged.

Management fees

Management fees refers 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.

Trade receivables

As at 30 September 2022 the Bank had R87 million (31 March 2022: R66 million) in trade receivable assets relating to management fees and R2.7 million (31 March 2022: R7 million) relating to lending fees. As at 30 September 2022 the Bank had no trade payables as a result of contracts with customers.

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Reconciliation of trade receivables		
Balance at the beginning of the year	65 854	59 588
Repayments during the period	(39 858)	(51 269)
Raised and not paid during the period	61 242	57 535
Balance at the end of the period	**87 238**	**65 854**

Impairment on fee receivables and contract assets

During period under review, there were no material impairments recognised in relation to fees receivable from management fees. Impairments relating to lending fees were recognised under development loans.

Remaining performance obligations

As at 30 September 2022, the Bank had no outstanding obligations emanating from contracts with customers for which trade payables have been recognised.

Costs incurred in obtaining or fulfilling a contract

The Bank's incremental costs of fulfilling and obtaining a contract were immaterial for the period under review.

	in thousands of rands	30 September 2022 Reviewed	30 September 2021 Reviewed
18.	**IMPAIRMENT LOSSES**		
	Trade receivables and other assets	8 507	2 960
	Development loans (note 9.9)	519 834	333 297
	Development bonds (note 8.3)	29 940	49 171
	Loan commitments (note 23.1)	(2 430)	9 239
		555 851	**394 667**
19.	**NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED**		
	Net profit for the period	2 777 185	2 234 585
	Dividends received	(14 932)	(5 473)
	Management fees - segregated funds	54	50
	Depreciation and amortisation	15 281	18 261
	Profit on sale of property and equipment	(9)	(9)
	Grants, development expenditure and project preparation expenditure paid	46 123	70 248
	Net movements from financial assets and liabilities	26 342	303 847
	Fees accrued	151 247	(97 811)
	Fees received	(56 841)	147 106
	Debt guarantee fee raised	13 883	16 660
	Net foreign exchange gain	(825 514)	(179 087)
	Capital gain on equity investments	(36 580)	(3 143)
	Impairment losses	555 851	394 667
	Net interest income	(3 284 028)	(2 883 875)
	Movements in provisions and lease liabilities	88 774	(28 747)
	Increase in trade receivables and other assets	(4 560)	(4 200)
	Decrease in trade, other payables and accrued interest on debt funding	(121 094)	(7 767)
		(668 818)	**(24 688)**

20 RISK MANAGEMENT

20.1 Market risk

Market risk is the risk that the Bank's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Bank is to protect the Bank's net earnings against adverse market movements by containing the innate interest rate and foreign currency risks within acceptable parameters.

Market risk management in the Bank is centralised in the treasury unit and is governed by the interest rate, currency and liquidity risk management policies. As with all risk management policies of the Bank, these policies reside under the authority of the Board of Directors. Whilst the ultimate responsibility for prudent and effective asset-liability management rests with the Board, the authority for policy formulation, revision, strategic management and administration is assigned to the Asset and Liability Management Committee (ALCO). ALCO is responsible for assessing and monitoring the Bank's market risk exposures and is supported in these functions by the Group Risk Assurance (GRA) division.

Interest rate risk

Interest rate risk refers to the susceptibility of the Bank's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the Bank through their net effect on interest rate sensitive assets and liabilities. At the same time movements in interest rates impact on the Bank's capital through their net effect on the market value of assets and liabilities. Interest rate risk in the Bank arises naturally as a result of its funding and lending operations, and occurs primarily in the form of re-pricing risk caused by mismatches in the amount of assets and liabilities re-pricing at any one time, and to a lesser extent, basis risk, the risk of spread compression between assets and liabilities priced off different reference rates.

The treasury unit, under oversight of the Assets and Liabilities Management Committee (ALCO), is charged with managing and containing the Bank's interest rate risk exposures within Board approved limits. To this end, the Bank makes use of derivative instruments to achieve its desired interest rate risk profile.

The Bank's primary interest rate risk management objective is to protect its net interest income (NII) from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the Bank to measure and manage its interest rate risk exposure both over the short and long term in order to protect the Bank's earnings stream and ensure its continued financial sustainability. Limits are set with respect to both short term NII sensitivity using the 12-month cumulative re-pricing gap to total earning assets ratio, and in the longer term, with respect to the portfolio value analysis.

The management of interest rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Bank's NIII and market value of equity to extreme interest rate movements. At a minimum, scenarios include hypothetical interest rate shocks, both up and down, of at least 100 basis points.

The re-pricing profile as at 30 September 2022 is encapsulated in the table on page 56. As reflected in the 12-month cumulative repricing gap, the Bank is asset sensitive, with an immediate 100 basis points upward or downward shift in short term rates expected to result in an increase/(decrease) in net interest income over the projected 12-month period of approximately R218.47 million (31 March 2022: R207.86 million).

Hedging interest rate risk

Desired changes to the Bank's interest rate risk profile are achieved through the use of derivative instruments, particularly interest rate swaps, in line with the Bank's hedging guidelines.

As at 30 September 2022, the Bank had a ZAR interest rate swap portfolio with a total notional amount of R180 million (31 March 2022: R180 million). The Bank classifies interest rate swaps as fair value hedges and economic hedges and states them at fair value. The net fair value of these swaps as at 30 September 2022 was R8.3 million (31 March 2022: R13.6 million), comprising of assets of RNil (31 March 2022: RNil) and liabilities of R8.3 million (31 March 2022: R13.6 million). These amounts are recognised as fair value derivatives.

The table below shows the contractual repricing gap for 30 September 2022:

in millions of Rands		< 1M	1-3M	3-12M	1-2Yrs	2-3Yrs	3-4Yrs	4-5Yrs	> 5Yrs	Total
Cash and cash equivalents	ZAR	9 101	–	–	–	–	–	–	–	9 101
Investment securities	ZAR	110	–	130	181	–	–	–	–	421
Development bonds	ZAR	–	42	42	585	83	83	83	1 333	2 251
Development loans	ZAR	13 713	29 805	13 484	2 529	2 778	2 880	4 580	25 649	95 418
Derivative assets	ZAR	1 147	1 640	105	131	52	52	52	135	3 314
Total financial market assets		**24 071**	**31 487**	**13 761**	**3 426**	**2 913**	**3 015**	**4 715**	**27 117**	**110 505**
Debt securities	ZAR	(3 931)	(8 292)	(7 796)	(2 093)	(2 933)	–	(500)	(8 909)	(34 454)
Lines of credit	ZAR	(3 105)	(6 350)	(15 132)	(252)	(177)	(181)	(123)	(311)	(25 631)
Derivatives liabilities	ZAR	(1 161)	(1 469)	(236)	(65)	(18)	(18)	(18)	(67)	(3 052)
Total financial market liabilities		**(8 197)**	**(16 111)**	**(23 164)**	**(2 410)**	**(3 128)**	**(199)**	**(641)**	**(9 287)**	**(63 137)**
Repricing gap		**15 874**	**15 376**	**(9 403)**	**1 016**	**(215)**	**2 816**	**4 074**	**17 830**	**47 368**
Cumulative repricing gap		**15 874**	**31 250**	**21 847**	**22 863**	**22 648**	**25 464**	**29 538**	**47 368**	

The table below shows the contractual repricing gap for 31 March 2022:

in millions of Rands		< 1M	1-3M	3-12M	1-2Yrs	2-3Yrs	3-4Yrs	4-5Yrs	> 5Yrs	Total
Cash and cash equivalents	ZAR	7 990	–	–	–	–	–	–	–	7 990
Investment securities	ZAR	33	–	75	130	181	–	–	–	419
Development bonds	ZAR	–	–	–	–	502	–	–	750	1 252
Development loans	ZAR	12 097	28 264	12 721	2 047	2 488	2 174	2 619	27 486	89 896
Derivative assets	ZAR	2 181	688	95	119	83	48	48	146	3 408
Total financial market assets		**22 301**	**28 952**	**12 891**	**2 296**	**3 254**	**2 222**	**2 667**	**28 382**	**102 965**
Debt securities	ZAR	(3 056)	(10 208)	(8 046)	(2 093)	(3 000)	–	(500)	(8 357)	(35 260)
Lines of credit	ZAR	(730)	(5 771)	(12 777)	(268)	(184)	(152)	(131)	(324)	(20 337)
Derivatives liabilities	ZAR	(2 179)	(535)	(56)	(245)	(42)	(18)	(18)	(76)	(3 169)
Total financial market liabilities		**(5 965)**	**(16 514)**	**(20 879)**	**(2 606)**	**(3 226)**	**(170)**	**(649)**	**(8 757)**	**(58 766)**
Repricing gap		**16 336**	**12 438**	**(7 988)**	**(310)**	**28**	**2 052**	**2 018**	**19 625**	
Cumulative repricing gap		**16 336**	**28 774**	**20 786**	**20 476**	**20 504**	**22 556**	**24 574**	**44 199**	

The above analysis excludes non-performing assets. Variable interest rate instruments are included in the maturity bucket in which they re-price. Fixed rate instruments, although not subject to re-pricing risk, are included in the maturity bucket in which they matures, due to the assumption that it will be rolled at maturity or that it will convert to cash.

Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Currency risk in the Bank arises primarily as a result of foreign currency denominated borrowings, foreign currency lending, equity investments, foreign currency net interest income, expenditure and dividends.

The Bank's primary currency risk management objective is to protect its net earnings against the impact of adverse exchange rate movements. Hedging of currency exposures is effected either naturally through offsetting assets and liabilities of substantially similar size, maturities, currency, and repricing bases; or in the absence thereof, through the use of approved derivative instruments transacted with approved financial institutions.

Hedging of foreign currency risk exposure

The Bank uses cross currency swaps, currency options and forward exchange contracts (FECs) to hedge its foreign currency risk. As at 30 September 2022, the Bank had cross-currency swaps with a notional amount of R289 million (31 March 2022: R704 million). In addition, the Bank had foreign exchange contracts with notional amount of R2.58 billion (31 March 2022: R2.3 billion) and foreign exchange option hedges with notional amount of R17.07 billion (31 March 2022: R5.9 billion). The notional amounts indicate the volume of currency hedges outstanding at the balance sheet date and do not represent the amount at risk.

Foreign currency sensitivity analysis

Potential impact of rand volatility on profit/loss based on current net open position/currency exposure:

in thousands	30 September 2022 Reviewed EUR	30 September 2022 Reviewed USD	31 March 2022 Audited EUR	31 March 2022 Audited USD
Assets				
Cash and cash equivalents	8 704	40 742	6 654	91 635
Development loans	380 514	1 337 149	338 490	1 364 924
Equity investments	34 407	144 004	33 445	154 518
Total assets	**423 625**	**1 521 895**	**378 589**	**1 611 077**
Liabilities				
Debt funding and lines of credit	(333 878)	(1 108 463)	(341 995)	(1 147 071)
Total liabilities	**(333 878)**	**(1 108 463)**	**(341 995)**	**(1 147 071)**
Net open position before hedging	**89 747**	**413 432**	**36 594**	**464 006**
Derivatives	(98 868)	(393 175)	(25 192)	(375 069)
Net open position after hedging	**(9 121)**	**20 257**	**11 402**	**88 937**

The assumption used in the sensitivity analysis has changed to include non-performing loans and arrears given the fact there are collections on this portion of the development loan book. The change has no impact on assets or equity or liabilities or profit or loss.

Foreign currency exchange rate (FX) sensitivity

Sensitivity	%	EUR/ZAR	EUR potential impact	USD/ZAR	USD potential impact	FX sensitivity combined
	(15)	15.11	24 328	15.42	(55 138)	(30 810)
	(10)	16.00	16 219	16.33	(36 759)	(20 540)
	(5)	16.89	8 109	17.24	(18 379)	(10 270)
	-	17.78	-	18.15	-	-
	5	18.67	(8 109)	19.05	18 379	10 270
	10	19.56	(16 219)	19.96	36 759	20 540
	15	20.45	(24 328)	20.87	55 138	30 810
Spot exchange rate used			**17.7815**		**18.1462**	

Liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis and in the currency due without incurring above normal costs. In the case of the DBSA this risk specifically would arise from an inability to honour obligations with respect to commitments to borrowers, lenders and investors and operational expenditure.

In order to shield the Bank against the risk of liquidity shortfall, the Bank's liquidity risk management policy requires the maintenance of prudential liquidity levels higher than or equal to the highest average monthly disbursements based on the previous four quarters. In addition, in the interest of added prudence, the Bank has adopted the Basel III recommended liquidity risk metrics, the liquidity coverage ratio and the net stable funding ratio as part of its liquidity risk management policy.

Liquidity is held primarily in the form of money market instruments such as call deposits, treasury bills, negotiable certificates of deposit, promissory notes as well as liquid debt issues from government, municipalities and other approved issuers.

Total liquidity at 30 September 2022 was R9.3 billion (31 March 2022: R8.2 billion). This includes cash and cash equivalents of R9.1 billion (31 March 2022: R8 billion), segregated money market funds of R35 million (31 March 2022: R33 million) and SOE and municipal bonds of R205 million (31 March 2022: R205 million).

Available liquidity

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
High quality liquid assets		
Cash and cash equivalents	9 101 199	7 990 108
Other less liquid assets		
Investment in segregated funds	35 079	33 480
Municipal bonds – nominal value	130 000	130 000
SOE bonds – nominal value	75 000	75 000
Total available liquidity	**9 341 278**	**8 228 588**

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (tradable market securities) as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions, money and capital securities issuance under the Bank's domestic medium-term programme and capital market repurchase transactions. Liquidity includes undrawn credit facilities for the year amounted to approximately R1.28 billion (31 March 2022: R1.9 billion).

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by ALCO on a quarterly basis. The 12-month cumulative liquidity gap as at 30 September 2022 was R1.26 billion (31 March 2022: R404 million).

The table below analyses the contractual liquidity gap for 30 September 2022:

in millions of rands		< 1M	1-3M	3-12M	1-2Yrs	2-3Yrs	3-4Yrs	4-5Yrs	> 5Yrs	Total
Cash and cash equivalents	ZAR	9 101	-	-	-	-	-	-	-	9 101
Investment securities	ZAR	110	-	130	181	-	-	-	-	421
Development bonds	ZAR	-	42	42	585	83	83	83	1 333	2 251
Development loans	ZAR	1 272	1 399	5 350	7 868	7 919	7 946	9 137	54 527	95 418
Derivative assets	ZAR	1 147	1 460	105	131	52	52	52	135	3 134
Total financial market assets		**11 630**	**2 901**	**5 627**	**8 765**	**8 054**	**8 081**	**9 272**	**55 995**	**110 325**
Debt securities	ZAR	(540)	-	(9 396)	(6 410)	(5 608)	(1 563)	(1 350)	(9 587)	(34 454)
Lines of credit	ZAR	-	(2 464)	(3 841)	(2 952)	(5 915)	(2 285)	(1 981)	(6 193)	(25 631)
Derivatives liabilities	ZAR	(1 161)	(1 435)	(59)	(71)	(24)	(24)	(24)	(74)	(2 872)
Total financial market liabilities		**(1 701)**	**(3 899)**	**(13 296)**	**(9 433)**	**(11 547)**	**(3 872)**	**(3 355)**	**(15 854)**	**(62 957)**
Net liquidity gap		**9 929**	**(998)**	**(7 669)**	**(668)**	**(3 493)**	**4 209**	**5 917**	**40 141**	**47 368**
Cumulative liquidity gap		**9 929**	**8 931**	**1 262**	**594**	**(2 899)**	**1 310**	**7 227**	**47 368**	

The table below analyses the contractual liquidity gap for 31 March 2022:

in millions of rands		< 1M	1-3M	3-12M	1-2Yrs	2-3Yrs	3-4Yrs	4-5Yrs	> 5Yrs	Total
Cash and cash equivalents	ZAR	7 990	-	-	-	-	-	-	-	7 990
Investment securities	ZAR	33	–	75	130	181	–	–	–	419
Development bonds	ZAR	–	–	–	–	502	–	–	750	1 252
Development loans	ZAR	184	1 636	5 525	6 633	7 330	6 511	6 923	55 156	89 898
Derivative assets	ZAR	1 821	508	455	119	83	48	48	146	3 228
Total financial market assets		**10 028**	**2 144**	**6 055**	**6 882**	**8 096**	**6 559**	**6 971**	**56 052**	**102 787**
Debt securities	ZAR	(125)	(225)	(9 577)	(4 393)	(8 442)	(550)	(2 913)	(9 035)	(35 260)
Lines of credit	ZAR	–	(108)	(5 053)	(2 670)	(1 376)	(4 260)	(1 307)	(5 562)	(20 336)
Derivative liabilities	ZAR	(1 799)	(497)	(439)	(71)	(48)	(24)	(24)	(86)	(2 988)
Total financial market liabilities		**(1 924)**	**(830)**	**(15 069)**	**(7 134)**	**(9 866)**	**(4 834)**	**(4 244)**	**(14 683)**	**(58 584)**
Liquidity gap		**8 104**	**1 314**	**(9 014)**	**(252)**	**(1 770)**	**1 725**	**2 727**	**41 369**	**44 203**
Cumulative liquidity gap		**8 104**	**9 418**	**404**	**152**	**(1 618)**	**107**	**2 834**	**44 203**	

Note that the contractual liquidity gap has been adjusted to include the Bank's 2027 zero coupon liability at current book value. This bond contractually matures in 2027 and accrues interest semi-annually toward a maturity value of R7.27 billion.

As per the table above the Bank has a positive cumulative liquidity gap where the contractual inflows exceed outflows across all time buckets. This profile is anticipated due to the nature of the business where the Bank has raised long dated stable funding and generated short term amortising assets. There are no behavioural assumptions made on the liquidity gap and all assets and liabilities are disclosed with the underlying contractual maturity as determined by the cash flow profile for each record.

Equity and development loans at FVTPL

Definition of equity investment risk

Equity investment risk refers to the risk of changes in the value (both adverse and favourable) of either listed or unlisted equity investments. The key drivers to the equity risks are included under market risk and these include price risk, interest rate risk and currency risk. Equity investments are an alternative development funding mechanism in addition the key funding product being development loans, and these may include direct investments in shares or investments in third party managed funds.

Approach to management of equity investment risk

The DBSA's approach to the management of equity investment risk is managed in terms of the investment life cycle phase:

Unlisted equity investments

Evaluation of potential investments: All proposed investments are subject to the same DBSA's formal credit and deal screening process and investment decisions are approved by the appropriate governance forum. The investment process follows exactly the same process as the loan process.

Investment holding phase: All investments are subject to performance management and monitoring, both in terms of quantitative and qualitative risk factors. The investment monitoring process followed is the same as the loan process monitoring. The DBSA continuously engages the management of investee entities through both formal and informal channels to keep abreast of material changes in business and operational risk factors and the impact of macro-economic change on operations and underlying investment valuations. The DBSA modus operandi is to negotiate the appointment of suitable qualified delegated staff members to serve as members of key governance forums of investee entities.

Investment valuation: The DBSA values each investment according to the most appropriate valuation methodology, aligned with industry best practice.

Harvest/exit phase: All proposed exits from existing investments are subject to appropriate approvals and evaluation of the actual return against suitable benchmarks.

Listed equity investments

Listed investment holdings commonly originate by way of capital distributions in the form of dividends in specie by unlisted investee entities. The DBSA monitors the market value of listed investments in order to ensure that market losses are minimised whilst concurrently seeking to identify appropriate exit prices, in the context of the current market trends, applicable minimum return rates and benchmarks.

Portfolio level sensitivity analysis – Change in fair value due to general macro-economic stress

Sensitivity analyses were performed on the entire equity portfolio to determine the possible effect of changes in the entire fair value of the portfolio. In calculating the sensitivities for investments using a top-down approach, the entire fair value adjustment was stressed with a factor ranging from –10% to +10%. The range selected is derived from management's experience of variations in investment values over an extended time period.

The impact of the top-down approach that uses fair value adjustment is disclosed in the table below: From the table below a 10% increase on the fair value adjustment will have a R4 million increase in the equity values as at 30 September 2022 and a 10% decrease in fair value adjustment results in a R17 million decrease in the equity values as at 30 September 2022.

Equity investments

in thousands of rands	10% decrease in fair value	Fair value adjustments	10% increase In fair value
30 September 2022			
Equity instruments listed and unlisted	99 763	117 117	121 933
Listed	-	6 269	-
Unlisted	99 763	110 848	121 933
31 March 2022			
Equity instruments listed and unlisted	**51 907**	**46 349**	**63 442**
Listed	-	(11 325)	-
Unlisted	51 907	57 674	63 442

The Bank performed a sensitivity analysis on each investment to determine the potential impact of COVID-19, using a bottom-up approach, with the total impact on the portfolio determined and noted in the table below. In the current period the analysis is performed using a top-down approach with the potential variances as disclosed below:

Sensitivity analysis - level 3

In thousands of rands	Fair value gain	Variance %	Valuation	Variance%
30 September 2022				
Actual	3 970	-	2 562 720	-
Stressed – worst case	397	(397)	2 562 322	(0.02)
Stressed – positive case	397	397	2 563 116	0.02
31 March 2022				
Actual	8 909	-	2 659 291	
Stressed – worst case	891	(891)	2 658 400	(0.03)
Stressed – positive case	891	891	2 660 182	0.03

Sensitivity analysis – Marketability discounts

Sensitivity analyses are performed on the equity portfolio to determine the possible effect on the reported fair values should a range of input variables change, e.g. currency, liquidity, etc. These assumptions were built into the applicable valuation models. In calculating the sensitivities for investments, the key input variables were changed by a factor ranging from -15% to +15%. The effect of each change on the value of the investment was disclosed below:

in thousands of rands	Base value	15% increase in marketability discount	Fair value – actual	15% decrease in marketability discount
30 September 2022				
Listed				
Level 1	54 402	54 402	54 402	54 402
Unlisted				
Level 2	3 037 356	2 544 281	2 613 124	2 681 967
Level 3	3 083 394	2 478 800	2 562 720	2 646 639
Total	6 175 152	5 077 483	5 230 246	5 383 008
% change in fair value		(2.92)		2.92

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.92%.

31 March 2022				
Listed				
Level 1	60 672	60 672	60 672	60 672
Unlisted				
Level 2	2 543 025	2 199 847	2 256 544	2 313 241
Level 3	3 093 657	2 573 296	2 659 291	2 745 288
Total	**5 697 354**	**4 833 815**	**4 976 507**	**5 119 201**
% change in fair value		**(2.87)**		**2.87**

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.87%.

Sensitivity analysis – Currency exchange rates

The reported fair value of certain equity investments are highly sensitive to currency exchange rates, based on the nature and structure of the noted investments. In terms of the fair value hierarchy approach outlined in IFRS 13, the DBSA has determined currency exchange rate to be the single most significant lowest level input driving the fair values of the noted investments. Accordingly the DBSA calculates the sensitivity of the portfolio to changes in key exchange rates, in order to determine the impact of such changes on the fair value of the portfolio. For the current period the applied range is determined by calculating the difference between the year end exchange rate and the three average year-end exchange rate for the preceding three financial year ends. For 17% movement in foreign exchange rate the fair value change on the equity portfolio was +10.32% and -11.16%. The exchange rates used at measurement date are USD/ZAR at R18.1462 and EUR/ZAR at R17.7815.

in thousands of rands	17% decrease in effective exchange rate	Fair value - actual	17% increase in effective exchange rate
30 September 2022			
Listed			
Level 1	**54 402**	**54 402**	**54 402**
ZAR			
Unlisted			
Level 2			
USD	**2 194 275**	**2 613 124**	**3 031 973**
Level 3			
EUR	**507 799**	**611 806**	**715 813**
USD	**190 267**	**253 545**	**268 207**
ZAR	**1 699 655**	**1 697 369**	**1 699 655**
Total	**4 646 398**	**5 230 246**	**5 770 050**
% Change in fair value	**(11.16)**		**10.32**

For 8% movement in foreign exchange rate the fair value change on the equity portfolio was +/-4.62%. The exchange rates used at measurement date are USD/ZAR at R14.6038 and EUR/ZAR at R16.1646.

in thousands of rands	8% decrease in effective exchange rate	Fair value - actual	8% increase in effective exchange rate
31 March 2022			
Listed			
Level 1			
ZAR	60 672	60 672	60 672
Unlisted			
Level 2			
USD	2 085 633	2 256 544	2 427 455
Level 3			
EUR	497 370	540 619	583 869
USD	181 737	197 540	213 344
ZAR	1 921 132	1 921 132	1 921 132
Total	**4 746 544**	**4 976 507**	**5 206 472**
% Change in fair value	**(4.62)**		**4.62**

Marketability discount rates applied

The Bank may apply a marketability discount to each investment with reference to factors, including but not limited to the following: the location of the investment operations, the passage of time between the Bank's reporting date and the date of the most recent asset or earning-based valuation, investment specific risk factors, general and sectoral economic conditions and their current and projected impact on the investment operations, the relative size of the Bank's proportionate interest, the relative age of the investment (i.e. the investment stage and time to maturity), and recent transactional information or lack thereof, i.e. anticipated ease of liquidation (relating to exits of similar investments). COVID-19 adjustments were factored into each investment discount rate.

in thousands of rands	Level 1	Level 2	Level 3	Total
30 September 2022				
0% – 12.5%	54 402	-	-	54 402
12.5% – 15.0%		86 647	31 979	118 626
15.0% – 16.5%		2 526 477	1 344 879	3 871 356
20.0% – 22.5%		-	1 185 862	1 185 862
22.5% – 25.0%		-	-	-
Total	**54 402**	**2 613 124**	**2 562 720**	**5 230 246**
31 March 2022				
0% – 12.5%	60 672	-	-	60 672
12.5% – 15.0%	-	109 729	53 041	162 770
15.0% – 16.5%	-	2 146 815	1 218 530	3 365 345
20.0% – 22.5%	-	-	1 316 353	1 316 353
22.5% – 25.0%	-	-	71 367	71 367
Total	**60 672**	**2 256 544**	**2 659 291**	**4 976 507**

Development loans held at fair value

The most significant inputs affecting the fair value of development loans are ZAR/USD swap rates, ZAR/USD exchange rate and the estimated risk discount factor applied to the value of cash flows due on contractual payment dates. The table below details the changes to the reported fair value which will result in changes to the risk discount factor applied:

in thousands of rands	Base value	10% Increase in risk discount factor	Fair value - Actual	10% Decrease in risk discount factor
30 September 2022				
Level 3	156 455	10 544	24 332	38 120
% Change		(56.7)		56.7

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-57%.

31 March 2022				
Level 3	**115 535**	**8 367**	**19 309**	**30 251**
% Change		**(56.7%)**		**56.7%**

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-57%.

20.2 Credit risk

Sensitivity analysis – ECL

The most significant assumptions affecting ECL are GDP, crude oil prices, interest rate and ZAR/USD exchange rate. Detailed in the table below are changes to the ECL that will result from changes in the weightings applied due to changes in the economic indicators used in the Bank's economic variable assumption:

30 September 2022	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Base case	45	50	5	2 307 121	2 563 468	11
Worst case	50	45	(5)	5 075 934	4 805 069	(5)
Best case	5	5	-	230 044	230 044	-
Weighted ECL – Stages 1 and 2				7 613 099	7 598 581	(0.2)
Credit-impaired ECL				4 575 722	4 575 722	-
Total ECL				12 188 821	12 174 303	(0.1)

31 March 2022	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Base case	45	50	5	2 114 465	2 349 405	11
Worst case	50	45	(5)	5 367 104	5 112 006	(5)
Best case	5	5	-	242 671	242 671	-
Weighted ECL – Stages 1 and 2				**7 724 240**	**7 704 082**	**(0.3)**
Credit-impaired ECL				4 115 697	4 115 697	-
Total ECL				**11 839 937**	**11 819 779**	**(0.2)**

The following table shows a comparison of the forward-looking impact on the ECL provision based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% rating of the above factors:

Scenarios

in thousands of rands	Weight %	Unweighted ECL (R'000)	Difference to weighted ECL (R'000)	% Difference to weighted ECL
30 September 2022				
Base case	100	12 072 233	(124 573)	(1.0)
Worst case	100	12 366 791	169 985	1.4
Best case	100	11 549 743	(647 063)	(5.3)
31 March 2022				
Base case	100	11 630 666	(209 271)	(1.8)
Worst case	100	12 033 816	193 879	1.6
Best case	100	11 784 576	(55 361)	(0.5)

Sensitivity analysis – single name impairments

In defining the recoverable amounts attributed to distressed/defaulted borrowers, management considers a range of factors attributable to the economy at large was well as the state of affairs of the borrower. Changes resulting from the elevated uncertainty due to the pandemic as well as specific conditions applicable to each borrower may have a significant impact on the value of recoveries and estimation of recoverable amounts involves.

The following table shows a comparison of the impact on the aggregated total of single name ECL provision (stage 3) should the estimated recoverable amounts either increase or decrease by a factor of 10%:

in thousands of rands	10% Decrease in management value R'000	Actual R'000	10% Increase in management value R'000
30 September 2022			
Credit-impaired ECL (Stage 3 NPL & POCI)	**4 741 635**	**4 575 722**	**4 425 885**
% change	**3.45**		**(3.44)**
31 March 2022			
Credit-impaired ECL (Stage 3 NPL & POCI)	4 257 318	4 115 697	3 974 059
% change	3.42		(3.46)

20.3 Impact of macro-economic shock events

Assets Portfolio

Credit models

The base credit models applied in finalizing ECLs remained consistent with the prior year. No changes were made to the base credit models during the period under review in response macro-economic shock events such as the Russia-Ukraine conflict or the lingering impact of COVID-19. The base credit models are currently being reviewed and the review will be completed by the end of the 2022/2023 financial year.

Forward-looking information models

IFRS 9 requires the assessment of credit risk to incorporate forward-looking information. Credit models should recognise ECL considering all reasonable and supportable information, including that which is forward-looking. The model methodology was reassessed to determine applicability given current market conditions. During the initial advent of the pandemic in 2020, the DBSA Credit Lab revised the Forward-Looking Model based on linear regression methodology. Given continuing COVID-19 and economic conditions in effect at that time, the linear regression model in use provide to be unreliable by under and overestimating ECL at various time periods. The linear regression approach limitation was in only predicting linear relationships between dependent variables. Non-linear methodologies were investigated, and non-parametric regression methods were considered a good option given the shape of the development data. The Generalised Additive Model (GAM), a form of non-parametric regression was utilized to model the effects of macro-economic factors on the DBSA PD's in order to appropriately determine ECL at year end.

The full extent of factors such as elevated consumer inflation driven by the Russia-Ukraine conflict, sovereign debt situation and impact on performance risk remains unknown and evolving at the interim period end. Management has, however, estimated impact of these shock events on forward-looking information (including modelling associated default rates) using multivariate regression approaches. The estimated impact has been factored into the first three years of the FLI forecasting casting window and there after assumption was made that the probability adjustment will revert to through the cycle (TTC) levels onwards.

Staging impact

The Bank did not offer blanket payment holidays in response to macro-economic shock events. Accordingly, there was no change in automatic staging triggers. The Bank continued to apply the banking guidance provided, where the staging of loans with satisfactory performance prior to COVID-19 were not automatically changed in terms of IFRS loan staging.

Consideration of post balance sheet information

Prior to the advent of the COVID-19 pandemic, the Bank's standard practice was to use forward-looking information obtained approximately a month before the reporting date. In the post-pandemic era, the Bank continues this practice, however management continuously monitors the current and forecast effects of macro-economic shock events in order to determine whether these indicate evidence of the occurrence of adjusting post balance sheet events. Given the current macro-economic outlook, the impact of changes to forward-looking information for August 2022 is reviewed (in a manner consistent with the prior year) using data available as at 30 September 2022 but obtained in early October 2022.

Changes in weighting in response to macro-economic shock

During the 2020 financial year, the DBSA increased the assigned weighting for its defined Worst case ECL estimation scenario to 50% in anticipation of an RSA sovereign credit rating downgrade (which subsequently materialised). Additionally, due to the higher probability assigned to the Worst case scenario, the Worst case scenario became the Bank's Base case scenario.

Since the Bank's initial adoption of IFRS 9, there has been, and continues to be, an overall continuing negative trend on most key macro-economic factors, this excludes the limited initial recovery in numerous high-frequency indicators following the roll back of mobility restrictions in most jurisdictions. Notwithstanding the fact that Bank had proactively increased the weighing assigned to negative scenarios, the Bank continues to perform various scenario analyses and stress testing of the ECL, with the summary below showing limited results from stress testing and changes in weightings:

» Increase in worst case by 5% causes ECL to increase by approximately 0.2%
» Increase in worst case by 10% causes ECL to increase by approximately 0.4%
» Increase in worst case by 15% causes ECL to increase by approximately 0.6%.

IFRS 9 post-implementation plan

After successful embedment of IFRS 9 over the preceding two financial reporting periods, the Bank's post implementation review project is currently underway. The Bank has identified a number of key focal areas and the project has been delineated into corresponding workstreams each with a working group established to deal with each focus area. As part of the review, the Bank seeks to continue compliance with best practice in a manner commensurate with its internal risk and governance approach. Any required changes or updates to internal policies and/or processes are subject to approval under the Bank's applicable governance framework.

Liabilities Portfolio

Liquidity risk management

The Bank primarily sources funding from lines of credit, debt capital market and repurchase agreements. There has been no default or breaches relating to the borrowings recognised during and at interim reporting date. The Bank undertakes rigours cashflow forecasting and despite the challenges in the domestic market, the Bank's foreign currency borrowing limit was approved and this enables the Bank, to raise funding in the international markets. DV23 bond with a nominal value of R7.8billion , is due for maturity in February 2023.

Hedging accounting

The Bank continues to apply the provision of IFRS 9 in the management of risks associated with hedging activities. The Bank continues to use various derivative instruments for risk management and there was no change in the derivative instruments used.

In applying hedge accounting, the Bank has considered the appropriateness of the cash flow hedging accounting and concluded that forecast transactions remain highly probable. The Bank's cash flow hedges comprise predominantly of currency swaps and currency options. These are highly probable transactions for which there is a minimal risk of uncertainty and these instruments have been effective in managing currency risk.

Post interim reporting date there has been no reclassification of irrecoverable loss from the cash flow hedge reserve to profit or loss. The currency swaps are 100% effective and the time value of money component of currency options is recognised in cash flow reserve.

20.4 Risks and uncertainties associated with Ukraine-Russia War

Ongoing hostilities in eastern Europe have been a major driver of risk and uncertainty across the globe. Disruption to international supply chains has elevated the risk of food security, notably in countries dependent on Ukrainian agricultural exports. In addition, the fuel shortages driven by the initial loss of the Russian supply contribution has elevated global fuel costs, driving rapid inflation in both developed and developing countries, outside policymakers' desired target ranges. Policy responses have seen a rapid unwinding of pandemic era monetary policy support measures, increasing the cost of borrowing while simultaneously buffeting nearly all exchange rates against the US dollar.

While oil producing countries continue to benefit from elevated price levels, energy importing economies have seen significant increases in fuel and gas prices, contributing the noted rise in headline inflation.

The Bank's portfolio includes both oil importers and oil exporters and with the full impact and anticipated duration of the war still in doubt, the economic uncertainty caused by the conflict will continue to affect the Bank's clients across the continent.

20.5 Reference rate reform

The Bank is exposed to market risk associated with the following interest rate benchmarks in its hedge accounting relationships and contractual agreements: JIBAR, LIBOR and EURIBOR which extends beyond 31 March 2022. Various groups have been established which are comprising of various skills sets and professionals across the Bank to work on reference rate reform transition. In addition, training sessions have been held. In light of the amendments issued by the IASB to IAS 39/IFRS 9 which provides relief to all hedging relationships that are directly affected by interest rate benchmark reform, the Bank will continue to apply the phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Bank is exposed to ends.

The Financial Stability Board initiated a reform of the major interest reference rates to new alternative reference rates which are more reliable and robust. The ICE Benchmark Administration (IBA, administrator of LIBOR) issued a publication in March 2021 regarding the replacement of reference interbank rates and their cessation dates. The LIBOR rates which the Bank is exposed to will cease to be published on 30 June 2023. The Bank has decided on which alternative rates will be used for amending existing contracts and for new contracts. The South African Reserve Bank is in a process of replacing JIBAR, however the end date for JIBAR publication has not been communicated. The Bank continues to monitor developments in the local regulator (SARB) on local reference rate reforms (JIBAR) and is engaging with local bodies as well as international developments regarding the reference rate reform.

The Bank has been preparing for the IBOR reform and there is a dedicated project management team that ensures that all project deliverables are effectively and efficiently met. The Bank's project governance structure was established, and the key function is to provide direction and approve key decisions and project metrics. The reference rate project is overseen by the Reference Rate Reform project Steering Committee. In addition to the Steering Committee, the project operations are managed by the reference rate reform Operations Committee (OpsCo) which comprises heads of business units across the Bank. The Bank has established various workstreams that are cross functional and led by different heads to ensure effective risk management, ownership, accountability, and smooth transition to alternative reference rates. Updates on key developments are summarised below:

Contract reviews and amendments
The Bank has completed the review of all affected loan agreements within the asset and liability portfolios that are affected by the IBOR reform. The Bank has had engagements with the affected clients and the process of amending the existing contracts is in progress and is expected to be completed by 30 June 2023.

ICT systems and model
The changes to systems and adoption of new methodologies is an area of significant management focus. The Bank system upgrades are substantially completed as at year yead and are currently in testing phase.

Risk management
Effective risk management is critical to the success of the project. The project is structured in a manner that allows effective risk management. Below is a summary of the key risks that the Bank is exposed to as a result of the IBOR reform:

Market risk – liquidity risk associated with the ARR, misalignment with the market transition timelines.

Model risk – risk of the credit and valuation models not being able to accommodate the new interest rates.

Legal risk – risk of being non-compliant to the agreements previously agreed with clients.

Operational risk – the risk of DBSA systems not being able to Incorporate the required interest rate changes as negotiated as per the existing and new contracts, risk of strategies, procedure manuals, processes and policies not being updated for the ARRs.

Financial risk – failure to incorporate the new rates in the pricing tool adequately resulting in inappropriate pricing of deals.

Compliance/regulatory risk – risk that the bank is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

Reputational risk – the risk to the bank's reputation from failing to adequately prepare for the transition.

Conduct risk – risk of client dissatisfaction with the new rates negotiated for the transition.

The Bank predominately has USD and EUR exposure to financial instruments and the table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end. The table excludes exposures to IBOR that will expire before transition is required:

in thousands of rands	Non-derivative financial assets – carrying value	Non-derivative financial liabilities – carrying value	Loan commitments	Derivatives nominal amount
The table below shows IBOR exposure in ZAR currency amount:				
LIBOR tenors				
30 September 2022				
USD LIBOR (1 month)	2 700 458	-	134 244	-
USD LIBOR (3 months)	923 798	-	-	-
USD LIBOR (6 months)	13 907 032	11 132 238	2 744 125	-
Total	17 531 288	11 132 238	2 878 369	-
31 March 2022				
USD LIBOR (1 month)	2 575 193	-	108 038	-
USD LIBOR (3 months)	834 795	-	-	-
USD LIBOR (6 months)	10 791 097	13 654 649	2 196 987	-
Total	**14 201 085**	**13 654 649**	**2 305 025**	-
The table below shows IBOR exposure in USD currency amount:				
LIBOR tenors				
30 September 2022				
USD LIBOR (1 month)	148 817	-	7 398	-
USD LIBOR (3 months)	50 909	-	-	-
USD LIBOR (6 months)	766 410	613 475	151 223	-
Total	966 136	613 475	158 621	-
31 March 2022				
USD LIBOR (1 month)	176 337	-	7 398	-
USD LIBOR (3 months)	57 163	-	-	-
USD LIBOR (6 months)	738 924	935 007	150 439	-
Total	**972 424**	**935 007**	**157 837**	**-**

21. RELATED PARTIES

21.1 Related party relationships

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.

21.2 Transactions with related parties

(a) National public entities

The total book debt of loans extended to national public entities amounts to R20.4 billion (31 March 2022: R19.4 billion). None of these loans are non-performing.

(b) National mandates

The net amount outstanding at year end amounted to R261 million (31 March 2022: R175 million).

22. CONTINGENCIES

22.1 Contingent liabilities

The Bank operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Bank is involved in disputes and legal proceedings which arise in the ordinary course of business. The Bank does not expect the ultimate resolution of any of the proceedings to have a significant adverse effect on the financial position of the Bank. The Bank has assessed the contingent liabilities based on information at balance sheet date and has concluded that the possibility of an outflow of economic benefits is remote. Therefore, no contingent liabilities have been disclosed.

23. COMMITMENTS

At the reporting date, the Bank had the following commitments:

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited
Capital commitments	119 312	150 081
Development expenditure	19 624	19 624
Development loan commitments	11 428 858	10 129 902
Equity investments commitments	279 864	672 440
Project preparation expenditure	299 834	153 654
Gross carrying amount	**12 147 492**	**11 125 701**
Provision for ECLs	-	(2 430)
Net commitments at end of the period	**12 147 492**	**11 123 271**

23.1 Development loan commitments

The table below shows the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for expected credit losses for 30 September 2022:

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	8 698 868	710 934	719 962	138	10 129 902
Transfer from Stage 1 to Stage 2	(1 442 434)	1 442 434	-	-	-
Transfer from Stage 2 to stage 1	502 783	(502 783)	-	-	-
New loan commitments issued	5 137 525	-	-	-	5 137 525
Disbursements	(4 417 175)	(62 700)	-	-	(4 479 875)
Withdrawals	373 443	(352 736)	(7 175)	-	13 532
Forex gains/losses	355 034	271 130	1 577	33	627 774
Balance as at end of the period	9 208 044	1 506 279	714 364	171	11 428 858

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	2 429	1	-	2 430
Foreign exchange movements	10	(1)	-	9
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	(2 439)	-	-	(2 439)
Balance as at end of the period	-	-	-	-

Expected credit losses				
ECLs recognised in the income statement excluding interest in suspense and write-off	(2 429)	(1)	-	(2 430)

The table below shows the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for expected credit losses for 31 March 2022:

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	4 067 578	450 612	713 965	139	5 232 294
Transfer from stage 1 to stage 2	(370 407)	370 407	-	-	-
New loan commitments issued	16 789 340	1 518 050	-	-	18 307 390
Disbursements	(11 453 174)	(1 464 094)	(2 516)	-	(12 919 784)
Withdrawals	(223 199)	(127 257)	8 612	-	(341 844)
Foreign exchange gains	(111 270)	(36 784)	(99)	(1)	(148 154)
Balance as at end of the year	**8 698 868**	**710 934**	**719 962**	**138**	**10 129 902**

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	125	1	-	126
New loan commitments issued	41	-	-	41
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	2 263	-	-	2 263
Balance as at end of the year	**2 429**	**1**	-	**2 430**
Expected credit losses				
ECLs recognised in the income statement excluding interest in suspense and write-off	**(2 304)**	**-**	**-**	**(2 304)**

in thousands of rands	30 September 2022 Reviewed	31 March 2022 Audited

24. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

24.1 Irregular expenditure

Balance at beginning of the year	-	766
Incurred in the current period	111	-
Condoned	-	(766)
Balance at end of the period	-	**-**

Details of irregular expenditure

Contracts not complying with procurement processes	111	-
Total	**111**	**-**

Incidents of irregular expenditure occurred during the current year. Consequence management measures have been applied as relevant to each case.

25. EVENTS AFTER THE REPORTING PERIOD

25.1 Adjusting events

There were no material adjusting events after the reporting date other that those already addressed in the notes to the Condensed Interim Financial Statements.

25.2 Non-adjusting events

There were no changes in directors after the reporting period.

26. CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

During the year, Mr P K Dlamini's contract came to an end on the 31 August 2022 but his contract was further extended till the 31 March 2023.

27. INDEPENDENT REVIEW BY AUDITORS

These Condensed Interim Financial Statements have been reviewed by Auditor General of South Africa who expressed a conclusion on the Condensed Interim Financial Statements. A copy of the auditor's review conclusion is available for inspection at the registered office of the Bank as well as on the Bank's website.

ABBREVIATIONS AND ACRONYMS

ALCO	Assets & Liability Management Committee
ARR	Alternative Reference Rates
BSRU	Business Support and Recovery Unit
CFO	Chief Financial Officer
COVID-19	Coronavirus disease 2019
CP	Conditions Precedent
CPI	Consumer Price Index
CVA	Credit value adjustment
DBSA	Development Bank of Southern Africa Limited
DFI	Development Finance Institution
DSSI	Debt Service Suspension Initiative
DVA	Debit value adjustment
EAD	Exposure at default
ECL	Expected credit loss
E.G.	For Example
EIR	Effective interest rate
ERR	Early risk review
Etc	Et cetera
EURO	Euro (currency)
FEC	Forward Exchange Contracts
FLI	Forward Looking Information
FVTPL	Fair value through profit or loss
FX	Foreign Currency Exchange Rate
G20	Group of Twenty (An intergovernmental forum of 19 countries and the European Union)
GAM	Generalised Additive Model
GDP	Gross domestic product
GRA	Group Risk Assurance
IAS	International Accounting Standards
IASB	International Accounting Standards Board

IBA	ICE Benchmark Administration
IBOR	Interbank Offered Rate
ICT	Information and communications technology
IDD	Infrastructure Delivery Division
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
LGD	Loss given default
LIBOR	London Interbank Offered Rate
NAV	Net asset value
NCD	Negotiable certificate of deposit
NII	Net interest income
NPL	Non-performing loans
OCI	Other comprehensive income
OpsCo	Operations Committee
PAYE	Pay As You Earn
PD	Probability of default
PEG	Price Earnings Growth
PFMA	Public Finance Management Act, No. 1 of 1999
POCI	Purchased or originated credit impaired
RFRs	Risk Free Rate
ROE	Return on equity
RSA	Republic of South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SMME	Small, medium and micro enterprises
SOC	State-owned company
SPPI	Solely payments of principal and interest

ABBREVIATIONS AND ACRONYMS (CONTINUED)

SOE	State-Owned Entity
TTC	Through The Cycle
USD	United States Dollar (currency)
VAT	Value Added Taxation
ZAR	South African Rand (currency)

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