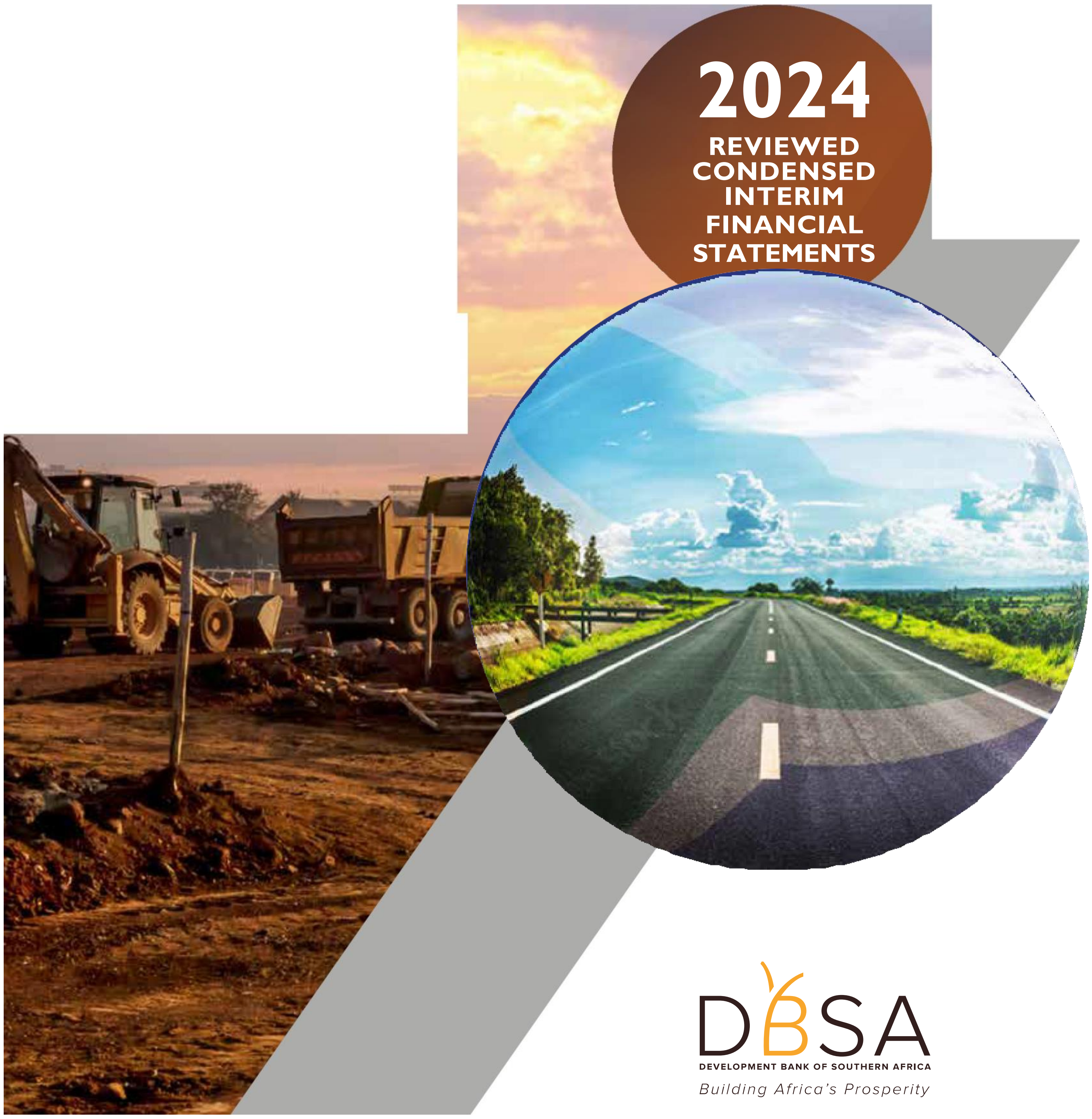
40 YEARS OF DEVELOPMENT PROGRESS

2024 REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS



DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

DEVELOPMENT BANK OF SOUTHERN AFRICA

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

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CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

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

a) The Condensed Interim Financial Statements set out on pages 5 to 70, 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.

Boitumelo Mosako
Chief Executive Officer

Ntombizodwa Mbele
Chief Financial Officer

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING FOR THE PERIOD ENDED 30 SEPTEMBER 2024

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 and Specialist Securities 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 70 were approved by the Board of Directors on 28 November 2024 and are signed on its behalf by:

Ebrahim Rasool	Boitumelo Mosako	Bongani Nqwababa
Chairman of the Board	**Chief Executive Officer**	**Chairman of the Audit and Risk Committee**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

in thousands of rands	Notes	30 September 2024 Reviewed	31 March 2024 Audited
Assets			
Cash and cash equivalents at amortised cost		12 144 324	10 803 772
Trade receivables and other assets		374 748	238 723
Investment securities		318 813	493 175
Derivative assets held for risk management purposes	5	836 898	9 545
Other financial asset		40 588	37 534
Development loans held at fair value through profit or loss	6	4 145	20 784
Equity investments held at fair value through profit or loss	7	4 283 926	4 808 783
Development bonds at amortised cost	9	1 505 322	2 065 754
Development loans at amortised cost	10	96 847 067	99 329 694
Property, equipment and right of use of assets		449 429	456 060
Intangible assets		54 623	51 051
Total assets		116 859 883	118 314 875
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	11	1 342 681	1 309 114
Repurchase agreements at amortised cost	13.4	-	1 194 651
Derivative liabilities held for risk management purposes	5	35 027	476 741
Liability for funeral and post-employment medical benefits		47 984	47 984
Debt funding held at amortised cost	13	59 087 264	62 499 696
Provisions and lease liabilities	12	132 346	167 548
Deferred income	14	687 435	578 495
Total liabilities		61 332 737	66 274 229
Equity			
Share capital		200 000	200 000
Retained income		40 351 428	37 865 501
Permanent government funding		11 692 344	11 692 344
Other reserves		869 531	(448 989)
Reserve for general loan risk		2 413 843	2 731 790
Total equity		55 527 146	52 040 646
Total equity and liabilities		116 859 883	118 314 875

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2024

in thousands of rands	Notes	30 September 2024 6 Months Reviewed	30 September 2023 6 Months Reviewed
Interest income			
Interest income calculated using the effective interest rate	15	6 524 999	6 141 100
Other interest income	15	110 346	97 747
Interest expense			
Interest expense calculated using the effective interest rate	16	(2 612 371)	(2 520 859)
Other interest expense	16	(529)	(679)
Net interest income	16	4 022 445	**3 717 309**
Net fee income	17	149 825	137 426
Net foreign exchange (loss)/gain		(217 084)	140 788
Net loss from financial assets and financial liabilities	20	(396 838)	(349 244)
Investment and other income		14 001	53 899
Net operating loss		(450 096)	**(17 131)**
Operating income		3 572 349	**3 700 178**
Project preparation expenditure		(7 243)	(1 486)
Development expenditure		(113 742)	(122 213)
Impairment losses	18	(502 348)	(693 011)
Personnel expenses		(525 247)	(492 266)
Other operating expenses		(218 092)	(224 177)
Depreciation and amortisation		(19 508)	(20 681)
Profit from operations		2 186 169	**2 146 344**
Grants paid		(18 189)	(844)
Profit for the period		2 167 980	2 145 500

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

in thousands of rands	30 September 2024 6 Months Reviewed	30 September 2023 6 Months Reviewed
Profit for the period	**2 167 980**	**2 145 500**
Items that will not be reclassified to profit or loss		
Total Items that will not be reclassified to profit and loss	**-**	**-**
Items that may be reclassified subsequently to profit or loss		
Unrealised gain/(loss) on cash flow hedges	**1 275 309**	(851 310)
Loss on cash flow hedges reclassified to profit or loss	**43 211**	317 650
Total items that may be reclassified subsequently to profit or loss	**1 318 520**	**(533 660)**
Other comprehensive gain/(loss)	**1 318 520**	**(533 660)**
Total comprehensive income for the period	**3 486 500**	**1 611 840**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

in thousands of rands	Share capital	Permanent government funding	Reserve for for general loan risk	Other reserves* Revaluation reserve on land and buildings	Other reserves* Cash flow hedge reserve	Other reserves* Own credit risk reserve	Total of other reserves	Retained income	Total equity
Balance as at 1 April 2023 (audited)	**200 000**	**11 692 344**	**2 792 383**	**138 500**	**(350 086)**	-	**(211 586)**	**33 158 903**	**47 632 044**
Net profit for the period	-	-	-	-	-	-	-	2 145 500	2 145 500
Other comprehensive income									-
Unrealised loss on cash flow hedges	-	-	-	-	(851 310)	-	(851 310)	-	(851 310)
Loss on cash flow hedges reclassified to profit or loss	-	-	-	-	317 650	-	317 650	-	317 650
Transfer from general loan risk reserve	-	-	(368 465)	-	-	-	-	368 465	-
Total comprehensive income	**-**	**-**	**(368 465)**	**-**	**(533 660)**	**-**	**(533 660)**	**2 513 965**	**1 611 840**
Balance as at 30 September 2023 - reviewed	**200 000**	**11 692 344**	**2 423 918**	**138 500**	**(883 746)**	-	**(745 245)**	**35 672 868**	**49 243 884**
Net profit for the period	-	-	-	-	-	-	-	2 503 299	2 503 299
Other comprehensive income									-
Remeasurement of funeral and post employment benefit liabilities	-	-	-	-	-	-	-	(2 794)	(2 794)
Unrealised gain on cash flow hedges	-	-	-	-	295 475	-	295 475	-	295 475
Loss on cash flow hedges reclassified to profit or loss	-	-	-	-	782	-	782	-	782
Transfer to general loan risk reserve			307 872	-		-	-	(307 872)	-
Total comprehensive income	**-**	**-**	**307 872**	**-**	**296 257**	**-**	**296 257**	**2 192 633**	**2 796 762**
Balance as at 31 March 2024 (audited)	200 000	11 692 344	2 731 790	138 500	(587 489)	-	(448 989)	37 865 501	52 040 646
Net profit for the period	-	-	-					2 167 980	2 167 980
Other comprehensive income									-
Unrealised gain on cash flow hedges	-	-	-	-	1 275 309	-	1 275 309	-	1 275 309
Loss on cash flow hedges reclassified to profit or loss	-	-	-	-	43 211	-	43 211	-	43 211
Transfer from general loan risk reserve	-	-	(317 947)	-	-	-	-	317 947	-
Total comprehensive income	-	-	(317 947)	-	1 318 520	-	1 318 520	2 485 927	3 486 500
Balance as at 30 September 2024 reviewed	200 000	11 692 344	2 413 843	138 500	731 031	-	869 531	40 351 428	55 527 146

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

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

in thousands of rands	Note	30 September 2024 6 Months Reviewed	30 September 2023 6 Months Reviewed
Cash flows from operating activities			
Net profit adjusted for non-cash items and items separately disclosed	19	(647 574)	(1 196 189)
Interest received		6 007 094	5 181 589
Interest paid		(2 197 997)	(2 059 634)
Dividends received		10 219	46 759
Net cash generated from operating activities		3 171 742	**1 972 525**
Cash flows from development activities			
Development loan disbursements		(7 140 599)	(4 402 962)
Development loan principal repayments		6 941 170	7 317 208
Equity investments disbursements		(2 381)	(17 128)
Equity investments repayments		40 281	59 824
Development bonds repayments		543 667	41 667
Grants, development and project preparation expenditure paid		(139 174)	(124 543)
Increase in deferred income		108 940	20 871
Increase in advances to National Mandates		(54 928)	(87 942)
Net cash generated from development activities		296 976	**2 806 995**
Net cash generated from operating and development activities		3 468 718	**4 779 520**
Cash flows from investing activities			
Purchase of property and equipment		(5 696)	(16 203)
Purchase of intangible assets		(11 877)	(9 792)
Disposal/(acquisition) of financial market instruments		174 786	(117 372)
Net cash utilised by investing activities		157 213	**(143 367)**
Cash flows from financing activities			
Gross financial market liabilities repaid		(5 465 835)	(4 300 346)
Gross financial market liabilities raised		3 328 725	2 251 511
Net cash utilised by financing activities		(2 137 110)	**(2 048 835)**
Net increase in cash and cash equivalents		1 488 821	**2 587 318**
Effect of exchange rate movements on cash balances		(148 269)	72 454
Movement in cash and cash equivalents		1 340 552	**2 659 772**
Cash and cash equivalents at the beginning of the year		10 803 772	6 166 069
Cash and cash equivalents at the end of the period		12 144 324	**8 825 841**

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 and Specialist Securities 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 2024 annual financial statements. The first half year results for 2024/25 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 2024. 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 assessment

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 8 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 macro-economic shock events 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 macro-economic shock events 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 21 for further disclosures on macro-economic shock events.

(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 adverse) 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

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 Monte Carlo Hull White Valuation Approach for counterparty credit risk model and capital charge is used as a proxy for CVA/DVA adjustments.

DBSA has improved the valuation methodology from Standardized Approach (which is a regulatory method) to Monte Carlo Hull White Valuation Approach which simulates over 500 derivative valuations of the DBSA portfolio. The new method is more appropriate and will be applied consistently going forward.

(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 sustainable long-term resolution of the logistical challenges and energy security and reliability challenges in South Africa is vitally important. The municipal sector has experienced deterioration in credit quality and improvements in the credit quality of the municipal sectors will be critical. Globally, China's economic performance remains key to several African countries. The sovereign debt challenges of African countries and slow pace of debt restructuring discussions, inflation, currency volatility the elevated uncertainty resulting from the conflict in Eastern Europe and Middle East and elections continue to shape the outlook.

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 where the Bank's financial asset risk exposures are concentrated. While the specific areas of judgement detailed in 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 6).
» Equity investments held at FVTPL (note 7).
» Development bonds at amortised cost (note 9).
» Development loans at amortised cost (note 10).
» 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 G20 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.

The conflicts in the Russia-Ukraine and the Middle East continue to have an 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 those conflicts. The heightened uncertainty and volatility continue 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 8. 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 8.

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; and
» 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.

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.

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 adverse 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 21.4 and note 21.5.

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. However, overlays are reversed or unwind on the back of repayments received and significant improvements in the credit risk or rating of the financial instruments. Management continues to monitor their judgements on these in order to ensure that the financial instruments are adequately provided.

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 8.

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 24 and accounting policy 1.2.3 for the policy disclosure. ECLs arising from loan commitments are included within provisions (refer to note 12).

Subsequently, they are measured at the higher of this 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:

» **IAS 21 The effects of changes in foreign exchange rates – Lack of exchangeability (Effective for annual periods beginning on or after 1 January 2025)**
The amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

» IFRS 18 Presentation and disclosure in financial statements - Replaces IAS 1 (Effective for annual periods beginning on or after 1 January 2027)
IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating activities, investing activities, financing activities, income taxes and discontinued operations. The first three categories are new. These categories are complemented by the requirement to present sub totals and totals for operating profit or loss before financing and income taxes and profit or loss.

1.2 Amended standards effective for the current financial year

» **IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures –** Effective for annual periods on or after 1 January 2024:
Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7): The amendments introduce additional disclosure requirements about an entity's supplier finance arrangements. The amendments also provide clarification on characteristics of supplier finance arrangements.

» IFRS 16 Leases - sale and leaseback transactions (Effective for annual periods beginning on or after 1 January 2024)
The amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

» IAS 1: Presentation of Financial Statements (Effective for annual periods on or after 1 January 2024)
Disclosure of Accounting Policies: The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

» Sustainability and Climate related disclosures
The International Sustainability Standards Board (ISSB) has issued two IFRS standards, IFRS S1 and IFRS S2 on 26 June 2023 which set out the disclosure requirements for sustainability and climate-related risks respectively. These standards became effective for annual periods beginning on or after 1 January 2024. However, the application of these standards is not mandatory as the application of these standards will depend on the relevant jurisdiction.

IFRS S1 – General Requirements for Disclosure of Sustainability-Related Financial Information (Effective for annual periods beginning on or after 1 January 2024)
The objective of IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 – Climate-related Disclosures (Effective for annual periods beginning on or after 1 January 2024)

The objective of IFRS S2 Climate-Related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

2. CONDENSED SEGMENT INFORMATION

in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
Total interest income		
RSA Municipalities	1,946,475	1,947,655
RSA Economic and Social	2,594,987	2,346,107
Rest of Africa	1,614,968	1,575,825
Treasury and Balance Sheet Management	478,915	369,260
Total DBSA	6 635 345	6 238 847
Profit for the period		
RSA Municipalities	585 702	798 788
RSA Economic and Social	1 075 165	824 609
Rest of Africa	805 462	352 280
Infrastructure Delivery	(21,722)	(40,766)
Treasury and Balance Sheet Management	(126 494)	353 152
All other *	(150,133)	(142,563)
Total DBSA	2 167 980	2 145 500

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
Total assets		
RSA Municipalities	32 304 427	36 101 553
RSA Economic and Social	43 735 109	43 032 779
Rest of Africa	27 346 337	27 802 038
Infrastructure Delivery	302 651	231 933
Treasury and Balance Sheet Management	12 636 541	10 604 434
All other *	534 818	542 138
Total DBSA	116 859 883	**118 314 875**
Total liabilities		
RSA Municipalities	14 392 608	17 434 807
RSA Economic and Social	23 651 094	22 339 503
Rest of Africa	16 571 378	16 555 050
Infrastructure Delivery	367 828	275 387
Treasury and Balance Sheet Management	1 030 738	4 493 199
All other *	5 319 091	5 176 283
Total DBSA	61 332 737	**66 274 229**

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 2024				
Cash and cash equivalents at amortised cost	12 144 324	-	12 144 324	12 144 324
Trade receivables and other assets	313,599	-	313 599	313 599
Investment securities*	-	318 813	318 813	318 813
Derivative assets held for risk management purposes*	-	836 898	836 898	836 898
Other financial asset	-	40 588	40 588	40 588
Development loans at FVTPL*	-	4 145	4 145	4 145
Equity investments held at FVTPL*	-	4 283 926	4 283 926	4 283 926
Development bonds at amortised cost	1 505 322	-	1 505 322	1 633 887
Development loans at amortised cost	96 847 067	-	96 847 067	120 518 525
Total	110 810 312	5 484 370	116 294 682	140 094 705

**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*	-	318 813	-	318 813
Derivative assets held for risk management purposes*	-	836 898	-	836 898
Other financial asset	-	40 588	-	40 588
Development loans at FVTPL*	-	-	4 145	4 145
Equity investments held at FVTPL*		1 888 459	2 395 467	4 283 926
Total	-	3 084 758	2 399 612	5 484 370
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	12 144 324	-	12 144 324
Trade receivables and other assets	-	-	313 599	313 599
Development bonds at amortised cost	-	1 633 887	-	1 633 887
Development loans at amortised cost	-	-	120 518 525	120 518 525
Total	-	13 778 211	120 832 124	134 610 335
Total fair value of financial assets	-	16 862 969	123 231 736	140 094 705

**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 2024				
Cash and cash equivalents at amortised cost	10 803 772	-	10 803 772	10 803 772
Trade receivables and other assets	183 650	-	183 650	183 650
Investment securities*	-	493 175	493 175	493 175
Derivative assets held for risk management purposes*	-	9 545	9 545	9 545
Other financial asset	-	37 534	37 534	37 534
Development loans at FVTPL*	-	20 784	20 784	20 784
Equity investments held at FVTPL*	-	4 808 783	4 808 783	4 808 783
Development bonds at amortised cost	2 065 754	-	2 065 754	2 099 861
Development loans at amortised cost	99 329 694	-	99 329 694	118 332 161
Total	**112 382 870**	**5 369 821**	**117 752 691**	**136 789 265**

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities*	-	493 175	-	493 175
Derivative assets held for risk management purposes*	-	9 545	-	9 545
Other financial asset	-	37 534	-	37 534
Development loans at FVTPL*	-	-	20 784	20 784
Equity investments held at FVTPL*		2 393 338	2 415 445	4 808 783
Total financial assets held at FVTPL	-	**2 933 592**	**2 436 229**	**5 369 821**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	10 803 772	-	10 803 772
Trade receivables and other assets	-	-	183 650	183 650
Development bonds at amortised cost	-	2 099 861	-	2 099 861
Development loans at amortised cost	-	-	118 332 161	118 332 161
Total fair value of financial assets	-	**12 903 633**	**118 515 811**	**131 419 444**
Total fair value of financial assets	-	**15 837 225**	**120 952 040**	**136 789 265**

**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 2024				
Derivative liabilities held for risk management purposes*	-	35 027	35 027	35 027
Trade, other payables and accrued interest on debt funding	1 218 247	-	1 218 247	1 218 247
Debt funding held at amortised cost**	59 087 264	-	59 087 264	62 059 141
Total	60 305 511	35 027	60 340 539	63 312 416

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

***The accrued interest portion of R1.01 billion 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 R60.10 billion and is made up of accrued interest of R1.01 billion plus principal of R59.09 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	35 027	-	35 027
Total financial liabilities held at FVTPL	-	35 027	-	35 027
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	1 008 963	209 284	1 218 247
Debt funding held at amortised cost	-	62 059 141	-	62 059 141
Total financial liabilities held at amortised cost for which fair values are disclosed	-	63 068 104	209 284	63 277 388
Total financial liabilities	-	63 103 131	209 284	63 312 416

**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 2024				
Derivative liabilities held for risk management purposes*	-	476 741	476 741	476 741
Trade, other payables and accrued interest on debt funding	1 094 628	-	1 094 628	1 094 628
Repurchase agreements at amortised cost	1 194 651		1 194 651	1 199 972
Debt funding held at amortised cost**	62 499 696	-	62 499 696	65 495 330
Total	**64 788 975**	**476 741**	**65 265 716**	**68 266 671**

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

***The accrued interest portion of R878 million on funding debt funding 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 R63.83 billion is made up of accrued interest of R878 million plus principal of R62.5 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	476 741	-	476 741
Total financial liabilities held at FVTPL	**-**	**476 741**	**-**	**476 741**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	877 708	216 920	1 094 628
Repurchase agreements at amortised cost	-	1 199 972	-	1 199 972
Debt funding held at amortised cost	-	65 495 330	-	65 495 330
Total financial liabilities held at amortised cost for which fair values are disclosed	**-**	**67 573 010**	**216 920**	**67 789 930**
Total fair value of financial liabilities	**-**	**68 049 751**	**216 920**	**68 266 671**

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

5. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
5.1.	**Derivative assets held for risk management purposes**		
	Interest rate derivatives	766 214	9,545
	Foreign exchange derivatives	70 684	-
	Balance at end of the period	836,898	**9,545**

Included in derivative assets is a credit valuation adjustment (CVA) of R 43 million (31 March 2024: RNil).

5.2.	**Derivative liabilities held for risk management purposes**		
	Interest rate derivatives	(1 817)	(476,741)
	Foreign exchange derivatives	(33 210)	-
	Balance at end of the period	(35,027)	**(476,741)**

Included in derivative liabilities is a debit valuation adjustment (DVA) of RNil million (31 March 2024: R112million).

5.3.	**Net derivatives held for risk management**		
	Derivatives designated as cash flow hedges	764 397	(467,196)
	Derivatives held for risk management not designated hedges - economic hedges	37 474	-
	Net derivatives at end of the period	801,871	**(467,196)**

6. DEVELOPMENT LOANS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

6.1	**Analysis of development loans at FVTPL**		
	Balance at beginning of the year	189 213	160,754
	Movements for the period	(16 639)	28,459
	Gross development loans at FVTPL	172,574	**189,213**
	Fair value movements	(168,429)	(168,429)
	Balance at end of the period	4,145	**20,784**
6.1.1	**Movements during the period**		
	Interest accrued	18,049	43,501
	Foreign exchange adjustments	(34,688)	(15,042)
	Movements for the period	(16,639)	**28,459**
6.1.2	**Fair value adjustment**		
	Balance at the beginning of the year	(168,429)	(112,445)
	Current period fair value adjustment	-	(55,984)
	Balance at end of the period	(168,429)	**(168,429)**
6.2	**Maturity analysis of development loans at FVTPL**		
	Due after 3 (three) months but within (2) two years	172,574	**189,213**
6.3	**Sectoral analysis of development loans at FVTPL**		
	Energy – electricity	172,574	**189,213**
6.4	**Geographical analysis of development loans at FVTPL**		
	Sierra Leone	172,574	**189,213**
	US dollar amounts included in development loans at FVTPL	10,000	**10,000**
6.5	**Client classification of development loans at FVTPL**		
	Private sector intermediaries	172,574	**189,213**
6.6	**Fixed and variable interest rate loans of development loans at FVTPL**		
	Fixed	172,574	**189,213**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
6.7	**Analysis of current and non-current portion of development loans held at FVTPL**		
	Current portion	172,574	189,213

7.	**EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Equity investments held at FVTPL	4,283,926	4,808,783
7.1	**Analysis of equity investments held at FVTPL**		
	Cost		
	Balance at beginning of the year	3,029,434	3,102,734
	Acquisitions	2,381	24,165
	Capital return	(40,281)	(97,465)
	Balance at end of the period	2,991,534	3,029,434
	Fair value adjustment		
	Balance at beginning of the year	(401,268)	63,078
	Current period fair value adjustments	(246,894)	(464,346)
	Balance at end of the period	(648,162)	(401,268)
	Foreign exchange adjustments		
	Balance at beginning of the year	2,180,617	1,983,238
	Realised gain	118,316	151,603
	Unrealised (loss)/gain	(358,379)	45,776
	Balance at end of the period	1,940,554	2,180,617
	Fair value at the end of the period	4,283,926	4,808,783

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 7.2).

7.2	**Period since initial investment**		
	Less than 1 (one) year	-	10,433
	1 (one) year but within 4 (four) years	10,695	83,574
	4 (four) years but within 9 (nine) years	67,795	283,345
	10 (ten) years and older	4,205,436	4,431,431
	Balance at end of the period	4,283,926	4,808,783
7.3	**Sectoral analysis of equity investments held at FVTPL**		
	Commercial – construction	60,035	57,932
	Commercial – fund	1,662,283	2,106,753
	Commercial – communications	148,970	166,125
	Institutional infrastructure	1,277,396	1,350,715
	Residential facilities	1,135,242	1,127,258
	Balance at end of the period	4,283,926	4,808,783

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
7.4	**Geographical analysis of equity investments held at FVTPL**		
	South Africa	1,386,040	1,370,102
	International (the rest of the Africa excluding South Africa)	2,897,886	3,438,681
	Balance at end of the period	4,283,926	**4,808,783**
7.5	**US dollar and Euro amounts included in the above Africa and International equity investments**		
	US Dollar amount included	109,429	**126,488**
	Euro amount included	35,574	**35,624**
7.6	**Equity investments comprises of:**		
	Direct (In house managed funds)	1,363,914	1,436,388
	Indirect funds (Third party managed funds)	2,920,012	3,372,395
	Balance at end of the period	4,283,926	**4,808,783**
7.7	**Analysis of current and non-current portion of equity investments**		
	Non-current portion	4,283,926	4,808,783
	Balance at end of the period	4,283,926	**4,808,783**

8. FAIR VALUE OF ASSETS AND LIABILITIES

8.1. Fair value levels

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.

8.2. Fair value hierarchy

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 2024					
Fair value disclosures					
Assets held at FVTPL					
Investment securities	3	-	318,813	-	318,813
Derivative assets held for risk management purposes	3	-	836,898	-	836,898
Development loans at FVTPL	3	-	-	4,145	4,145
Other financial asset	3	-	40,588	-	40,588
Equity investments held at FVTPL*	3		1,888,459	2,395,467	4,283,926
Land and buildings		-	-	377,932	377,932
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	12,144,324	-	12,144,324
Trade receivables and other assets	3	-	-	313,599	313,599
Development bonds	3	-	1,633,887	-	1,633,887
Development loans	3	-	-	120,518,525	120,518,525
Total assets		-	16,862,969	123,609,668	140,472,637

Exchange rate movements are a material driver of the fair value of equity instruments categorised as level 2. The fair value of R1.9 billion (31 March 2024: R2.4 billion) includes foreign currency translation impact of R1.9 billion (31 March 2024: R2.2 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	-	35,027	-	35,027
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	1,008,963	209,284	1,218,247
Debt funding held at amortised cost	4	-	62,059,141	-	62,059,141
Total financial liabilities		-	63,103,131	209,284	63,312,416

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
31 March 2024					
Fair value disclosures					
Assets held at FVTPL					
Investment securities	3	-	493,175	-	493,175
Derivative assets held for risk management purposes	3	-	9,545	-	9,545
Development loans at FVTPL	3	-		20,784	20,784
Other financial asset	3	-	37,534	-	37,534
Equity investments held at FVTPL*	3		2,393,338	2,415,445	4,808,783
Land and buildings		-	-	380,700	380,700
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	10,803,772	-	10,803,772
Trade receivables and other assets	3	-	-	183,650	183,650
Development bonds	3	-	2,099,861	-	2,099,861
Development loans	3	-	-	118,332,161	118,332,161
Total financial assets		-	15,837,225	121,332,740	137,169,965

Exchange rate movements are a material driver of the fair value of equity instruments categorised as level 2. The fair value of R2.4 billion (31 March 2023: R2.5 billion) includes foreign currency translation impact of R2.2 billion (31 March 2023: R1. 9 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	-	476,741	-	476,741
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	877,708	216,920	1,094,628
Repurchase agreements at amortised cost			1,199,972		1,199,972
Debt funding held at amortised cost	4	-	65,495,330	-	65,495,330
Total financial liabilities		**-**	**68,049,751**	**216,920**	**68,266,671**

8.3. Reconciliation of Level 3 financial assets held at FVTPL

8.3.1 Equity investments held at FVTPL

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
Balance at the beginning of the year	2,415,445	2,655,087
Decrease in fair value of equity investments - unrealised*	(19,979)	(239,642)
Balance at the end of the period	**2,395,467**	**2,415,445**

**The total unrealised loss of R20 million (31 March 2024: R240 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

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, applicable as from the period under review).

8.3.2 Development loans at FVTPL

Balance at the beginning of the year	20,784	48,309
Other movements (note 6.1.1)**	(16,639)	28,459
Decrease in fair value of development loans at FVTPL (note 6.1)**	-	(55,984)
Balance at the end of the period	**4,145**	**20,784**

*** The total unrealised loss of RNil million (31 March 2024: R56 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

8.4. Valuation techniques used to determine fair value

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

	30 September 2024		31 March 2024	
in thousands of rands	Fair value	Fair value hierarchy	Fair value	Fair value hierarchy
Financial instruments				
Derivative assets held for risk management purposes (a)	836,898	2	9,545	2
Investment securities (b)	318,813	2	493,175	2
Development loans at FVTPL (e)	4,145	3	20,784	3
Equity investments (c)	4,283,926	2 and 3	4,808,783	2 and 3
Other financial asset (d)	40,588	2	37,534	2
Financial assets	5,484,370		**5,369,821**	
Derivative liabilities held for risk management purposes (a)	35,027	2	476,741	2
Financial liabilities	35,027		**476,741**	

(a) Derivatives held for risk management purposes

The valuation methods 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

The valuation methods include 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 serve 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's policy is to apply a range between 10%–30%. However, the actual discount rate applied for levels 2 and 3 equity investment remained unchainged and ranged between 12%–20% in 2024 and in the 2022 financial year it was 15%–20%.

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) 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 value amount. The Bank uses discount rate adjustment present value technique, which attempts to capture all the risk associated with the item being measured in the discount rate and is most commonly used to value assets and liabilities with contractual payments such as debt instruments. The discount rate is used to calculate the present value of cash flows. The valuation excludes non-performing loans due to cash flow being uncertain.

(f) Development loans, development bonds, debt funding and repurchase agreements at amortised cost

The financial instruments valued using discounted cash flow analysis. The inputs include published reference interest rates.

(g) 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 2024 Reviewed	31 March 2024 Audited
9.	**DEVELOPMENT BONDS AT AMORTISED COST**		
	Municipal bonds	1,505,322	**2,065,754**
9.1	Analysis of development bonds		
	Balance at the beginning of the year	2,198,900	2,284,485
	Movement during the period	(560,873)	(85,585)
	Gross development bonds	1,638,027	**2,198,900**
	Provision for ECL on development bonds	(132,705)	(133,146)
	Balance at the end of the period	1,505,322	**2,065,754**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
9.2	**Movements during the period**		
	Repayments	(543,667)	(83,333)
	Interest accrued	94,458	228,008
	Gross interest repayments	(111,664)	(230,260)
	Net movements for the period	(560,873)	**(85,585)**
9.3	**Reconciliation of provision for ECL on development bonds**		
	Balance at the beginning of the year	133,146	130,140
	Decrease in provision for ECL on development bonds	(441)	3,006
	Balance at the end of the period	132,705	**133,146**

Development bonds are bullet as well as amortising 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.

		30 September 2024 Reviewed	31 March 2024 Audited
9.4	**Analysis of development bonds**		
	Client classification		
	Local government	1,638,027	**2,198,900**
	Regional		
	South Africa	1,638,027	**2,198,900**
	Geography		
	KwaZulu Natal	865,089	908,045
	Gauteng	772,938	1,290,855
	Total	1,638,027	**2,198,900**
	Sector		
	Energy	772,938	1,290,855
	Social infrastructure	865,089	908,045
	Total	1,638,027	**2,198,900**

9.5 **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 2024				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	908,045	1,290,855	-	2,198,900
Changes in interest accrual	49,251	45,206	-	94,458
Repayments	(92,207)	(563,124)	-	(655,331)
Balance at the end of the period	865,090	772,937	-	1,638,027
Reconciliation of provision for ECL				
Balance at the beginning of the year	789	132,357	-	133,146
Subsequent change in ECL due to changes in risk parameters (PD's, LGDs and EADs)	(14)	(427)	-	(441)
Balance at the end of the period	775	131,930	-	132,705

The marginal decrease in ECL was mainly due to the changes in macro economic variables. The existing ECL allowances remain adequate to 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 2024				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	993,877	1,290,608	-	2,284,485
Changes in interest accrual	105,708	122,300	-	228,008
Disbursements	-	-		-
Withdrawals	-	-		-
Repayments	(191,540)	(122,053)	-	(313,593)
Balance at the end of the year	**908,045**	**1,290,855**	**-**	**2,198,900**
Reconciliation of provision for ECL				
Balance at the beginning of the year	794	129,346	-	130,140
Transfer from Stage 1 to Stage 2	-	-	-	-
Bonds issued	-	-	-	-
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EADs)	(5)	3,011	-	3,006
Balance at the end of the year	**789**	**132,357**	**-**	**133,146**

The increase in ECL for the year was due to changes in the calibration of the model as no ECL overlays were taken on bonds; together with the changes in PDs, EADs and LGDs arising from the use of new macro-economic data.

	in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
9.6	Expected credit losses		
	ECL recognised in the statement of comprehensive income	(441)	**10,008**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
9.7	Analysis of current and non-current portion of development bonds		
	Current portion	83,333	657,233
	Non-current portion	1,554,694	1,541,667
	Gross development bonds	1,638,027	**2,198,900**
	Provision for ECL on development bonds	(132,705)	(133,146)
	Balance at the end of the period	1,505,322	**2,065,754**

10. DEVELOPMENT LOANS AT AMORTISED COST

		30 September 2024 Reviewed	31 March 2024 Audited
10.1.	Analysis of development loans		
	Balance at the beginning of the year	113,030,083	105,854,034
	Movements during the period	(2,206,503)	7,176,049
	Gross development loans	110,823,580	**113,030,083**
	Provision for ECLs on development loans	(13,976,513)	(13,700,389)
	Net development loans at the end of the period	96,847,067	**99,329,694**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
10.1.1.	Movements during the period		
	Loans disbursed – current year	7,140,599	16,929,895
	Effective interest income on development loans (refer to note 15)	6,019,466	11,762,976
	Movement in deferred fee	(71,730)	(86,411)
	Proceeds from sale of financial assets	(1,098,655)	(497,108)
	Transfer from provisions - development expenditure	-	-
	Contractual interest on stage 3	164,949	194,035
	Development loans written off (refer to note10.9)	(367,072)	(1)
	Foreign exchange adjustment	(2,676,026)	1,652,990
	Gross loan repayments	(11,434,511)	(23,017,038)
	Fees raised	143,451	286,921
	Loss on derecognition	(7,237)	(472)
	Modification loss	(23,605)	(56,863)
	Other administrative adjustments	-	(841)
	Amortisation of below market interest rate loans	3,868	7,966
	Loans de-recognised due to substantial modification	(470,888)	(2,080,296)
	New loans recognised after substantial modification	470,888	2,080,296
	Movements for the period	(2,206,503)	**7,176,049**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
10.2	Maturity analysis of gross development loans		
	Long term development loans		
	Due within 1 (one) year	14,436,210	19,454,938
	Due after 1 (one) year but within 2 (two) years	13,873,278	9,519,522
	Due after 2 (two) years but within 3 (three) years	13,482,174	10,029,912
	Due after 3 (three) years but within 4 (four) years	15,710,122	13,737,751
	Due after 4 (four) years but within 5 (five) years	12,242,947	12,547,290
	Due after 5(five) years but within 9 (nine) years	28,364,012	27,946,631
	Due after 9 (nine) years but within 14 (fourteen) years	11,172,518	16,946,671
	Due after 14 (fourteen years)	1,455,989	2,760,926
	Total long term development loans	110,737,250	**112,943,641**
	Bridging finance development loans		
	Due within 1 (one) year	78,309	86,442
	Due after 3 (three) years but within 4 (four) years	8,021	-
	Total bridging finance development loans	86,330	**86,442**
	Total development loans	110,823,580	**113,030,083**
10.3	Sectoral analysis of gross development loans		
	Long term development loans		
	Commercial – fund	614,922	673,673
	Commercial – manufacturing	69,285	73,662
	Commercial – other	253,236	264,999
	Communication and transport infrastructure	25,152,950	23,567,907
	Energy – electricity	46,575,340	46,905,410
	Oil and gas	5,940,794	5,164,459
	Energy – non-grid standalone	1,362,628	1,625,239
	Human resources development	4,188,041	2,266,936
	Institutional infrastructure	-	8,515
	Residential facilities	1,875,530	2,185,470
	Roads and drainage	14,184,502	16,301,123
	Sanitation	2,645,388	2,092,753
	Social infrastructure	5,624,783	8,390,951
	Water	2,249,851	3,422,544
	Total long term development loans	110,737,250	**112,943,641**
	Bridging finance development loans		
	Human resources development	77,150	70,208
	Social infrastructure	-	16,234
	Sanitation	9,180	–
	Short-term bridging finance development loans	86,330	**86,442**
	Total development loans	110,823,580	**113,030,083**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
10.4	**Geographical analysis of gross development loans**		
	Long term development loans		
	Eastern Cape	650,574	728,894
	Free State	1,227,109	1,328,162
	Gauteng	52,167,719	55,216,405
	KwaZulu-Natal	6,439,750	6,040,552
	Limpopo	508,600	780,055
	Mpumalanga	350,861	376,206
	North West	667,160	687,617
	Northern Cape	8,703,836	8,883,777
	Western Cape	7,503,093	6,414,144
	Rest of Africa	32,518,548	32,487,829
	Total long term development loans	110,737,250	**112,943,641**
	Bridging finance development loans		
	KwaZulu-Natal	39,594	34,703
	North West	28,861	24,513
	Free State	8,112	15,222
	Eastern Cape	584	448
	Limpopo	-	2,969
	Gauteng	9,179	8,587
	Total bridging finance development loans	86,330	**86,442**
	Total development loans	110,823,580	**113,030,083**
	Rest of Africa		
	Angola	8,360,729	7,704,540
	Congo	511,293	540,987
	Côte d’Ivoire	3,438,106	3,867,404
	Democratic Republic of Congo	219,984	192,860
	Eswatini	22,242	20,927
	Ethiopia	846,602	883,681
	Gabon	84,477	47,980
	Ghana	4,087,093	4,732,165
	Kenya	24,540	44,850
	Lesotho	-	22,181
	Madagascar	461,031	470,888
	Mauritius	(70)	(70)
	Mozambique	1,230,618	1,210,198
	Nigeria	871,985	956,236
	Senegal	2,120,167	800,162
	Tanzania	2,526,163	2,594,289
	Uganda	342,663	375,506
	Zambia	6,336,352	6,680,743
	Zimbabwe	1,034,573	1,342,302
	Total	32,518,548	**32,487,829**
	Euro amount included in the Rest of Africa loans	426,794	**364,883**
	US dollar amounts included in the above Rest of Africa loans	1,423,620	**1,337,882**
10.5	**Client classification of gross development loans**		
	Long term development loans		
	Educational institutions	1,623,526	1,681,651
	Local government	31,722,635	34,495,123
	National and provincial government	12,413,421	13,569,661
	Private sector intermediaries	31,664,413	29,089,139
	Public utilities	33,313,255	34,108,067
	Total long term development loans	110,737,250	**112,943,641**
	Bridging finance development loans		
	Private sector intermediaries	86,330	86,442
	Total bridging finance development loans	86,330	**86,442**
	Total development loans	110,823,580	**113,030,083**

	in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
10.6	**Fixed and variable interest rate gross development loans**		
	Long term development loans		
	Fixed interest rate loans	39,483,055	40,734,252
	Variable interest rate loans	71,254,195	72,209,389
	Total long term development loans	110,737,250	112,943,641
	Bridging finance development loans		
	Variable	86,330	86,442
	Total bridging finance development loans	86,330	86,442
	Total development loans	110,823,580	113,030,083
10.7	**Credit impaired loans (included in total development loans)**		
10.7.1.	**Sectoral analysis of gross credit impaired loans**		
	Non-performing loans (stage 3)		
	Commercial – manufacturing	69,285	73,662
	Commercial – other	508,829	237,426
	Communication and transport infrastructure	2,143,338	2,672,155
	Energy	609,765	727,765
	Human resources development	14,527	13,628
	Residential facilities	-	249,473
	Roads and drainage	68,513	70,655
	Sanitation	24,566	125,772
	Social infrastructure	98,916	211,404
	Water	302	113,521
	Total non-performing loans	3,538,041	4,495,461
	Purchased or originated credit-impaired loans		
	Oil and gas	511,293	540,987
	Social infrastructure	44,046	45,722
	Water	61,235	60,591
	Transportation	461,031	-
	Total purchased or originated credit-impaired loans	1,077,605	647,300
	Total credit-impaired loans	4,615,646	5,142,761
10.7.2	**Geographical analysis of gross credit-impaired loans**		
	Non-performing loans (stage 3)		
	Eastern Cape	583	
	Free State	33,254	45,275
	Gauteng	562,310	373,294
	KwaZulu-Natal	13,927	9,270
	Limpopo	64,746	314,219
	Mpumalanga	-	225,508
	North West	74,770	74,874
	Northern Cape	76,916	80,786
	Rest of Africa	2,711,535	3,372,235
	Total non-performing loans	3,538,041	4,495,461
	Purchased or originated credit-impaired loans		
	North West	61,235	60,591
	Northern Cape	44,046	45,722
	Rest of Africa	972,324	540,987
	Total purchased or originated credit-impaired loans	1,077,605	647,300
	Total credit-impaired loans	4,615,646	5,142,761

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
Rest of Africa		
Non-performing loans (stage 3)		
Ethiopia	846,602	883,681
Ghana	1,216,431	1,334,509
Madagascar	-	470,888
Mauritius	(70)	(70)
Mozambique	436,559	466,164
Zambia	-	-
Zimbabwe	212,013	217,063
Total non-performing loans (stage 3)	2,711,535	**3,372,235**
Purchased or originated credit-impaired loans		
Madagascar	461,031	-
Congo	512,027	540,987
Mauritius	(734)	-
Total	3,683,859	**3,913,222**

10.7.3 Client classification on gross credit-impaired loans

Non-performing loans (stage 3)		
Local government	77,517	309,021
National government	672,580	676,525
Private sector intermediaries	2,282,100	2,974,465
Public utilities	505,844	535,450
Total non-performing loans	3,538,041	**4,495,461**
Purchased or originated credit-impaired loans		
Local government	105,281	106,313
Private sector intermediaries	972,324	540,987
Total purchased or originated credit-impaired loans	1,077,605	**647,300**
Total credit-impaired loans	4,615,646	**5,142,761**

10.8 Client concentration of gross development loans

One client as percentage of total loan portfolio (%)	11.0	**12.8**
Top Seven clients as percentage of total loan portfolio (%)	49.0	**50.1**
Top Ten clients as percentage of total loan portfolio (%)	59.0	**60.4**

10.9 Provision for ECLs on development loans reconciliation

Balance at the beginning of the year	13,700,389	12,174,945
Impairment of current period interest	164,949	194,035
Loans written off during the period	(367,072)	(1)
Administrative corrections	-	(841)
Sale of financial assets	(4,316)	(2,131)
ECLs recognised in the statement of comprehensive income (note 18)	482,564	**1,334,382**
Credit-impaired (stage 3 and POCI)	(11,861)	226,265
Stage 1 and 2	494,425	1,108,117
Balance at the end of period	13,976,513	**13,700,389**

in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
10.10 Analysis of ECL recognised in the statement of comprehensive income		
Credit Impaired loans		
POCI	285,466	
Stage 3	(297,327)	122,035
Stage 1 and 2 loans		
Stage 1 ECLs	(12,493)	205,260
Stage 2 ECLs	502,602	350,782
Balance at the end of period	478,248	**678,077**

10.11 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 2024					
Long term development loans					
Balance at the beginning of the year	55,672,456	52,149,700	4,474,185	647,300	112,943,641
Transfer from Stage 1 to Stage 2	(946,988)	946,988	-	-	-
Transfer from Stage 2 to Stage 1	1,304,030	(1,304,030)	-	-	-
Transfer from Stage 2 to Stage 3	-	(298,167)	298,167	-	-
Transfer from Stage 3 to Stage 2	-	221,132	(221,132)	-	-
Disbursements	7,127,884	-	-	-	7,127,884
Repayments	(7,842,275)	(3,462,522)	(106,267)	-	(11,411,064)
Proceeds from sale of assets	(697,032)	(401,623)		-	(1,098,655)
Effective interest on development loans	3,158,971	2,820,717	24,665	-	6,004,353
Movement in deferred fee	(97,545)	20,616	(27,972)	33,171	(71,730)
Foreign exchange movements	(1,701,824)	(636,093)	(259,183)	(78,926)	(2,676,026)
Other movements- Fees raised	123,471	18,612	689	-	142,772
Other movements - Amortisation of below market interest rate loans	2,854	1,013		-	3,866
Interest at credit-adjusted effective interest rate	-	-	-	5,172	5,172
Contractual interest on stage 3	-	-	164,949	-	164,949
Write-offs	-	-	(367,072)	-	(367,072)
Loss on derecognition	(7,237)	-	-	-	(7,237)
Loans de-recognised due to substantial modification	-	-	(470,888)	-	(470,888)
New loans recognised after substantial modification	-	-	-	470,888	470,888
Modification loss	-	(23,605)	-	-	(23,605)
Gross carrying amount of long term development loans	56,096,766	50,052,738	3,510,141	1,077,605	110,737,250
Bridging finance development loans					
Balance at the beginning of the year	70,135	8,370	7,937	-	86,442
Transfer from Stage1 to Stage 3	(14,014)	-	14,014	-	-
Transfer from Stage 2 to Stage 1	7,575	(7,575)	-	-	-
Transfer from Stage 1 to Stage 2	(23,123)	23,123	-	-	-
Disbursements	12,715	-	-	-	12,715
Repayments	(15,216)	(6,725)	(1,506)	-	(23,447)
Interest on bridging finance development loans	1,124	1,362	7,455	-	9,941
Other movements - Fees	679	-	-	-	679
Gross carrying amount of bridging finance development loans	39,875	18,555	27,900	-	86,330
Total gross carrying amount	56,136,641	50,071,294	3,538,041	1,077,605	110,823,580
Less provisions for ECL	(1,094,597)	(9,759,497)	(2,478,058)	(644,361)	(13,976,513)
Balance at the end of the period	55,042,044	40,311,796	1,059,983	433,244	96,847,067

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2024					
Long term development loans					
Balance at the beginning of the year	56,417,307	45,383,809	3,464,624	537,088	105,802,828
Loss on derecognition of financial instrument	(472)	-			(472)
Transfer from stage 1 to stage 2	(11,120,647)	11,120,647	-	-	-
Transfer from stage 2 to stage 1	942,252	(942,252)	-	-	-
Transfer from other assets	-	-	-	-	-
Transfer from stage 3 to stage 2	-	310,100	(310,100)	-	-
Transfer from stage 2 to stage 3		(2,130,515)	2,130,515	-	-
Proceeds from sale of financial assets	(497,108)	-	-	-	(497,108)
Write-offs	-	-	(1)	-	(1)
Disbursements	16,696,201	157,976	-	-	16,854,177
Repayments	(10,257,768)	(11,288,999)	(1,409,515)	(1,679)	(22,957,961)
Transfer from provisions - development expenditure	-	-	-	-	-
New loans recognised after substantial modification	2,030,779	-	-	49,517	2,080,296
Loans derecognised due to substantial modification	(1,023,484)	(1,007,295)	(49,517)	-	(2,080,296)
Effective interest on development loans during the year	5,213,408	6,141,095	257,724	-	11,612,227
Interest at credit-adjusted effective interest rate	-	-	-	46,962	46,962
Amortisation of below market interest rate loans	6,157	1,712	97	-	7,966
Contractual interest on stage 3	-	-	194,035	-	194,035
Other administrative adjustments	(661)	-	(180)	-	(841)
Foreign exchange movements	(2,991,630)	4,436,359	192,849	15,412	1,652,990
Other movements – fees	278,977	3,071	3,654	-	285,702
Modification (loss)	(20,855)	(36,008)	-	-	(56,863)
Gross carrying amount of long term development loans	**55,672,456**	**52,149,700**	**4,474,185**	**647,300**	**112,943,641**
Bridging finance development loans					
Balance at the beginning of the year	27,897	23,309	-	-	51 206
Stage 1 to Stage 2	(12,545)	12,545	-	-	-
Transfer from stage 2 to stage 3		(23,308)	23,308	-	-
Disbursements	75 718		-	-	75 718
Interest	13 528	1,198	2,650	-	17 376
Repayments	(48 227)	(6,168)	(4,682)	-	(59 077)
Fees	1 219		-	-	1 219
Gross carrying amount of bridging finance development loans	**57 590**	**7 576**	**21 276**	**-**	**86 442**
Total gross carrying amount	**55,730,046**	**52,157,276**	**4,495,461**	**647,300**	**113,030,083**
Less provisions for ECL	(1,107,090)	(9,256,895)	(2,977,509)	(358,895)	(13,700,389)
Balance at the end of the period	**54,622,956**	**42,900,381**	**1,517,952**	**288,405**	**99,329,694**

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited

10.12 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 2024 Reviewed	31 March 2024 Audited
Development loans receivable net of ECLs		
Stage 1 loans	56 136 641	55 730 046
Stage 2 loans	50 071 294	52 157 276
Stage 3 loans	3 538 041	4 495 461
POCI	1 077 605	647 300
Loss allowance	(13 976 513)	(13 700 389)
Development loans receivable net of ECLs	**96 847 067**	**99 329 694**

10.13 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 2024					
Balance at the beginning of the year	1,107,090	9,256,895	2,977,509	358,895	13,700,389
Transfer from Stage 1 to Stage 2	(82,470)	419,428		-	336,958
Transfer from Stage 2 to Stage 3	-	(226,731)	228,153	-	1,422
Transfer from Stage 2 to Stage 1	23,981	(186,738)		-	(162,757)
Transfer from Stage 3 to Stage 2	-	11,067	(71,270)	-	(60,203)
Transfer from Stage 1 to Stage 3	-	-	6,979	-	6,979
Disbursements	48,608	-	-	276,618	325,227
Sale of a financial asset	(4,316)	-	-	-	(4,316)
Suspended interest	-	-	164,949	-	164,949
Other administrative adjustments	-	-	-	-	-
Foreign exchange movements	(32,199)	(423,060)	(164,197)	(26,530)	(645,985)
Write off **	-	-	(367,072)	-	(367,072)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	33,902	908,636	(296,992)	35,378	680,923
Balance at end of the period	1,094,597	9,759,497	2,478,058	644,361	13,976,513
ECL allowance recognised to income statement	(12,493)	502,602	(297,327)	285,466	478,248

* The ECL on development loans has increased marginally year-on-year mainly due to currency movements, loan book growth, client repayments and marginal deterioration in the credit risk of the development loan portfolio. The slow economic growth rate in south Africa and the sovereign debt challenges in the rest of the continent and municipal risk performance 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. Furthermore, there has been an increased risk in South Africa's municipal portfolio.

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 R3.8 billion (31 March 2024:R2.9 billion) 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.

Broadly these risk factors have had an adverse impact on some of the DBSA's borrowers. During the year, there has been an increased risk in South Africa's municipal portfolio where DBSA has significant exposures. 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 R3.8 billion (31 March 2024: R2.9 billion) judgemental credit adjustment on the total development loan portfolio. The increase in the overlay from prior year amounted to about R900 million. The credit adjustment is based on management's best estimate relating to the anticipated trajectory of the economic recovery at the reporting date. These additional management adjustments have been subjected to the appropriate governance framework. Reversals of post model adjustments are based on demonstrable improvement in the credit risk supported by objective evidence.

** The net carrying amount of development loans written off is R367 million (31 March 2024: R0.8 million). The total contractual amount outstanding on development loans with write-offs during the period and are still subject to enforcement activity is R Nil million (31 March 2024: R Nil 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 non-performing 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 expected credit losses at initial recognition of purchased or originated credit-impaired assets at original recognition was R282 million (31 March 2024: R45 million).

*** During the current year the Bank sold a financial asset for R1 billion (31 March 2024: R497 million), the proceeds of the sale are reflected in the gross loan repayments in the cash flow statement and separately in note 10.1.1.

in thousands of rands	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	POCI	Total
31 March 2024					
Balance at the beginning of the year	901,948	8,356,051	2,399,681	517,265	12,174,945
Transfer from Stage 1 to Stage 2	(83,119)	1,226,403	-	-	1,143,284
Transfer from Stage 2 to Stage 3		(149,705)	247,160	-	97,455
Transfer from Stage 2 to Stage 1	34	(1,215)	-	-	(1,181)
Transfer from stage 3 to stage 2		125,022	(198,468)		(73,446)
Disbursements	271,330	-	-	19,661	290,991
Sale of financial assets	(2,131)				(2,131)
Other administrative adjustments	-	-	(841)	-	(841)
Suspended interest	-	-	194,035	-	194,035
New loans recognised after substantial modification	-	-	-	-	-
Substantial modification	-	-	-	-	-
Write-offs**	-	-	(1)	-	(1)
Foreign exchange movements	20,101	304,698	86,193	30,635	441,627
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	(1,073)	(604,359)	249,750	(208,666)	(564,348)
Balance at end of the year	**1,107,090**	**9,256,895**	**2,977,509**	**358,895**	**13,700,389**
ECL allowance recognised to income statement	**207,273**	**900,844**	**384,635**	**(158,370)**	**1,334,382**

* The ECL on development loans has increased year-on-year mainly in response to a deterioration in the credit risk of the development loan portfolio. The global economic growth has remained fairly resilient and inflationary pressures have persisted for longer than expected with central banks keeping policy rates elevated. Although inflation is subsiding, various risks to the global outlook may slow the disinflationary process. Geopolitical tensions, including trade disputes and trade fragmentation, regional conflicts and geoeconomic fragmentation, continue to pose a risk to global economic stability and GDP.

Growth in Sub-Saharan Africa is expected to recover. However, sensitivity to changes in global economic conditions, extreme climate shocks, currency depreciation, high borrowing cost and subsequent high debt repayments increase the regions' economic vulnerability. Several African countries are facing sovereign debt distress with some already engaged with the IMF on debt restructure to make them fiscally viable. In South Africa, subdued economic growth is expected to persist given the energy security and reliability challenges, logistical constraints and inflation. The long standing slow implementation of structural reforms to respond to high unemployment, crime and inequality, power shortages, and logistical challenges that are creating productivity and trade bottlenecks remains a concern. The local government municipality sector challenges which include the pressure on revenue collections, financial management and governance challenges remain.

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
10.14 Analysis of current and non-current portion of development loans		
Long term development loans		
Current portion	14,436,210	19,454,938
Non-current portion	96,301,040	93,488,703
Total long term development loans	110,737,250	**112,943,641**
Bridging finance development loans		
Current portion	78,309	86,442
Non-current portion	8,021	0
Total bridging finance development loans	86,330	**86,442**
Gross loan book	110,823,580	**113,030,083**
Provision for ECLs	(13,976,513)	(13,700,389)
Amortised cost	96,847,066	**99,329,694**

10.15 Modification of financial assets measured at amortised cost: Gross loan book

	Stage 1		Stage 2		Stage 3		
in thousands of rands	**Amortised cost before modification**	**Net modification gain/(loss)**	**Amortised cost before modification**	**Net modification gain/(loss) recognised**	**Amortised cost before modification**	**Net modification gain/(loss)**	**Total net modification gain/(loss)**
30 September 2024							
Development loans	-	-	6,502,069	(23,605)	-	-	(23,605)
31 March 2024							
Development loans	362,884	(20,855)	6,339,036	(36,008)	-	-	(56,863)

During the period under review the Bank provided relief in the form of payment holidays, payment reorganisations and loan restructures to specific clients, upon request. The above table provides information on loans which were modified (non-substantially) while they had loss allowances measured at amounts equal to lifetime expected credit losses and the modification resulting in a modification gain or loss being recognised. Substantial modifications concluded during the period were concluded on a net present value neutral basis with no gains or losses noted.

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

11.1. Analysis of trade, other payables and accrued interest on debt funding

Financial liabilities at amortised cost		
Accrued interest (financial market liabilities – amortised cost)	1,008,963	877 708
Accrued interest - Repurchase agreements	-	1 376
Interest received in advance	982	982
Trade payables	203,213	208 855
Current portion of lease liabilities	5,089	5 707
Balance at the end of the period	1,218,247	**1,094,628**
Non-financial liabilities		
Bonus provision	118,142	202 626
PAYE, VAT and Compensation Commissioner	6,292	11 860
Balance at the end of the period	124,434	**214,486**
Trade, other payables and accrued interest on debt funding	1,342,681	**1 309 114**

11.2. Analysis of current and non-current portion of trade, other payables and accrued interest on debt funding

Current portion	**1,342,681**	**1,309,114**

12. PROVISIONS AND LEASE LIABILITIES

12.1 Provisions

in thousands of rands	Opening balance	Current period provision	Transferred/ reversed/ utilised during the period	Closing balance
Reconciliation of provisions at 30 September 2024				
Provision for ECLs on loan commitments	36,086	-	(2,078)	34,008
Strategic initiatives – Flood Relief	125,335	-	(30,914)	94,421
Total	161,421	-	(32,992)	128,429
Reconciliation of provisions at 31 March 2024				
Provision for ECLs on loan commitments	36 943	-	(857)	36 086
Strategic initiatives - Flood Relief	128,370	-	(3,035)	125 335
Total	**165 313**	**-**	**(3 892)**	**161 421**

Provision for ECLs on loan commitments

The provision for development loans and commitments represents the expected credit losses on loan commitments. The expected credit loss 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 expected credit losses 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.

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.

12.2 Lease liabilities

Reconciliation of lease liabilities

in thousands of rands	Opening balance	Addition	Interest accrued	Repayments	Current portion	Total
30 September 2024						
Leases	11,978	-	529	(3,501)	(5,089)	3,917
31 March 2024						
Leases	**12,703**	**3,992**	**1,259**	**(6,120)**	**(5,707)**	**6,127**

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 2024 Reviewed	31 March 2024 Audited
12.3	**Total of provisions and lease liabilities**		
	Provisions	128,429	161,421
	Lease liabilities	3,917	6,127
	Total provisions and lease liabilities	132 346	**167 548**
13.	**DEBT FUNDING HELD AT AMORTISED COST**		
13.1.	**Analysis of debt funding held at amortised cost**		
	Debt securities	25,330,497	27 604 409
	Lines of credit	33,756,767	34 895 287
	Balance per statement of financial position	59,087,264	**62 499 696**
	Accrued interest (note 11)	1,008,963	877 708
	Balance at end of the period including accrued interest	60,096,227	**63 377 404**
13.2.	**Reconciliation of debt funding held at amortised cost**		
	Balance at beginning of the year	62,499,696	58,469,380
	Capital raised	3,384,896	12,172,599
	Capital repaid	(4,271,183)	(10,364,080)
	Amortisation of discounts, premiums and transaction costs	282,443	479,544
	Foreign exchange adjustments on lines of credit	(2,808,588)	1,742,253
	Accrued interest (note 11)	1,008,963	877,708
	Balance at end of the period including accrued interest	60,096,227	**63,377,404**
	Euro amount included in debt funding held at amortised cost	410,186	**415,081**
	US dollar amounts included in debt funding held at amortised cost	1,431,105	**1,346,017**
13.3.	**Analysis of current and non-current portion of debt funding held at amortised cost**		
	Current portion	14,481,900	10,938,834
	Non-current portion	44,605,364	51,560,862
	Balance at the end of the period	59,087,264	**62,499,696**

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 30 September 2024 R12.3 billion (31 March 2024: R14.6 billion)

During the interim period under review Ms. Zodwa Mbele was appointed as the Bank's new Debt Officer with effect from 1 August 2024. The appointment follows Mr. Ernest's Dietrich's retirement as the Debt Officer of the Bank, with effect from 31 July 2024 due to Mr. Ernest Dietrich reaching retirement age. The board of DBSA has considered and is satisfied with the competence, qualifications, and experience of the new Debt Officer.

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 2024 and 31 March 2024.

The total carrying amount of funding debt securities held at amortised cost inclusive of accrued interest amount of R437 million is R 25.77 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R572 million is R34.33 billion.

13.4 Repurchase agreements at amortised cost

in thousands	30 September 2024 Reviewed	31 March 2024 Audited
Balance at the beginning of the year	1,194,651	-
Capital (repaid)/raised	(1,194,651)	1,194,651
Balance per the statement of financial position	-	**1,194,651**
Accrued interest	-	1,376
Balance at the end of the year	-	**1,196,027**

13.5 Analysis of current and non-current portion of repurchase agreements at amortised cost

Current portion	-	1,194,651

14. DEFERRED INCOME

	30 September 2024 Reviewed	31 March 2024 Audited
Balance at the beginning of the year	578,495	542,819
Additions - Green Climate Finance	93,655	-
Current movements	22,653	43,102
Interest income and recoveries on loans	-	1,651
Deferred income recognised during the period	(7,368)	(9,077)
Balance at the end of the period	687,435	**578,495**

15. INTEREST INCOME

in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
Interest income calculated using the effective interest rate		
Cash and cash equivalents	411 075	335,950
Development bonds	94 458	115,232
Effective interest income on development loans	6 019 466	5 689 918
Total interest income calculated using the effective interest rate	6 524 999	**6,141,100**
Other interest income		
Interest received on financial assets held at fair value through profit and loss		
Derivative hedged assets	51,881	16,276
Development loans held at FVTPL	18,049	4,597
Equity investments – interest received from mezzanine instruments	24,457	59,840
Investment securities	15,959	17,034
Total other interest income	110,346	**97,747**
Total interest income	6,635,345	**6,238,847**

15.1 Interest income on development loans per staging

	30 September 2024 Reviewed	30 September 2023 Reviewed
Stage 1 loans	3,160,094	2,961,131
Stage 2 loans	2,822,079	2,490,166
Stage 3 loans	32,121	219,306
POCI	5,172	19,315
Total interest income on effective interest rate	6,019,466	**5,689,918**

	in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
15.2	**Effective interest income on development loans per client classification**		
	Educational institutions	136,178	88,551
	Local government	1,831,108	1,818,377
	National and provincial government	726,446	593,457
	Private sector intermediaries	1,497,058	1,381,942
	Public utilities	1,828,676	1,807,591
	Total interest income on effective interest rate	6,019,466	**5,689,918**
16.	**INTEREST EXPENSE**		
	Interest expense on financial liabilities calculated using the effective interest rate		
	Bank and other payables	17,868	24,315
	Debt funding held at amortised cost	2,594,503	2,496,544
	Total interest expense on financial liabilities calculated using the effective interest rate	2,612,371	**2,520,859**
	Other interest expense		
	Interest expense on lease liabilities		
	Lease liabilities	529	679
	Total other interest expense	529	**679**
	Total interest expense	2,612,900	**2,521,538**
	Net interest income (Note 15 less Note16)	4,022,445	**3,717,309**
17.	**NET FEE INCOME**		
17.1	**Analysis of net fee income**		
	Gross fee income		
	Lending fees	51,998	52,506
	Management fees	120,053	99,875
	Non-lending fees	-	46
	Total fee income	172,052	**152,427**
	Gross fee expense		
	Fees on funding	12,912	3,140
	Guarantee fees	8,985	11,717
	Other fees	330	144
	Total fee expense	22,227	**15,001**
	Net fee income	149,825	**137,426**

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.

17.2 Fee receivables

As at 30 September 2024 the Bank had R114 million (31 March 2024: R81 million) in trade receivable assets relating to management fees and lending fees. As at 30 September 2024 the Bank had no trade payables as a result of contracts with customers.

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
Reconciliation of fee receivables		
Balance at the beginning of the year	80,776	144,539
Repayments during the period	(34,283)	(131,556)
Raised and not paid during the period	67,230	67,793
Balance at the end of the period	113,723	**80,776**

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 2024, 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		
18.	**IMPAIRMENT LOSSES**		
	Trade receivables and other assets	3 014	9 166
	Development loans (note 10.13)	478 248	678 077
	Development bonds (note 9.3)	(441)	10,008
	Loan commitments (note 24.1)	(2,078)	(27 713)
	Modification loss on financial assets	23,605	23 473
	Total	502 348	**693 011**
19.	**NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED**		
	Net profit for the period	2,167,980	2,145,500
	Dividends received	(10 219)	(46 759)
	Management fees - segregated funds	330	144
	Depreciation and amortisation	19 508	20 681
	Gain on disposal of property and equipment	(103)	(37)
	Grants, development expenditure and project preparation expenditure paid	139 174	124 543
	Net movements from financial assets and liabilities	435 429	(133 509)
	Realised loss on financial asset	5 110	-
	Fees received	142 915	63 822
	Fees accrued	(71 584)	(56 115)
	Debt guarantee fee raised	8 330	11 107
	Net foreign exchange loss/(gain)	217 084	(140 788)
	Impairment losses	502 348	693 011
	Net interest income	(4,022,445)	(3,717,309)
	Movements in provisions and lease liabilities	(34 415)	(2 952)
	(Increase)/decrease in trade receivables and other assets	(37 746)	1 663
	Decrease in trade, other payables and accrued interest on debt funding	(109 270)	(159 191)
	Total	(647 574)	**(1196 189)**

20. NET LOSS FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in thousands of rands	30 September 2024 Reviewed	30 September 2023 Reviewed
Interest rate derivatives		
Realised	(1 033)	(18 005)
Unrealised	138 807	(33 900)
Net loss/(gain) from interest rate derivatives	137 774	(51 905)
Foreign exchange derivatives		
Unrealised	15 366	(5 580)
Net loss/(gain) from foreign exchange derivatives	15 366	(5 580)
Investment securities at FVTPL – unrealised		
Investment in segregated funds	(105)	1 108
Debt securities		
Equity investments		
Held at FVTPL - unrealised	246 894	392 593
Development loans		
Held at FVTPL	-	10 261
Other financial asset		
Held at FVTPL – unrealised	(3 091)	2 767
Net loss from financial assets and liabilities	396 838	349 244

21 RISK MANAGEMENT

21.1 Market risk

21.1.1 Overview

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.

21.1.2 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.

21.1.2.1 Management of interest rate risk

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 2024 is encapsulated in the table on page 53. 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 R168.42 million (31 March 2024: R118.86 million).

21.1.2.2 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 of 30 September 2024, the Bank had an interest rate swaps portfolio with a total notional amount of R20.3bn (31 March 2024: R20.3bn). The interest rate swaps are classified as cashflow hedges (refer to note 5). The net fair value of these swaps as of 30 September 2024 was positive R764.4m (31 March 2024: R467.2m), comprising assets of R766.2m (March 2024: R9.54m) and liabilities of R 1.81m (31 March 2024: R476.7m). The table below shows the contractual re-pricing gap for 30 September 2024:

21.1.2.3 Contractual repricing gap

The table below shows the contractual repricing gap for 30 September 2024:

in millions of rands		**< 1 m**	**1 - 3 m**	**3 - 12 m**	**1 - 2 y**	**2 - 3 y**	**3 - 4 y**	**4 - 5 y**	**> 5 y**	**Total**
Cash & cash equivalents	ZAR	11,543	-	-	-	-	-	-	-	11,543
	USD	485	-	-	-	-	-	-	-	485
	EUR	117	-	-	-	-	-	-	-	117
Investment securities	ZAR	319	-	-	-	-	-	-	-	319
Development bonds	ZAR	-	42	42	83	83	833	83	417	1,583
Development loans	ZAR	9,823	30,593	1,868	2,618	4,324	6,277	3,542	17,589	76,634
	USD	8,504	4,993	7,830	470	407	205	202	973	23,584
	EUR	-	1,116	6,531	-	-	-	-	-	7,647
Derivative held for risk management purposes - FEC	ZAR	-	-	50	-	-	-	-	-	50
Derivative held for risk management purposes - IRS	ZAR	-	347	683	1,086	1,158	1,230	3,760	12,008	20,272
Derivative held for risk management purposes - FEC	USD	566	-	-	-	-	-	-	-	566
Assets Total		**31,357**	**37,091**	**17,004**	**4,257**	**5,972**	**8,545**	**7,587**	**30,987**	**142,800**
Debt Funding at amortrised cost - Funding bonds	ZAR	(6,691)	(7,435)	-	-	(500)	(5,889)	(590)	-	(21,105)
	EUR	-	-	-	-	-	(3,843)	-	-	(3,843)
Debt Funding at amortrised cost - money market debt	ZAR	(100)	(200)	(100)	-	-	-	-	-	(400)
Lines of credit	ZAR	(3,860)	(1,270)	-	-	-	-	-	-	(5,130)
	USD	(6,126)	(4,078)	(14,230)	(102)	(47)	(54)	(59)	-	(24,696)
	EUR	(1,383)	(1,000)	(1,289)	(79)	(79)	(65)	(44)	(99)	(4,038)
Derivative held for risk management purposes - IRS	ZAR	-	(20,272)	-	-	-	-	-	-	(20,272)
Derivative held for risk management purposes - FEC	EUR	(576)	-	-	-	-	-	-	-	(576)
Liabilities total		**(18,736)**	**(34,255)**	**(15,619)**	**(181)**	**(626)**	**(9,851)**	**(693)**	**(99)**	**(80,060)**
Net repricing gap		**12,621**	**2,836**	**1,385**	**4,076**	**5,346**	**(1,306)**	**6,894**	**30,888**	**62,740**
Cumulative repricing gap		**12,621**	**15,457**	**16,842**	**20,918**	**26,264**	**24,958**	**31,852**	**62,740**	

The table below shows the contractual repricing gap for 31 March 2024:

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	EUR	632	-	-	-	-	-	-	-	632
	USD	621	-	-	-	-	-	-	-	621
	ZAR	9,551	-	-	-	-	-	-	-	9,551
Investment securities	ZAR	305	181	-	-	-	-	-	-	486
Development bonds	ZAR	-	544	42	83	83	83	833	458	2,126
Development loans	USD	12,514	3,408	6,280	463	264	217	227	370	23,743
	EUR	450	382	6,007	-	-	-	-	-	6,839
	ZAR	21,480	13,740	8,107	2,255	2,696	7,414	4,135	18,535	78,362
Derivative held for risk management purposes - interest rate swaps	ZAR	-	275	417	833	833	833	833	12,876	16,900
	EUR	-	177	608	991	991	643	960	299	4,669
Total financial market assets		**45,553**	**18,707**	**21,461**	**4,625**	**4,867**	**9,190**	**6,988**	**32,538**	**143,929**
Debt funding at amortised cost - funding bonds	ZAR	(4,345)	(9,165)	(2,933)	-	(500)	(5,599)	(590)	-	(23,132)
	EUR	-	-	-	-	-	(4,085)	-	-	(4,085)
Debt funding at amortised funding lines of credit	EUR	(1,471)	(1,063)	(1,427)	(84)	(84)	(84)	(54)	(125)	(4,392)
	USD	(4,825)	(4,021)	(16,279)	(110)	(83)	(54)	(62)	(34)	(25,468)
	ZAR	(3,860)	(1,277)	(5)	-	-	-	-	-	(5,142)
Debt funding at amortised cost - money market debt	ZAR	-	-	(400)	-	-	-	-	-	(400)
Fund under Repurchase agreement	ZAR	-	(1,195)	-	-	-	-	-	-	(1,195)
Derivative held for risk management purposes - interest rate swaps	EUR	-	(177)	(4,492)	-	-	-	-	-	(4,669)
	ZAR	(4,800)	(12,100)	-	-	-	-	-	-	(16,900)
Total financial market liabilities		**(19,301)**	**(28,998)**	**(25,536)**	**(194)**	**(667)**	**(9,822)**	**(706)**	**(159)**	**(85,383)**
Repricing gap		**26,252**	**(10,291)**	**(4,075)**	**4,431**	**4,200**	**(632)**	**6,282**	**32,379**	**58,546**
Cumulative repricing gap		**26,252**	**15,951**	**11,886**	**16,317**	**20,517**	**19,885**	**26,167**	**58,546**	

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 mature, due to the assumption that it will be rolled at maturity or that it will convert to cash.

21.1.3. Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates.

21.1.3.1 Currency risk

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.

21.1.3.2 Hedging of foreign currency risk exposure

The Bank uses cross currency swaps, foreign exchange options and forward exchange contracts to hedge its foreign currency risk. As of 30 September 2024, the Bank's currency had forward exchange contracts of R 2.37bn nominal (March 2024: R0m). The notional amounts indicate the volume of currency hedges outstanding at the balance sheet date and do not represent the amount at risk.

21.1.3.3 Foreign currency sensitivity analysis

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

in thousands	30 September 2024 Reviewed EUR	30 September 2024 Reviewed USD	31 March 2024 Audited EUR	31 March 2024 Audited USD
Assets				
Cash and cash equivalents	6,089	28,075	31,061	32,784
Development loans *	426,794	1,433,620	364,883	1,347,882
Equity investments	35,574	109,429	35,624	126,488
Total assets	**468,458**	**1,571,123**	**431,568**	**1,507,154**
Liabilities				
Debt funding and lines of credit	(410,186)	(1,431,105)	(415,081)	(1,346,017)
Total liabilities	**(410,186)**	**(1,431,105)**	**(415,081)**	**(1,346,017)**
Net open position before hedging	**58,272**	**140,018**	**16,487**	**161,137**
Foreign exchange contracts	(30,000)	32,790	-	-
Net open position after hedging	**28,272**	**172,808**	**16,487**	**161,137**

* Development loans USD balance includes development loans at amortised costs as well as development loan as at FVTPL.

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 analysis

Sensitivity	%	EUR/ZAR	EUR potential impact	USD/ZAR	USD potential impact	FX sensitivity combined
	(15)	16.3322	(81,485)	14.6688	(447,331)	(528,816)
	(10)	17.2930	(54,322)	15.5317	(298,215)	(352,537)
	(5)	18.2537	(27,161)	16.3945	(149,116)	(176,277)
	-	**19.2144**	-	**17.2574**	-	-
	5	20.1751	27,161	18.1203	149,116	176,277
	10	21.1358	54,322	18.9831	298,215	352,537
	15	22.0966	81,485	19.8460	447,331	528,816
Spot exchange rate used		**19.2144**		**17.2574**		

21.2 Liquidity risk

21.2.1 Definition of 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.

21.2.2 Management of liquidity risk

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 2024 was R12.5 billion (31 March 2024: R11.1 billion). This includes cash and cash equivalents of R12.1billion (31 March 2024: R10.8 billion), segregated money market funds of R319 million (31 March 2024: R305 million).

21.2.3 Available liquidity

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
High quality liquid assets		
Cash and cash equivalents	12,144,324	10,803,772
Other less liquid assets		
Investment in segregated funds	318,813	304,966
Total available liquidity	12,463,137	**11,108,738**

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 period under review amounted to approximately R5.8 billion (31 March 2024: R7.2billion). In addition, as at 30 September 2024, the Bank has signed two facility agreements amounting to R4.3bn and these subject to fulfilling condition precedents.

21.2.4 Contractual liquidity gap

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 2024 was R11.87 billion (31 March 2024: R14.52 billion).

21.2.4 Contractual liquidity gap

The table below analyses the contractual liquidity gap for 30 September 2024:

in millions of rands		< 1 m	1 - 3 m	3 - 12 m	1 - 2 y	2 - 3 y	3 - 4 y	4 - 5 y	> 5 y	Total
Cash & cash equivalents	ZAR	11,543	-	-	-	-	-	-	-	11,543
	USD	485	-	-	-	-	-	-	-	485
	EUR	117	-	-	-	-	-	-	-	117
Investment securities	ZAR	319	-	-	-	-	-	-	-	319
Development bonds	ZAR	-	42	42	83	83	833	83	417	1,583
Development loans	ZAR	194	3,952	2,658	4,992	6,931	8,851	8,644	40,314	76,536
	USD	300	2,502	3,256	4,023	3,549	2,874	1,723	5,456	23,683
	EUR	-	137	764	1,062	1,115	1,085	849	2,636	7,648
Derivative held for risk management purposes - FEC	ZAR	-	-	50	-	-	-	-	-	50
	USD	566	-	-	-	-	-	-	-	566
Assets Total		**13,524**	**6,633**	**6,770**	**10,160**	**11,678**	**13,643**	**11,299**	**48,823**	**122,530**
Debt Funding at amortised cost - Funding bonds	ZAR	(3,771)	(687)	(2,548)	(1,739)	(1,350)	(6,273)	(3,828)	(909)	(21,105)
	EUR	-	-	-	-	-	(3,843)	-	-	(3,843)
Debt Funding at amortised cost - lines of credit	ZAR	(155)	(7)	(805)	(1,293)	(1,287)	(333)	(1,250)	-	(5,130)
	USD	-	(72)	(4,858)	(3,640)	(7,828)	(1,046)	(3,124)	(4,129)	(24,697)
	EUR	-	(39)	(1,139)	(253)	(255)	(243)	(301)	(1,809)	(4,039)
Debt Funding at amortised cost - money market debt	ZAR	(100)	(200)	(100)	-	-	-	-	-	(400)
Derivative held for risk management purposes - FEC	EUR	(576)	-	-	-	-	-	-	-	(576)
Liabilities total		**(4,602)**	**(1,005)**	**(9,450)**	**(6,925)**	**(10,720)**	**(11,738)**	**(8,503)**	**(6,847)**	**(59,790)**
Net repricing gap		**8,922**	**5,628**	**(2,680)**	**3,235**	**958**	**1,905**	**2,796**	**41,976**	**62,740**
Cumulative repricing gap		**8,922**	**14,550**	**11,870**	**15,105**	**16,063**	**17,968**	**20,764**	**62,740**	

The table below analyses the contractual liquidity gap for 31 March 2024:

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	ZAR	9,551	-	-	-	-	-	-	-	9,551
	USD	621	-	-	-	-	-	-	-	621
	EUR	632	-	-	-	-	-	-	-	632
Investment securities	ZAR	305	181	-	-	-	-	-	-	486
Development bonds	ZAR	-	544	42	83	83	83	833	458	2,126
Development loans	EUR	38	3,587	5,142	4,288	4,999	9,872	6,591	43,845	78,362
	USD	-	1,285	3,734	3,813	3,482	2,964	1,972	6,493	23,743
	ZAR	-	134	857	1,001	945	691	1,428	1,782	6,838
Total financial market assets		**11,147**	**5,731**	**9,775**	**9,185**	**9,509**	**13,610**	**10,824**	**52,578**	**122,359**
Debt funding at amortised cost - funding bonds	ZAR	(987)	(2,330)	(5,058)	(1,948)	(3,089)	(5,983)	(2,132)	(1,605)	(23,132)
	EUR	-	-	-	-	-	(4,085)	-	-	(4,085)
Debt funding at amortised cost - lines of credit	EUR	-	(42)	(173)	(1,271)	(270)	(272)	(285)	(2,080)	(4,393)
	USD	-	(79)	(1,541)	(7,773)	(6,497)	(1,138)	(3,417)	(5,023)	(25,468)
	ZAR	-	(7)	(321)	(1,300)	(1,287)	(977)	(1,250)	-	(5,142)
Funding under repo	ZAR	-	(1,195)	-	-	-	-	-	-	(1,195)
Debt funding at amortised cost - money market debt	ZAR	-	-	(400)	-	-	-	-	-	(400)
Total financial market liabilities		**(987)**	**(3,653)**	**(7,493)**	**(12,292)**	**(11,143)**	**(12,455)**	**(7,084)**	**(8,708)**	**(63,815)**
Net liquidity gap		**10,160**	**2,078**	**2,282**	**(3,107)**	**(1,634)**	**1,155**	**3,740**	**43,870**	**58,544**
Cumulative liquidity gap		**10,160**	**12,238**	**14,520**	**11,413**	**9,779**	**10,934**	**14,674**	**58,544**	

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.

21.3 Equity and development loans at FVTPL

21.3.1 Equity investments

(a) 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 to the key funding product being development loans, and these may include direct investments in shares or investments in third party managed funds.

(b) 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:

(b)(i) 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.

(b)(ii) 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.

(c) 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 R272 million increase in the equity values as at 30 September 2024 and a 10% decrease in fair value adjustment results in a R222 million decrease in the equity values as at 30 September 2024.

in thousands of rands	10% decrease in fair value	Fair value adjustments	10% increase In fair value
30 September 2024			
Equity instruments listed and unlisted	**222 205**	**246 894**	**271 583**
Unlisted	222 205	246 894	271 583
31 March 2024			
Equity instruments listed and unlisted	**417 911**	**464 346**	**510 781**
Unlisted	417 911	464 346	510 781

(d) Sensitivity analysis of equity investments disclosed under level 3

The Bank performed a sensitivity analysis on each investment to determine the potential impact of macro economic shocks, 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.

In thousands of rands	Fair value gain	Variance	Valuation	Variance%
30 September 2024				
Actual	21,475	-	2,395,467	-
Stressed – adverse case	23,570	(23,570)	2,391,874	-0.99%
Stressed – positive case	23,570	23,570	2,439,015	0.99%
31 March 2024				
Actual	235,705	-	2,415,445	-
Stressed – adverse case	23,571	(23,571)	2,391,874	(0.99)
Stressed – positive case	23,571	23,571	2,439,016	0.99

(e) 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 2024				
Unlisted				
Level 2	2,242,527	1,836,993	1,888,459	1,939,925
Level 3	2,783,791	2,332,507	2,395,467	2,458,427
Total	5,026,318	4,169,500	4,283,926	4,398,352
% change in fair value		(2.67)		2.67

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.67%.

in thousands of rands	Base value	15% increase in marketability discount	Fair value – actual	15% decrease in marketability discount
31 March 2024				
Unlisted				
Level 2	2,783,950	2,329,447	2,393,338	2,457,230
Level 3	2,805,994	2,350,827	2,415,445	2,480,063
Total	**5,589,944**	**4,680,274**	**4,808,783**	**4,937,293**
% change in fair value		**(2.67)**		**2.67**

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.67%.

(f) 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 10% movement in foreign exchange rate the fair value change on the equity portfolio was +- 6.33%. The exchange rates used at measurement date are USD/ZAR at R17.2574 and EUR/ZAR at R19.2144.

in thousands of rands	10% decrease in exchange rate	Fair value - actual	10% increase in exchange rate
30 September 2024			
Unlisted			
Level 2			
USD	1,699,613	1,888,459	2,077,305
Level 3			
EUR	615,188	683,542	751,896
USD	124,429	138,274	152,080
ZAR	1,573,651	1,573,651	1,573,651
Total	4,012,881	4,283,926	4,554,932
% Change in fair value	-6.3%		6.33%

For 6% movement in foreign exchange rate the fair value change on the equity portfolio was +-4.09%. The exchange rates used at measurement date are USD/ZAR at R18.9214 and EUR/ZAR at R20.3580.

in thousands of rands	6% decrease in exchange rate	Fair value - actual	6% increase in exchange rate
31 March 2024			
Unlisted			
Level 2			
USD	2,249,738	2,393,338	2,536,938
Level 3			
EUR	681,737	725,252	768,767
USD	146,350	155,692	165,034
ZAR	1,534,501	1,534,501	1,534,501
Total	**4,612,326**	**4,808,783**	**5,005,240**
% Change in fair value	**(4.09)**		**4.09**

(g) 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). The unlisted equity portfolio is in a recovery mode post Covid-19, and the risks associated with the slow recovery have been factored into the valuation of the equity portfolio.

in thousands of rands	Level 1	Level 2	Level 3	Total
30 September 2024				
0% – 12.5%	-	-	10,695	10,695
12.5% – 15.0%	-	-	28,492	28,492
15.0% – 16.5%	-	1,888,459	2,356,280	4,244,739
16.5% – 20%	-	-	-	-
20.0% – 22.5%	-	-	-	-
Total	-	1,888,459	2,395,467	4,283,926
31 March 2024				
0% – 12.5%	-	-	10,434	10,434
12.5% – 15.0%	-	-	31,178	31,178
15.0% – 16.5%	-	2,393,338	2,373,833	4,767,171
16.5% - 20.0%				
20.0% – 22.5%	-	-	-	-
22.5% – 25.0%	-	-	-	-
Total	**-**	**2,393,338**	**2,415,445**	**4,808,783**

21.3.2 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 2024				
Level 3	172,574	968	4,145	7,432
% Change		-77%		79%

A 10% increase in the risk discount factor results in a 77% decrease in the fair value change and a 10% decrease in the risk discount factor results in a 79% increase in fair value change.

31 March 2024				
Level 3	**189,213**	**19,724**	**20,784**	**21,923**
% Change		**(5.10%)**		**5.48%**

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-5%.

21.4 Credit risk

(a) Definition of credit risk

Credit risk is the risk of economic loss should any of the Bank's clients or market counterparties fail to fulfil their contractual obligations and is mainly prevalent in the Bank's development financing and lending operations as a result of potential counterparty defaults on loan repayments. Credit risk may also arise in the equity investments of the Bank, where the downgrading of a client's rating causes the fair value of the investment in that entity to deteriorate. Country risk is taken into account when cross border loans are evaluated and form part of the credit risk rating of these loans. Any movement in the risk profile of a country in which an exposure or counterparty is domiciled, could therefore result in a changed credit rating and lead to in a change in the value of the affected assets.

(b) Approach to management of equity investment risk

The Bank as a development finance institution, faces a unique challenge in maintaining a sustainable balance between maximising development returns and minimising financial loss in its lending and other investment operations. As a result, the performance of the Bank is to a large extent dependent on its ability to take credit risks responsibly in exchange for appropriate rewards and to manage the resultant exposure to credit risk effectively in the pursuance of its corporate objectives.

The Bank meets its credit risk management objectives through i) an enterprise-wide framework of credit risk oversight, governance and assurance, ii) an integrated system of internal credit risk ratings, pricing and mitigation guided by its risk appetite, and iii) a rigorous standard for the measurement, monitoring and control of credit risk exposures in the credit portfolios.

(c) Sensitivity analysis – ECL

(c)(i) Changes in ECL that will result from changes in the weightings applied due to changes in economic indicators

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 2024	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Adverse	35	45	(10)	2,621,515	3,370,519	(29)
Base case	60	50	10	7,910,322	7,189,706	9
Best case	5	5	-	322,257	322,257	-
Weighted ECL – Stages 1 and 2				10,854,094	10,882,482	2.0
Credit-impaired ECL				3,122,419	3,122,419	-
Total ECL				13,976,513	14,004,901	1.0

31 March 2024	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Adverse case	35	45	10	3,670,378	3,660,342	(0.30)
Base case	60	50	(10)	6,292,077	6,274,871	(0.30)
Best case	5	5	-	401,530	401,530	-
Weighted ECL – Stages 1 and 2				**10,363,985**	**10,336,743**	**(0.3)**
Credit-impaired ECL				3,336,404	3,336,404	-
Total ECL				**13,700,389**	**13,673,147**	**(0.2)**

(c)(ii) Probability weightings of the above three scenarios

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 2024				
Base case	100	13,794,666	(181,848)	(1.32)
Adverse case	100	14,300,010	323,496	(2.26)
Best case	100	13,251,979	(724,535)	(5.47)
31 March 2024				
Base case	100	14,162,160	461,771	3.3
Adverse case	100	13,692,793	(7,596)	(0.1)
Best case	100	13,049,909	(650,480)	(5.0)

(c)(iii) 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 NPL and POCI) 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 2024			
Credit-impaired ECL (Stage 3 NPL & POCI)	3,236,602	3,122,419	3,008,237
% change	3.70%		-3.7%
31 March 2024			
Credit-impaired ECL (Stage 3 NPL & POCI)	3,493,521	3,336,404	3,176,815
% change	4.71		(4.78)

21.5 Impact of macro-economic shock events

21.5.1 Assets Portfolio

21.5.1.1 Credit models

The base credit models were re-calibrated in the prior year, following completion of the independent credit model review. The base models applied in finalising ECLs for the half year under review remained consistent with the prior year. There were no other changes made to the base credit models during the interim period under review in response to macro-economic shock events such as the Russia-Ukraine and Middle East conflict or the South Africa's subdued economic recovery

21.5.1.2 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. The FLI model methodology was upgraded in 2020, from a linear regression approach to a multivariate approach. This has remained consistent when compared to prior years. These improved non-linear methodologies and nonparametric regression methods continue to be appropriate and best options currently available, given the shape of the development credit data. 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 continued to be utilized to model the effects of macro-economic factors on the DBSA PD's in order to appropriately determine ECL.

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.

21.5.1.3 Staging impact

The Bank did not offer blanket payment holidays in response to macro-economic shock events. Accordingly, there was no change in automatic IFRS 9 staging triggers. The Bank continued to apply the banking guidance on the treatment of Loans staging depending on whether the credit risk deterioration associated with pandemic events is permanent or temporary. Underperforming loans with increased credit risk induced by pandemic events were downgraded to Stage 3. DBSA conducted credit reviews on a loan-by-loan basis i.e., granular level assessments. However, IFRS 9 Stage 1 and Stage 2 ECL remains a collective portfolio ECL including the overlays. In the DBSA case, each loan is assessed in terms of its contribution to the overall portfolio ECL provision. Additional post model portfolio assessments have been conducted consistently.

21.5.1.4 Consideration of post balance sheet information

The Bank's standard practice is to use forward-looking information obtained approximately a month before the reporting date. This has consistently applied for the period under review.

21.5.1.5 Changes in weighting in response to macro-economic shock

During the 2020 financial year, the DBSA increased the assigned weighting for its defined Adverse 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 Adverse case scenario, the Adverse 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 macroeconomic 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 Adverse case by 5% causes ECL to increase by approximately 0.3%
- Increase in Adverse case by 10% causes ECL to increase by approximately 0.7%
- Increase in Adverse case by 15% causes ECL to increase by approximately1.1%.

In the prior year, the Bank considered the economic outlook and changed the weights by increasing the base case to 60% from 55% and reducing the adverse case from 40% to 35%.

During the period under review the Bank considered the economic outlook and the weights remained unchanged from year end.

IFRS 9 continues improvement

Following the successful embedment of IFRS 9 in the last five (5) years, DBSA reviewed the various IFRS 9 policies and procedures as part of the IFRS 9 continues improvement. The review is a phased review with some parts or workstreams completed during year under review and other workstreams are ongoing. The delineation of the project into corresponding workstreams has allowed specific focus on key areas within IFRS 9 implementation. 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.

The two critical workstreams that were completed are the following:

(a) Review of Significant Increase in Credit Risk

The Bank engaged an independent audit firm to review the SICR and benchmark these to best practice and the results from the benchmarking indicated that the Bank's SICR rules are in compliance with IFRS 9 and also in line with local, regional and international benchmarks.

(b) Review of discounts rates used in equities valuations

The Bank engaged an independent audit firm to benchmark the discount rates applied by the Bank on equities and the benchmarking results indicated that the Bank's discounts rates are in line with the industry asset classes.

21.5.2 Liabilities Portfolio

21.5.2.1 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 rigorous cashflow forecasting and liquidity management techniques. The Bank's foreign currency borrowing limit was approved and this enables the Bank, to also raise funding in the international markets.

21.5.2.2 Hedging accounting

The Bank continues to apply the provisions of IFRS 9 in the management of risks associated with hedging activities. In applying hedge accounting, the Bank has considered the appropriateness of cash flow hedges and related accounting principles and concluded that forecast transactions remain highly probable. The Bank's cash flow hedges comprise predominantly of interest rate swaps. These are highly probable transactions for which there is a minimal risk of uncertainty. Post the reporting date there has been no reclassification of irrecoverable losses from the cash flow hedge reserve to profit or loss.

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

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.

21.6 Risks and uncertainties associated with Ukraine-Russia War

The ongoing hostility in eastern Europe continues to be driver of risk and uncertainty across the globe. Disruption to international supply chains increases risk of food insecurity, notably in countries dependent on Ukrainian agricultural exports. In the prior year, the fuel shortages driven by the initial loss of the Russian supply contribution resulted in elevated global fuel costs, driving rapid inflation in both developed and developing countries, outside policymakers' desired target ranges. Inflation continues to be a driver of risk and uncertainty and policy responses have seen a rapid unwinding of pandemic era monetary policy support measures, increased cost of borrowing while simultaneously buffeting nearly all exchange rates against the US Dollar.

While oil producing countries continue to benefit from relatively elevated price levels, energy importing economies have seen significant increases in imported inflation due to relatively high fuel and gas prices, contributing the headline inflation that remains very high. 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.

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.

21.7 Reference rate reform

21.7.1 Overview

The Bank is exposed to market risk and cash flow risks associated with the use of interest rate benchmarks undergoing reform. The Bank's Reference Rate Reform Project comprises of 2 main phases. Phase 1 deals with reform of the LIBOR related exposures and Phase 2 deals with JIBAR related exposures. Phase 2 of the project has commenced. The Bank established various workstreams comprising of various skills sets and professionals drawn across the Bank to work on reference rate reform transition. In addition, training sessions were held.

In light of the amendments issued by the IASB to IAS39/IFRS 9 which provides relief to all hedging relationships that are directly affected by interest rate benchmark reform , the Bank continues to apply the Phase 1 amendments to IFRS9/IAS39 until the end of the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cashflows to which the Bank is exposed to.

The Bank has been undertaking the Phase 1 part of the reform for the past 4 years and there is a dedicated project management team overseen by Bank's governance structure that ensures that all project deliverables are effectively and efficiently met. The reference rate project is overseen by the Reference Rate Reform Project Steering Committing (SteerCo) whose key function is to provide direction and approve key decisions and project metrics. The Reference Rate Reform SteerCo comprising of group executives is responsible for the transition and governance of the reference rate reform. In addition to the SteerCo, the project operations are managed by the reference rate reform Operations Committee (OpsCo) which comprises heads of business units across the Bank.

(a) IBOR reform update

The Phase 1 of the project was substantially completed by 31 March 2024 with most of the loan agreements having been transitioned to new reference rates (i.e. SOFR and Term SOFR). The outstanding Libor based loan agreements that were not transitioned by March 2024 were using synthetic Libor and as at 30 September 2024, the Bank had reached agreement with the remaining clients and these agreements are going through administrative process of being signed. The contracts size that has not fully transitioned (i.e. with signatures pending) has been disclosed in note 21.7.3 below. The synthetic Libor ceased to be published on 30 September 2024. There are contracts that have not transitioned as at 30 September 2024. The synthetic Libor is applicable pending the signing of the of the loan agreements.

(b) JIBAR reform update

The South African Reserve Bank (SARB) is in a process of replacing JIBAR, however the end date for JIBAR publication has not been formally communicated. The Market Practitioners Group (MPG) designated the South African Overnight Index Average (ZARONIA) as the preferred successor rate which is expected to replace JIBAR. ZARONIA is currently being published with the observation period having ended in November 2023. The SARB indicated that market participants may use ZARONIA as a reference rate in financial contracts. SARB projects that the JIBAR cessation date is toward end 2026.

(c) Judgements and assumptions

No significant judgements and assumptions were made. Given the nature of the Bank's portfolio, each loan (both assets and liabilities) was individually assessed and negotiated with the relevant counterparty.

(d) Project Management

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.

21.7.2 Updates on key developments on interest rate reform

The updates on key developments on interest rate reform is detailed below

21.7.2.1 Contract reviews and amendments

The Bank has successfully transitioned or repapered R11.6 billion (71%) of affected loan assets as at 30 September 2024. The remaining R4.7 billion (29%) of the LIBOR based financial instrument that were not yet fully transitioned as at 30 September 2024 as they are still undergoing the final phase of loan agreement signature following agreements with clients. The financial instruments consisting of the 12% of the R4.7 billion fully transitioned in October 2024. For the remaining 88% of financial instruments, the remaining part of the transition is administrative in nature. All the financial liabilities have fully transitioned.

21.7.2.2 ICT systems and model

The changes to systems and adoption of new methodologies is an area of significant management focus. The Bank successfully upgraded all affected core banking systems (both assets and liability systems) for compliance with new methodologies associated with the LIBOR Reform.

21.7.2.3 Risk management

Effective risk management remains 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 remaining risks (given the stage of Reference Rate Reform project) that the Bank is exposed to as a result of the IBOR reform:

(a) Model risk

Risk of the credit and valuation models not being able to accommodate the new interest rates.

Risk Mitigation

The Bank's Investment Committee has approved a model risk governance framework and policy. The Bank has a project plan to ensure that all models and systems are updated to accommodate the new reference rates.

(b) Legal risk

Risk of being non-compliant to the agreements previously agreed with clients.

Risk Mitigation

The Bank has a dedicated inhouse counsel that has access to external counsel to ensure that all the contracts have been repapered. In most cases agreements have been reached with clients and what is remaining is the finalisation and signing off of the loan agreements.

(c) 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.

Risk Mitigation

All key systems have been upgraded and staff training is ongoing focus area.

(d) 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.

Risk Mitigation
The Bank has a stakeholder management strategy which includes proactive engagement with regulators. Further the Bank has a compliance universe as part of ensuring that regulatory requirements are assessed and complied with. The assessments are ongoing to ensure that any new developments are complied with.

(e) Reputational risk
The risk to the bank's reputation from failing to adequately prepare for the transition.

Risk Mitigation
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. Phase 1 of the project has been substantially completed. Phase 2 of the project is dependent on the formal communication from SARB with respect to final JIBAR cessation dates. SARB communicated that the projected JIBAR cessation date is towards end 2026.

(f) Conduct risk
Risk of client dissatisfaction with the new rates negotiated for the transition.

Risk Mitigation
The Bank does not advise clients on which rate to use however the Bank negotiates with clients. All club deals are coordinated by agent banks.

21.7.3 Exposures of significant IBORs subject to interest rate reform

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 risk free rates as at the current year end.

(a) IBOR exposure in ZAR currency amount

The table below shows IBOR exposure in ZAR currency amount:

in thousands of rands	Non-derivative financial assets – carrying value	Non-derivative financial liabilities – carrying value	Loan commitments	Derivatives nominal amount
LIBOR tenors				
30 September 2024				
USD LIBOR (1 month)				
USD LIBOR (3 months)	578,932			
USD LIBOR (6 months)	4,081,377			
Total	4,660,309	-	-	-
31 March 2024				
USD LIBOR (1 month)		-		-
USD LIBOR (3 months)	1 197 052	-	-	-
USD LIBOR (6 months)	4 437 665	1 916 506	746 557	-
Total	**5 634 717**	**1 916 506**	**746 557**	**-**

(b) IBOR exposure in USD currency amount
The table below shows IBOR exposure in USD currency amount:

LIBOR tenors				
30 September 2024				
USD LIBOR (1 month)				
USD LIBOR (3 months)	33,547			
USD LIBOR (6 months)	236,500			
Total	270,047	-	-	-
31 March 2024				
USD LIBOR (1 month)	-	-	-	-
USD LIBOR (3 months)	63 264	-	-	-
USD LIBOR (6 months)	234 532	101 288	39 456	-
Total	**297 796**	**101 288**	**39 456**	**-**

22. RELATED PARTIES
22.1 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.

22.2 Transactions with related parties

The following is a summary of transactions with related parties during the year and balances due at end of year.

(a) National public entities

The total book debt of loans extended to national public entities amounts to R24.5 billion (31 March 2024: R25 billion). None of these loans are non-performing. Of the loan commitments disclosed R4.6 billion (31 March 2024: R4.7 billion) relates to national public entities.

(b) National mandates

The net amount(net receivable) outstanding at year end amounted to R278 million (31 March 2024: R223 million).

23. CONTINGENCIES

23.1 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.

24. COMMITMENTS

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

	30 September 2024	31 March 2024
in thousands of rands	**Reviewed**	**Audited**
Capital commitments	132,509	150 081
Development expenditure	69,000	69 000
Development loan commitments	12,775,731	15 900 863
Equity investments commitments	432,897	248 868
Project preparation expenditure	494,891	456 379
Gross carrying amount	13 905 027	**16 825 191**
Provision for ECLs	(34,008)	(36,086)
Net commitments at end of the period	13 871 018	**16 789 105**

24.1 Reconciliation of development loan commitments gross carrying amount and provision for ECLs

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 2024:

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	15,492,511	408,352	-	-	15,900,863
Transfer from Stage 1 to Stage 2	(41,436)	41,436	-	-	-
Transfer from Stage 1 to stage 3	(188)	-	188	-	-
New loan commitments issued	3,327,394	-	-	-	3,327,394
Disbursements	(7,140,599)	-	-	-	(7,140,599)
Withdrawals	873,664	4,889	-	-	878,553
Foreign exchange losses	(157,200)	(33,280)	-	-	(190,480)
Balance as at end of the period	12,354,145	421,397	188	-	12,775,731

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	9,833	26,253	-	36,086
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	(2,706)	628	-	(2,078)
Balance as at end of the period	7,127	26,881	-	34,008

Expected credit losses

ECLs recognised in the income statement excluding interest in suspense and write-off	(2,706)	628	-	(2,078)

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 2024:

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	10,325,589	544,116	-	168	10,869,873
Transfer from stage 1 to stage 2	(547,005)	547,005	-	-	0
Transfer from stage 2 to stage 1	63,120	(63,120)	-	-	0
Transfer from stage 2 to stage 3	-	(351,826)	351,826	-	0
New loan commitments issued	20,061,015	-	-	-	20,061,015
Disbursements	(16,771,920)	(157,976)	-	-	(16,929,896)
Reinstated/Withdrawals	2,150,462	(142,194)	(370,865)	(179)	1,637,224
Foreign exchange gains	211,250	32,347	19,039	11	262,647
Balance as at end of the year	**15,492,511**	**408,352**	**-**	**-**	**15,900,863**

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	23,928	13,015	-	36,943
New loan commitments issued	1,224	-	-	1,224
Transfer from stage 1 to stage 2	(81)	26,253	-	26,172
Transfer from stage 2 to stage 1	1,222	(13,015)	-	(11,793)
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	(16,460)	-	-	(16,460)
Balance as at end of the year	**9,833**	**26,253**	**-**	**36,086**

Expected credit losses

ECLs recognised in the income statement excluding interest in suspense and write-off	**(14,095)**	**13,238**	**-**	**(857)**

in thousands of rands	30 September 2024 Reviewed	31 March 2024 Audited
25. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
25.1 Irregular expenditure		
Fruitless and wastefull expenditure	-	-
Irregular expenditure	-	-
Total	-	-

No incidents of irregular expenditure occurred during the year.

26. EVENTS AFTER THE REPORTING PERIOD

26.1 Adjusting events

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

26.2 Non-adjusting events

26.2.1 Mr. Ebrahim Rasool has resigned as an independent non-executive director and chair of the Board of DBSA with effect from 30 November 2024. Consequently, Mr. Rasool will no longer serve as the chair of the Nomination Committee, member of the Infrastructure Delivery and Knowledge Management Committee, member of the Human Resources and Remuneration Committee and the Board Credit and Investment Committee effective from 30 November 2024.

26.2.2 On 27 June 2024, the Board authorised an annual dividend of R48 million to be distributed to the shareholder (National Treasury). The payment of the dividend was approved by Shareholder at the annual general meeting on 29 November 2024 in line with the DBSA Act.

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 through a secure electronic manner at the election of the person requesting election as well as on the Banks website on www.dbsa.org.

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
IRS	Interest Rate Swap
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
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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