INSTITUTIONAL
STRENGTH

REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS 2023

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

DEVELOPMENT BANK OF SOUTHERN AFRICA

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

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CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

a) The Condensed Interim Financial Statements set out on pages 5 to 67, 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	**Ntombizodwa Petunia Mbele**
Chief Executive Officer	**Chief Financial Officer**

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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

» The Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act);
» International Financial Reporting Standards (IFRS) and the presentation requirements of IAS 34: Interim Financial Reporting;
» Sections 27 to 31 of the Companies Act of South Africa, No. 71 of 2008 being the relevant and corresponding sections of those specified in the DBSA Act; and
» JSE Debt Listings Requirements.

To enable the directors to meet their financial reporting responsibilities:

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

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

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

The Condensed Interim Financial Statements that appear on pages 5 to 71 were approved by the Board of Directors on 28 November 2023 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**

in thousands of rands	Notes	30 September 2023 Reviewed	31 March 2023 Audited
Assets			
Cash and cash equivalents at amortised cost		8 825 841	6 166 069
Trade receivables and other assets		481 532	402 066
Investment securities		478 634	359 881
Derivative assets held for risk management purposes	5	28 714	64 543
Other financial asset		37 685	40 452
Development loans held at fair value through profit or loss	6	48 309	48 309
Equity investments held at fair value through profit or loss	7	4 900 250	5 149 050
Development bonds at amortised cost	9	2 101 681	2 154 345
Development loans at amortised cost	10	92 858 835	93 679 089
Property, equipment and right of use of assets		448 832	441 149
Intangible assets		60 874	59 626
Total assets		110 271 187	108 564 579
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	11	1 204 897	1 088 791
Derivative liabilities held for risk management purposes	5	957 768	612 920
Liability for funeral and post-employment medical benefits		44 767	44 767
Debt funding held at amortised cost	13	58 110 103	58 469 380
Provisions and lease liabilities	12	146 078	173 858
Deferred income	14	563 690	542 819
Total liabilities		61 027 303	60 932 535
Equity			
Share capital		200 000	200 000
Retained income		35 672 868	33 158 903
Permanent government funding		11 692 344	11 692 344
Other reserves		(745 246)	(211 586)
Reserve for general loan risk		2 423 918	2 792 383
Total equity		49 243 884	47 632 044
Total equity and liabilities		110 271 187	108 564 579

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

in thousands of rands	Notes	30 September 2023 6 Months Reviewed	30 September 2022 6 Months Reviewed
Interest income			
Interest income calculated using the effective interest rate	15	6 141 100	4 994 435
Other interest income	15	97 747	136 882
Interest expense			
Interest expense calculated using the effective interest rate	16	(2 520 859)	(1 845 028)
Other interest expense	16	(679)	(2 261)
Net interest income	16	**3 717 309**	**3 284 028**
Net fee income	17	137 426	124 684
Net foreign exchange gain		140 788	825 514
Net loss from financial assets and financial liabilities	20	(349 244)	(147 958)
Investment and other income		53 899	70 893
Net operating (loss)/income		**(17 131)**	**873 133**
Operating income		**3 700 178**	**4 157 161**
Project preparation expenditure		(1 486)	(9 956)
Development expenditure *		(122 213)	(34 928)
Impairment losses	18	(693 011)	(555 851)
Personnel expenses		(492 266)	(460 805)
Other operating expenses		(224 177)	(301 916)
Depreciation and amortisation		(20 681)	(15 281)
Profit from operations		**2 146 344**	**2 778 424**
Grants paid		(844)	(1 239)
Profit for the period		**2 145 500**	2 777 185

* In the current period, strategic initiatives are presented and disclosed as part of development expenditure. In the prior year, strategic initiatives were presented as general and administration expenses. This change in presentation has no impact on earnings, cash flows and statement of financial position.

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

in thousands of rands	30 September 2023 6 Months Reviewed	30 September 2022 6 Months Reviewed
Profit for the period	**2 145 500**	**2 777 185**
Items that will not be reclassified to profit or loss		
Movements in own credit risk for funding held at FVTPL	-	**(6)**
Total Items that will not be reclassified to profit and loss	-	**(6)**
Items that may be reclassified subsequently to profit or loss		
Unrealised loss on cash flow hedges	**(851 310)**	(703 263)
Loss on cash flow hedges reclassified to profit or loss	**317 650**	451 865
Total items that may be reclassified subsequently to profit or loss	**(533 660)**	**(251 398)**
Other comprehensive loss	**(533 660)**	**(251 404)**
Total comprehensive income for the period	**1 611 840**	**2 525 781**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

in thousands of rands	Share capital	Permanent government funding	Reserve for for general loan risk	Other reserves* Revaluation reserve on land and buildings	Cash flow hedge reserve	Own credit risk reserve	Total of other reserves	Retained income	Total equity
Balance as at 1 April 2022 (audited)	**200 000**	**11 692 344**	**1 855 171**	**182 434**	**99 353**	**13**	**281 800**	**28 881 710**	**42 911 025**
Net profit for the period								2 777 185	2 777 185
Other comprehensive income/(loss)									0
Movements in own credit risk for funding held at FVTPL	-	-	-	-	-	(6)	(6)		(6)
Unrealised loss on cash flow hedges	-	-	-	-	(703 263)	-	(703 263)		(703 263)
Loss on cash flow hedges reclassified to profit or loss	-	-	-	-	451 865	-	451 865		451 865
Transfer to general loan risk reserve	-	-	212 937	-	-	-	0	(212 937)	0
Total comprehensive income	**-**	**-**	**212 937**	**-**	**(251 398)**	**(7)**	**(251 404)**	**2 564 248**	**2 525 781**
Balance as at 30 September 2022 - reviewed	**200 000**	**11 692 344**	**2 068 108**	**182 434**	**(152 045)**	**7**	**30 396**	**31 445 958**	**45 436 806**
Net profit for the period	-	-	-	-	-	-	**-**	2 432 806	2 432 806
Other comprehensive income/(loss)									0
Loss on revaluation of land and buildings	-	-	-	(43 934)	-	-	-	-	(43 934)
Movements in own credit risk for funding held at FVTPL	-	-	-	-	-	(7)	(7)	-	(7)
Remeasurement of funeral and post employment benefit liabilities	-	-	-	-	-	-	**-**	4 414	4 414
Unrealised gain on cash flow hedges	-	-	-	-	535 583	-	535 583	-	535 583
Gain on cash flow hedges reclassified to profit or loss	-	-	-	-	(733 624)	-	(733 624)	-	(733 624)
Transfer to general loan risk reserve			724 275	-		-	**-**	(724 275)	**-**
Total comprehensive income	**-**	**-**	**724 275**	**(43 934)**	**(198 041)**	**(7)**	**(198 048)**	**1 712 945**	**2 195 238**
Balance as at 31 March 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/(loss)									**-**
Movements in own credit risk for funding held at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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)**	**-**	**(745 246)**	**35 672 868**	**49 243 884**

** 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 2023

in thousands of rands	Note	30 September 2023 6 Months Reviewed	30 September 2022 6 Months Reviewed
Cash flows from operating activities			
Net profit adjusted for non-cash items and items separately disclosed	19	(1 196 189)	(668 818)
Interest received		5 181 589	3 936 412
Interest paid		(2 059 634)	(1 476 957)
Dividends received		46 759	14 932
Net cash generated from operating activities		1 972 525	**1 805 569**
Cash flows from development activities			
Development loans disbursements		(4 402 962)	(4 479 875)
Development loans principal repayments		7 317 208	4 696 815
Equity investments disbursements		(17 128)	(24 296)
Equity investments repayments		59 824	272 116
Development bond disbursements		-	(1 000 000)
Development bonds repayments		41 667	
Grants, development and project preparation expenditure paid		(124 543)	(11 195)
Increase in deferred income		20 871	11 402
Increase in advances to National Mandates		(87 942)	(85 358)
Net cash generated from /(used in) development activities		2 806 995	**(620 391)**
Net cash generated from operating and development activities		4 779 520	**1 185 178**
Cash flows from investing activities			
Purchase of property and equipment		(16 203)	(18 972)
Purchase of intangible assets		(9 792)	(11 798)
Purchased/(disposal) of financial market instruments		(117 372)	7 525
Net cash utilised by investing activities		(143 367)	**(23 245)**
Cash flows from financing activities			
Gross financial market liabilities repaid		(4 300 346)	(2 203 393)
Gross financial market liabilities raised		2 251 511	1 860 000
Net cash utilised by financing activities		(2 048 835)	**(343 393)**
Net increase in cash and cash equivalents		2 587 318	**818 540**
Effect of exchange rate movements on cash balances		72 454	292 551
Movement in cash and cash equivalents		2 659 772	**1 111 091**
Cash and cash equivalents at the beginning of the year		6 166 069	7 990 108
Cash and cash equivalents at the end of the period		8 825 841	**9 101 199**

1. STATEMENT OF COMPLIANCE

The reviewed Condensed Interim Financial Statements for the period have been prepared in compliance with International Financial Reporting Standards (IFRS) and the presentation requirements of IAS 34: Interim Financial Reporting; sections 27 to 31 of the Companies Act of South Africa (Act No 71 of 2008) being the relevant and corresponding sections specified in the DBSA Act and the JSE Debt Listings Requirements. The reviewed Condensed Interim Financial Statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2023 annual financial statements. The first half year results for 2023/24 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 2023. 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 COVID-19 on the Bank's ability to continue as a going concern. The Bank has concluded that there are no material uncertainties that could cast significant doubt over it's ability to continue as a going concern.

The Bank continues to monitor the COVID-19 pandemic impact on impairments, pricing and profitability to ensure that the Bank remains financially and operationally sustainable. The Bank has continued to be successful in raising funding from international development finance institutions as well as international and local commercial banks and asset managers. Refer to note 21 for further disclosures on COVID-19.

(ii) Measurement of expected credit losses (ECL)

Key assumptions in determining the impairment of financial assets:

» Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECLs.

» Forward-looking economic expectations are included in the ECL where adjustments are made based on the Bank's macroeconomic outlook such as specific event risk, have been taken into account in ECL estimates.

» Establishing relative weightings of forward-looking information (best, base and 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 management judgement is applied taking into account the following context:

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

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

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

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

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

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

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

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

Inputs and valuation techniques – Listed equities

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

Inputs and valuation techniques – Unlisted equities

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

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

Valuation adjustments

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

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

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

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

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

(iv) Debt securities

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

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

(v) Investment securities

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.

(vi) Derivative and hedge accounting

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

(vii) Loan commitments

To the extent that the amount of the ECL on loan commitment exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the amount of the credit losses is presented as a provision.

Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an asset at an amount less than the amount advanced.

(viii) Loan restructures

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

(ix) Fair value

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

(x) Write-offs

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

(c) Macro-economic shock events

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

The risk of a sustained period of elevated global inflation together with slower-than-anticipated economic growth is expected to exacerbate pressure on national governments' attempts to ensure an orderly post-pandemic recovery, a factor already expressed in rapidly rising borrowing costs deployed in a 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.

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 21. 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 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 of 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 borrowers and following application of the necessary due diligence and approval by the appropriate governance framework. To assist customers, the Bank has considered individual debt relief applications received as follows:

» Applications received under the international multilateral relief programmes (such as the G20 Debt Service Suspension Initiative or 'DSSI', precursor to the Common Framework for Debt Treatment beyond the DSSI) where the restructure of existing exposures have not altered the present value of estimated future cash flows.
» Bilateral debt relief applications where bespoke debt relief measures were provided on a client-by-client basis.

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

(iii) Fair value measurement

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

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

(iv) Post-model adjustments

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

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

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

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

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

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

1.2 Financial Instruments

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

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

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

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

1.2.1 Financial assets

Initial recognition

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

1.2.1.1 Classification and subsequent measurement

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

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

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

(i) Financial assets held at amortised cost

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

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

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

The classification of financial instruments at initial recognition depends on the characteristics of contractual cash flows and the business model for managing the instrument.

(a) Financial assets at FVTPL are:

» Assets with contractual cash flows that are not SPPI; or/and
» Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell.

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

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 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.

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

The classification of financial liabilities is detailed below:

Portfolio – Group of liabilities	Objective of portfolio	Classification and measurement
Debt funding designated at fair value through profit or loss	Forms part of the asset- liability management purpose	Fair value through profit or loss
Debt funding held at amortised cost	Forms part of the asset- liability management purpose	Held at amortised cost
Trade, other payables and accrued interest on debt funding	Sundry creditors- Normal accruals for day to day operational expenses, accrued interest raised on financial market liabilities and amounts due to third party managed funds	Held at amortised cost
Derivative liabilities held for risk	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 at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss.

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

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

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

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

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

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

1.2.3 Impairment of financial instruments

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

(i) Expected credit losses

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

(a) Three stages

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

Stage 1: 12-months ECL

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

Stage 2: Lifetime ECL - not credit impaired

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

Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. By definition a financial asset is classified as a stage 3 when the counterparty has defaulted. Financial assets that are more than 90 (ninety) days in arrears are classified as non-performing thus credit impaired. Further, the Bank uses stringent measures on loans with monthly repayments. When two consecutive payments have been missed or exposure in arrears equals to two monthly repayments, the exposure is transferred to stage 3.

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

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

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

Purchased or originated credit impaired loan (POCI) – Lifetime ECL – Credit impaired

For financial assets that are considered credit impaired on purchase or on origination, a lifetime ECL is recognised.

For purchased or originated credit impaired financial assets, the Bank calculates credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset or its gross carrying amount and incorporates the impact of ECLs in the estimated future cash flows.

(ii) Determining the staging for expected credit losses (ECL)

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

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

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

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

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

(iii) Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

» **Financial assets that are not credit impaired at the reporting date:** As the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive;

» **Financial assets that are credit impaired at the reporting date:** As the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate;

» **Undrawn loan commitments:** As the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

» **Financial guarantee contracts:** As the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

» **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

» **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

» **LGD:** The Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

When estimating the ECLs, the Bank considers three scenarios (base case, best case and 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 20.3.

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

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

1.3 Hedge accounting

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

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

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

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

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

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

1.4 Debt funding

Debt securities issued and lines of credit are the Bank's sources of debt funding.

Debt securities and lines of credit issued are initially measured at fair value less incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL in which case it is measured at fair value with changes in FVTPL. For the determination of the fair value, refer to note 7.

1.5 Loan commitments

Loan commitments are recognised at the date that the Bank becomes a party to the irrevocable commitment (fixed commitment); that the date when all the conditions precedent (CPs) are met and the loan is on the implementation stage. We also assume this to be the date of origination of the loan.

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions.

Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an asset at an amount less than the amount advanced.

The Bank will recognise ECL on loan commitments. Refer to note 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 amortised amount less the amount of ECL allowance.

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

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

1.6 Revenue recognition

(i) Net Interest income

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

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. In circumstances where the future cashflows cannot be estimated reliably, the effective interest rate is estimated using total contractual cashflows.

The calculation of the EIR includes all the fees that are considered to be an integral part of the lending arrangement, transaction cost and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired (stage 1 and stage 2) financial assets (i.e. at the amortised cost of the financial asset before adjusting for any ECL allowance), or to the amortised cost of financial liabilities. For credit impaired (stage 3) financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs. For financial assets purchased or originated credit impaired (POCI), the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

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

(ii) Fee income and expense

Fee income and expense include fees other than those that are an integral part of EIR (see above). The fees include, among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees. Fee income and expenses with regard to services are accounted for as the services are received according to the five-step model. The five-step model includes:

» identifying the contract with the customer;
» identifying each of the performance obligations included in the contract;
» determining the amount of consideration in the contract;
» allocating the consideration to each of the identified performance obligations; and
» recognising revenue as each performance obligation is satisfied.

1.7 Contingent liabilities and commitments

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

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

1.8 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the Annual Financial Statements are authorised for issue.

Adjusting event: An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.

Non-adjusting event: An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

1.9 Related parties

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

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

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

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

1.10 Government grants

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

1.11 Segment information

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

1. NEW STANDARDS AND INTERPRETATIONS

1.1. Standards and interpretations issued but not yet effective

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

» **IFRS 16: Leases -** Effective for annual periods beginning on or after 1 January 2024
Lease Liability in a sale and leaseback (Amendment to IFRS 16): 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:
Classification of Liabilities as Current or Non-current (Amendment to IAS 1): 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.

Non-current liabilities with Covenants (Amendment to IAS 1): If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current

» **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.

1.2 Amended standards effective for the current financial year

» IAS 1: Presentation of Financial Statements (Effective for annual periods on or after 1 January 2023)
Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

»IAS 8: Accounting Policies, changes in accounting estimates and errors (Effective for annual periods on or after 1 January 2023)
Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

2. CONDENSED SEGMENT INFORMATION

in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
Total interest income		
RSA Municipalities	1,947,655	1,730,317
RSA Economic and Social	2,346,107	1,989,664
Rest of Africa	1,575,825	1,191,542
Treasury and Balance Sheet Management	369,260	219,794
Total DBSA	6 238 847	5 131 317
Profit for the period		
RSA Municipalities	798 788	717 436
RSA Economic and Social	824 609	1 228 118
Rest of Africa	352 280	34 328
Infrastructure Delivery	(40,766)	(26,587)
Treasury and Balance Sheet Management	353 152	866 184
All other *	(142,563)	(42,294)
Total DBSA	2 145 500	2 777 185

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
Total assets		
RSA Municipalities	34 301 543	34 702 404
RSA Economic and Social	40 977 302	40 441 741
Rest of Africa	25 349 236	26 562 168
Infrastructure Delivery	391 524	329 940
Treasury and Balance Sheet Management	8 665 965	5 954 027
All other *	585 617	574 299
Total DBSA	110 271 187	**108 564 579**
Total liabilities		
RSA Municipalities	16 597 987	17 797 635
RSA Economic and Social	20 697 196	20 986 245
Rest of Africa	15 225 507	16 790 717
Infrastructure Delivery	426 975	324 625
Treasury and Balance Sheet Management	2 953 412	60 965
All other *	5 126 226	4 972 348
Total DBSA	61 027 303	**60 932 535**

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 2023				
Cash and cash equivalents at amortised cost	8 825 841	-	8 825 841	8 825 841
Trade receivables and other assets	405,140	-	405 140	405 140
Investment securities*	-	478 634	478 634	478 634
Derivative assets held for risk management purposes*	-	28 714	28 714	28 714
Other financial asset	-	37 685	37 685	37 685
Development loans at FVTPL*	-	48 309	48 309	48 309
Equity investments held at FVTPL*	-	4 900 250	4 900 250	4 900 250
Development bonds at amortised cost	2 101 681	-	2 101 681	2 115 029
Development loans at amortised cost	92 858 835	-	92 858 835	98 269 712
Total	104 191 497	5 493 592	109 685 089	115 109 314

**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*	-	478 634	-	478 634
Derivative assets held for risk management purposes*	-	28 714	-	28 714
Other financial asset	-	37 685	-	37 685
Development loans at FVTPL*	-	-	48 309	48 309
Equity investments held at FVTPL*		2 414 380	2 485 870	4 900 250
Total	-	2 959 413	2 534 179	5 493 592
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	8 825 841	-	8 825 841
Trade receivables and other assets	-	-	405 140	405 140
Development bonds at amortised cost	-	2 115 029	-	2 115 029
Development loans at amortised cost	-	-	98 269 712	98 269 712
Total	-	10 940 870	98 674 852	109 615 722
Total fair value of financial assets	-	13 900 283	101 209 031	115 109 314

**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 2023				
Cash and cash equivalents at amortised cost	6 166 069	-	6 166 069	6 166 069
Trade receivables and other assets	328 437	-	328 437	328 437
Investment securities*	-	359 881	359 881	359 881
Derivative assets held for risk management purposes*	-	64 543	64 543	64 543
Other financial asset	-	40 452	40 452	40 452
Development loans at FVTPL*	-	48 309	48 309	48 309
Equity investments held at FVTPL*	-	5 149 050	5 149 050	5 149 050
Development bonds at amortised cost	2 154 345	-	2 154 345	2 220 025
Development loans at amortised cost	93 679 089	-	93 679 089	113 007 819
Total	**102 327 940**	**5 662 235**	**107 990 175**	**127 384 585**

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities*	-	359 881	-	359 881
Derivative assets held for risk management purposes*	-	64 543	-	64 543
Other financial asset	-	40 452	-	40 452
Development loans at FVTPL*	-	-	48 309	48 309
Equity investments held at FVTPL*		2 493 963	2 655 087	5 149 050
Total financial assets held at FVTPL	**-**	**2 958 839**	**2 703 396**	**5 662 235**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	6 166 069	-	6 166 069
Trade receivables and other assets	-	-	328 437	328 437
Development bonds at amortised cost	-	2 220 025	-	2 220 025
Development loans at amortised cost	-	-	113 007 819	113 007 819
Total fair value of financial assets	**-**	**8 386 094**	**113 336 256**	**121 722 350**
Total fair value of financial assets	**-**	**11 344 933**	**116 039 652**	**127 384 585**

**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 2023				
Derivative liabilities held for risk management purposes*	-	957 768	957 768	957 768
Trade, other payables and accrued interest on debt funding	1 088 438	-	1 088 438	1 088 438
Debt funding held at amortised cost**	58 110 103	-	58 110 103	60 597 025
Total	59 198 541	957 768	60 156 310	62 643 232

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

***The accrued interest portion of R882 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest on debt funding line. Total debt funding at amortised cost inclusive of accrued interest is R58.99 billion and is made up of accrued interest of R882 million plus principal of R58.11 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Derivative liabilities held for risk management purposes*	-	957 768	-	957 768
Total	-	957 768	-	957 768
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	881 865	206 573	1 088 438
Debt funding held at amortised cost	-	60 597 025	-	60 597 025
Total	-	61 478 890	206 573	61 685 463
Total fair value of financial liabilities	-	62 436 659	206 573	62 643 232

**The Bank does not speculate in financial instruments, hence the held-for-trading classification is not used.*

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2023				
Derivative liabilities held for risk management purposes*	-	612 920	612 920	612 920
Trade, other payables and accrued interest on debt funding	884 626	-	884 626	884 626
Debt funding held at amortised cost**	58 469 380	-	58 469 380	61 398 061
Total	**59 354 006**	**612 920**	**59 966 926**	**62 895 607**

**The Bank does not speculate in financial instruments, hence the held-for-trading classification is not used.*

***The accrued interest portion of R670 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of R59.14 billion is made up of accrued interest of R670 million plus principal of R58.47 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Derivative liabilities held for risk management purposes*	-	612 920	-	612 920
Total	**-**	**612 920**	**-**	**612 920**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	670 183	214 443	884 626
Debt funding held at amortised cost	-	61 398 061	-	61 398 061
	-	**62 068 244**	**214 443**	**62 282 687**
Total fair value of financial liabilities	**-**	**62 681 164**	**214 443**	**62 895 607**

**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 2023 Reviewed	31 March 2023 Audited
5.1.	**Derivative assets and liabilities held for risk management**		
	Interest rate derivatives	-	13,829
	Foreign exchange derivatives	28 714	50,714
	Balance at end of the period	28,714	**64,543**

Included in derivative assets is a credit valuation adjustment (CVA) of Nil (31 March 2023: R0.87million).

5.2.	**Derivative liabilities held for risk management**		
	Interest rate derivatives	(886 300)	(288,462)
	Foreign exchange derivatives	(71 468)	(324,458)
	Balance at end of the period	(957,768)	**(612,920)**

Included in derivative liabilities is a debit valuation adjustment (DVA) of R110million (31 March 2023: R77million).

5.3.	**Net derivatives held for risk management**		
	Derivatives designated as cash flow hedges	(929 054)	(574,950)
	Derivatives held for risk management not designated hedges -	-	26,573
	Net derivatives at end of the period	(929,054)	**(548,377)**

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

Balance at beginning of the year	160 754	115,535
Movements for the period	10 261	45,219
Gross development loans at FVTPL	171,015	**160,754**
Fair value movements	(122,706)	(112,445)
Balance at end of the period	48,309	**48,309**
Movements during the period		
Interest accrued	4,597	29,367
Foreign exchange adjustments	5,664	15,852
Movements for the period	10,261	**45,219**

6.1	**Fair value adjustment**		
	Balance at the beginning of the year	(112,445)	(96,226)
	Current period fair value adjustment	(10,261)	(16,219)
	Balance at end of the period	(122,706)	**(112,445)**
6.2	**Maturity analysis of development loans at FVTPL**		
	Due after 3 (three) months but within (2) two years	171,015	**160,754**
6.3	**Sectoral analysis of development loans at FVTPL**		
	Energy – electricity	171,015	**160,754**
6.4	**Geographical analysis of development loans at FVTPL**		
	Sierra Leone	171,015	**160,754**
	US dollar amounts included in development loans at FVTPL	9,041	**9,041**
6.5	**Client classification of development loans at FVTPL**		
	Private sector intermediaries	171,015	**160,754**
6.6	**Fixed and variable interest rate loans of development loans at FVTPL**		
	Fixed	171,015	**160,754**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
6.7	**Analysis of development loans FVTPL**		
	Non-current portion	171,015	160,754

7. EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
	Equity investments held at FVTPL	4,900,250	5,149,050
7.1	**Equity investments held at FVTPL**		
	Cost		
	Balance at beginning of the year	3,102,734	3,514,207
	Acquisitions	17,128	47,910
	Capital return	(59,824)	(459,383)
	Balance at end of the period	3,060,038	3,102,734
	Fair value adjustment		
	Balance at beginning of the year	63,078	58,385
	Current period fair value adjustments	(392,593)	(31,887)
	Realised capital gain	-	36,580
	Balance at end of the period	(329,515)	63,078
	Foreign exchange adjustments		
	Balance at beginning of the year	1,983,238	1,403,915
	Unrealised gain	87,035	492,095
	Realised gain	99,454	87,228
	Balance at end of the period	2,169,727	1,983,238
	Fair value at the end of the period	4,900,250	5,149,050

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).

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
7.2	**Period since initial investment**		
	Less than 1 (one) year but within 4 (four) years	74,026	144,388
	4 (four) years but within 9 (nine) years	284,204	532,414
	10 (ten) years and older	4,542,020	4,472,248
	Balance at end of the period	4,900,250	5,149,050
7.3	**Sectoral analysis of equity investments held at FVTPL**		
	Commercial – construction	54,538	74,240
	Commercial – financial	-	75,299
	Commercial – fund	2,226,789	2,383,271
	Commercial – communications	199,211	228,735
	Institutional infrastructure	1,258,118	1,190,291
	Residential facilities	1,161,594	1,197,214
	Balance at end of the period	4,900,250	5,149,050

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
7.4	**Geographical analysis of equity investments held at FVTPL**		
	South Africa	1,388,460	1,521,954
	International (the rest of the Africa excluding South Africa)	3,511,790	3,627,096
	Balance at end of the period	**4,900,250**	**5,149,050**
7.5	**US dollar and Euro amounts included in the above Africa and International equity investments**		
	US Dollar amount included	**127,643**	**140,266**
	Euro amount included	**34,077**	**37,005**
7.6	**Equity investments comprises of:**		
	Direct (In house managed funds)	1,340,137	1,356,095
	Indirect funds (Third party managed funds)	3,560,113	3,792,955
	Balance at end of the period	**4,900,250**	**5,149,050**
7.7	**Analysis of equity investments**		
	Non-current portion	4,900,250	5,149,050
	Balance at end of the period	**4,900,250**	**5,149,050**

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 2023					
Fair value disclosures					
Assets at FVTPL					
Investment securities	3	-	478,634	-	478,634
Derivative assets held for risk management purposes	3	-	28,714	-	28,714
Development loans at FVTPL	3	-	-	48,309	48,309
Other financial asset	3	-	37,685	-	37,685
Equity investments held at FVTPL*	3		2,414,380	2,485,870	4,900,250
Land and buildings		-	-	379,137	379,137
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	8,825,841	-	8,825,841
Trade receivables and other assets	3	-	-	405,140	405,140
Development bonds	3	-	2,115,029	-	2,115,029
Development loans	3	-	-	98,269,712	98,269,712
Total assets		-	13,900,283	101,588,166	115,488,449

**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	-	957,768	-	957,768
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	881,865	206,573	1,088,438
Debt funding held at amortised cost	4	-	60,597,025	-	60,597,025
Total financial liabilities		-	62,436,659	206,573	62,643,232

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
31 March 2023					
Fair value disclosures					
Assets at FVTPL					
Investment securities	3	-	359,881	-	359,881
Derivative assets held for risk management purposes	3	-	64,543	-	64,543
Development loans at FVTPL	3	-		48,309	48,309
Other financial asset	3	-	40,452	-	40,452
Equity investments held at FVTPL*	3		2,493,963	2,655,087	5,149,050
Land and buildings		-	-	381,903	381,903
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	6,166,069	-	6,166,069
Trade receivables and other assets	3	-	-	328,437	328,437
Development bonds	3	-	2,220,025	-	2,220,025
Development loans	3	-	-	113,007,819	113,007,819
Total assets		-	11,344,933	116,421,555	127,766,488

**Exchange rate movements are a material driver of the fair value of equity instruments categorised as level 2. The fair value of R2.5 billion (31 March 2022: R2.2 billion) includes foreign currency translation impact of R1.9 billion (31 March 2022: R1.4 billion) which is driven by observable currency exchange rates.*

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	**4**	-	612,920	-	612,920
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	**4**	-	670,183	214,443	884,626
Debt funding held at amortised cost	**4**	-	61,398,061	-	61,398,061
Total financial liabilities		**-**	**62,681,164**	**214,443**	**62,895,607**

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 2023 Reviewed	31 March 2023 Audited
Balance at the beginning of the year	2,655,087	2,659,291
Decrease in fair value of equity investments - unrealised*	(169,218)	(4,204)
Balance at the end of the period	2,485,870	**2,655,087**

**The total unrealised loss of R169 million (31 March 2023: R4 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

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

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

8.3.2 Development loans at FVTPL

Balance at the beginning of the year	48,309	19,309
Other movements (note 6)	10,261	45,219
Decrease in fair value of development loans at FVTPL (note 6.1)**	(10,261)	(16,219)
Balance at the end of the period	48,309	**48,309**

*** The total unrealised loss of R10 million (31 March 2023: R16 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 2023		31 March 2023	
in thousands of rands	**Fair value**	**Fair value hierarchy**	**Fair value**	**Fair value hierarchy**
Financial instruments				
Derivative assets held for risk management purposes (a)	28,714	2	64,543	2
Investment securities (b)	478,634	2	359,881	2
Development loans at FVTPL (e)	48,309	3	48,309	3
Equity investments (c)	4,900,250	2 and 3	5,149,050	2 and 3
Other financial asset (d)	37,685	2	40,452	2
Financial assets	5,493,592		5,662,235	
Derivative liabilities held for risk management purposes (a)	957,768	2	612,920	2
Financial liabilities	957,768		612,920	

(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 policy is to apply a range between 10%–30%. However, the actual discount rate applied for level 2 and 3 equity investment ranged between 15%–20% and in the prior year this was 12%–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 2023 Reviewed	31 March 2023 Audited
9.	**DEVELOPMENT BONDS AT AMORTISED COST**		
	Municipal bonds	**2,101,681**	**2,154,345**
9.1	**Analysis of development bonds**		
	Balance at the beginning of the year	**2,284,485**	1,290,413
	Movement during the period	**(42,656)**	994,072
	Gross development bonds	**2,241,829**	**2,284,485**
	Provision for ECL on development bonds	**(140,148)**	(130,140)
	Balance at the end of the period	**2,101,681**	**2,154,345**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
9.2	**Movements during the period**		
	Disbursement	-	1,000,000
	Repayments	(41,667)	(41,667)
	Interest accrued	115,232	216,215
	Gross interest repayments	(116,221)	(180,476)
	Net movements for the period	**(42,656)**	**994,072**
9.3	**Reconciliation of provision for ECL on development bonds**		
	Balance at the beginning of the year	130,140	138,510
	Increase in provision for ECL on development bonds	10,008	(8,370)
	Balance at the end of the period	**140,148**	**130,140**

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

		30 September 2023 Reviewed	31 March 2023 Audited
9.4	**Analysis of development bonds**		
	Client classification		
	Local government	2,241,829	**2,284,485**
	Regional		
	South Africa	2,241,829	**2,284,485**
	Geography		
	KwaZulu Natal	950,974	993,878
	Gauteng	1,290,855	1,290,607
	Total	**2,241,829**	**2,284,485**
	Sector		
	Energy	1,290,855	1,290,607
	Social infrastructure	950,974	993,878
	Total	**2,241,829**	**2,284,485**

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 2023				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	993,877	1,290,608	-	2,284,485
Changes in interest accrual	54,055	61,177	-	115,232
Withdrawals	(55,291)	(60,930)		(116,221)
Repayments	(41,667)	-	-	(41,667)
Balance at the end of the period	**950,974**	**1,290,855**	**-**	**2,241,829**
Reconciliation of provision for ECL				
Balance at the beginning of the year	794	129,346	-	130,140
Subsequent change in ECL due to changes in risk parameters (PD's, LGDs and EADs)	31	9,977	-	10,008
Balance at the end of the period	**825**	**139,323**	**-**	**140,148**

The marginal increase 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 2023				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	517,865	772,548	-	1,290,413
Changes in interest accrual	94,161	122,054	-	216,215
Disbursements	1,000,000	-		1,000,000
Withdrawals	(58,617)	(121,859)		(180,476)
Repayments	(41,667)	-	-	(41,667)
Transfer from stage 1 to stage 2	(517,865)	517,865		-
Balance at the end of the year	**993,877**	**1,290,608**	**-**	**2,284,485**
Reconciliation of provision for ECL				
Balance at the beginning of the year	15,060	123,450	-	138,510
Transfer from Stage 1 to Stage 2	(15,060)	1,696	-	(13,364)
Bonds issued	794	-	-	794
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EADs)	-	4,200	-	4,200
Balance at the end of the year	**794**	**129,346**	**-**	**130,140**

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

	in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
9.6	**Expected credit losses**		
	ECL charge to the statement of comprehensive income	**10,008**	**29,940**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
9.7	**Analysis of current and non-current portion of development bonds**		
	Current portion	**585,333**	157,485
	Non-current portion	**1,656,496**	2,127,000
	Gross development bonds	**2,241,829**	**2,284,485**
	Provision for ECL	**(140,148)**	(130,140)
	Balance at the end of the period	**2,101,681**	**2,154,345**

10. DEVELOPMENT LOANS AT AMORTISED COST

		30 September 2023 Reviewed	31 March 2023 Audited
10.1.	**Analysis of development loans**		
	Balance at the beginning of the year	**105,854,034**	95,876,051
	Movements during the period	**(87,475)**	9,977,983
	Gross development loans	**105,766,559**	**105,854,034**
	Provision for ECLs on development loans	**(12,907,724)**	(12,174,945)
	Net development loans at the end of the period	**92,858,835**	**93,679,089**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
10.1.1.	**Movements during the period**		
	Loans disbursed – current year	**4,402,962**	12,687,028
	Effective interest income on development loans (refer to note 15)	**5,685,935**	9,613,800
	Movement in deferred fee	**(5,934)**	(83,721)
	Proceeds from sale of financial assets	**-**	(321,578)
	Transfer from provisions - development expenditure	**-**	(49,550)
	Contractual interest on stage 3	**54,992**	858
	Development loans written off (refer to note 10.9)	**-**	(628,798)
	Foreign exchange adjustment	**1,573,017**	5,472,503
	Gross loan repayments	**(11,808,320)**	(17,079,828)
	Fees raised	**29,654**	243,857
	Loss on derecognition	**-**	(4,596)
	Modification gains	**(23,474)**	81,702
	Other administrative adjustments	**(290)**	(1,253)
	Unrealised day 1 gains/losses on below market rate loans	**-**	49,550
	Amortisation of below market interest rate loans	**3,983**	(1,991)
	Loans de-recognised due to substantial modification	**(588,875)**	(2,133,904)
	New loans recognised after substantial modification	**588,875**	2,133,904
	Movements for the period	**(87,475)**	**9,977,983**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
10.2	**Maturity analysis of gross development loans**		
	Due within 1 (one) year	8,451,443	14,043,070
	Due after 1 (one) year but within 2 (two) years	9,658,476	8,979,791
	Due after 2 (two) years but within 3 (three) years	8,987,080	8,276,224
	Due after 3 (three) years but within 4 (four) years	8,839,960	8,680,138
	Due after 4 (four) years but within 5 (five) years	13,123,302	12,691,704
	Due after 4 (four) years but within 9 (nine) years	35,689,118	34,090,887
	Due after 9 (nine) years but within 14 (fourteen) years	17,907,325	16,670,382
	Due after 14 (fourteen years)	3,011,424	2,370,632
	Total long term development loans	105,668,128	**105,802,828**
	Bridging finance development loans		
	Due within 1 (one) year	63,081	51,206
	Due after 1 (one) year but within 2 (two) years	35,350	-
	Total bridging finance development loans	98,431	**51,206**
	Total development loans	105,766,559	**105,854,034**
10.3	**Sectoral analysis of gross development loans**		
	Long term development loans		
	Commercial – fund	294,084	279,556
	Commercial – manufacturing	73,662	68,766
	Commercial – tourism	-	89,409
	Commercial – other	249,656	225,598
	Communication and transport infrastructure	22,263,123	21,597,345
	Energy – electricity	46,073,884	47,585,755
	Oil and gas	3,695,708	4,056,705
	Energy – non-grid standalone	1,763,193	1,673,540
	Human resources development	2,321,239	2,150,097
	Institutional infrastructure	7,929	–
	Residential facilities	2,185,852	2,236,164
	Roads and drainage	16,638,433	17,404,933
	Sanitation	2,185,372	685,434
	Social infrastructure	5,594,776	5,334,598
	Water	2,321,217	2,414,928
	Total long term development loans	105,668,128	**105,802,828**
	Bridging finance development loans		
	Human resources development	71,594	44,309
	Social infrastructure	7,381	6,897
	Sanitation	12,901	–
	Tourism	6,555	–
	Short-term bridging finance development loans	98,431	**51,206**
	Total development loans	105,766,559	**105,854,034**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
10.4	**Geographical analysis of gross development loans**		
	Long term development loans		
	Eastern Cape	762,960	756,021
	Free State	1,483,275	1,536,062
	Gauteng	51,252,314	52,343,849
	KwaZulu-Natal	6,181,935	4,699,971
	Limpopo	801,022	814,066
	Mpumalanga	415,625	440,483
	North West	708,810	717,465
	Northern Cape	8,435,698	8,564,992
	Western Cape	5,701,581	5,323,485
	Rest of Africa	29,924,908	30,606,434
	Total long term development loans	105,668,128	**105,802,828**
	Bridging finance development loans		
	KwaZulu-Natal	19,303	12,957
	North West	41,583	7,145
	Free State	15,138	19,442
	Eastern Cape	2,949	11,662
	Limpopo	6,555	–
	Gauteng	12,903	–
	Total bridging finance development loans	98,431	**51,206**
	Total development loans	105,766,559	**105,854,034**
	Rest of Africa		
	Angola	6,467,770	6,718,365
	Congo	521,809	477,351
	Côte d'Ivoire	3,928,832	4,467,184
	Democratic Republic of Congo	189,929	193,232
	Eswatini	-	28,523
	Ethiopia	806,792	718,367
	Gabon	7,255	(11,448)
	Ghana	5,201,702	5,025,915
	Kenya	62,582	130,925
	Lesotho	69,787	117,531
	Madagascar	441,594	408,738
	Mauritius	(70)	-
	Mozambique	1,112,531	979,402
	Nigeria	954,107	895,184
	Senegal	748,842	654,593
	Swaziland	29,897	-
	Tanzania	1,076,426	1,006,838
	Uganda	(3,536)	89
	Zambia	6,672,788	6,738,786
	Zimbabwe	1,635,870	2,056,859
	Total	29,924,908	**30,606,434**
	Euro amount included in the Rest of Africa loans	369,624	**398,657**
	US dollar amounts included in the above Rest of Africa loans	1,211,798	**1,327,667**
10.5	**Client classification of gross development loans**		
	Long term development loans		
	Educational institutions	1,684,491	1,594,002
	Local government	32,975,792	33,329,351
	National and provincial government	12,142,496	12,381,208
	Private sector intermediaries	26,430,220	25,935,412
	Public utilities	32,435,128	32,562,855
	Total long term development loans	105,668,128	**105,802,828**
	Bridging finance development loans		
	Private sector intermediaries	98,431	51,206
	Total bridging finance development loans	98,431	**51,206**
	Total development loans	105,766,559	**105,854,034**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
10.6	**Fixed and variable interest rate gross development loans**		
	Long term development loans		
	Fixed interest rate loans	41,369,673	41,806,056
	Variable interest rate loans	64,298,455	63,996,772
	Total long term development loans	105,668,128	105,802,828
	Bridging finance development loans		
	Variable	98,431	51,206
	Total bridging finance development loans	98,431	51,206
	Total development loans	105,766,559	105,854,034
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	73,662	68,766
	Commercial – tourism	-	89,409
	Commercial – other	222,082	199,675
	Communication and transport infrastructure	2,485,535	969,845
	Energy	1,491,857	1,309,531
	Human resources development	-	1,027
	Residential facilities	249,473	249,473
	Roads and drainage	72,688	67,303
	Sanitation	254,972	132,637
	Social infrastructure	258,011	253,148
	Water	1,681	123,810
	Total non-performing loans	5,109,961	3,464,624
	Purchased or originated credit-impaired loans		
	Oil and gas	521,810	477,351
	Social infrastructure	60,028	59,737
	Total purchased or originated credit-impaired loans	581,838	537,088
	Total credit-impaired loans	5,691,799	4,001,712
10.7.2	**Geographical analysis of gross credit-impaired loans**		
	Non-performing loans (stage 3)		
	Free State	46,375	42,633
	Gauteng	362,462	351,853
	Limpopo	314,219	306,879
	Mpumalanga	241,899	241,968
	North West	70,966	68,588
	Northern Cape	90,960	88,152
	Rest of Africa	3,983,080	2,364,551
	Total non-performing loans	5,109,961	3,464,624
	Purchased or originated credit-impaired loans		
	North West	60,028	59,737
	Rest of Africa	521,810	477,351
	Total purchased or originated credit-impaired loans	581,838	537,088
	Total credit-impaired loans	5,691,799	4,001,712

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
Rest of Africa		
Non-performing loans (stage 3)		
Ethiopia	806,792	-
Ghana	1,465,860	-
Madagascar	441,594	408,738
Mozambique	453,802	408,658
Zambia	613,313	1,367,867
Zimbabwe	201,719	179,288
Total non-performing loans (stage 3)	3,983,080	**2,364,551**
Purchased or originated credit-impaired loans		
Congo	521,810	477,351
Total	4,504,890	**2,841,902**

10.7.3 Client classification on gross credit-impaired loans

Non-performing loans (stage 3)		
Educational institutions	-	1,027
Local government	339,445	343,719
National and provincial government	620,151	
Private sector intermediaries	3,222,420	1,678,472
Public utilities	927,945	1,441,406
Total non-performing loans	5,109,961	**3,464,624**
Purchased or originated credit-impaired loans		
Educational Institutions	-	-
Local government	60,028	59,737
Private sector intermediaries	521,810	477,351
Total purchased or originated credit-impaired loans	581,838	**537,088**
Total credit-impaired loans	5,691,799	**4,001,712**

10.8 Client concentration of gross development loans

One client as percentage of total loan portfolio (%)	12.5	**14.1**
Seven clients as percentage of total loan portfolio (%)	50.7	**51.9**
Ten clients as percentage of total loan portfolio (%)	60.1	**60.8**

10.9 Provision for ECLs on development loans reconciliation

Balance at the beginning of the year	12,174,945	11,698,997
Impairment of current period interest	54,992	858
Loans written off during the period	-	(628,798)
Administrative corrections	(290)	(1,253)
Sale of financial assets		(1,225)
ECLs (note 18)	678,077	**1,106,366**
Credit-impaired (stage 3 and POCI)	122,035	(569,558)
Stage 1 and 2	556,042	1,675,924
Balance at the end of period	12,907,724	**12,174,945**

in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
10.10 Analysis of impairment charge		
Credit Impaired loans		
POCI		
Stage 3 and POCI ECLs	122,035	658,145
Stage 1 and 2 loans		
Stage 1 ECLs	205,260	(197,492)
Stage 2 ECLs	350,782	59,181
Balance at the end of period	678,077	**519,834**

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 2023					
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
Transfer from Stage 1 to Stage 2	(2,044,185)	2,044,185	-	-	-
Transfer from Stage 2 to stage 1	21,524	(21,524)		-	-
Transfer from Stage 2 to stage 3	-	(2,090,121)	2,090,121	-	-
Disbursements	4,337,548	7,976	-	-	4,345,524
Repayments	(7,479,531)	(3,402,071)	(918,040)	6,831	(11,792,811)
Effective interest on development loans	2,954,906	2,488,460	218,775	-	5,662,141
Contractual interest on stage 3	-	-	54,992	-	54,992
Other administrative adjustments	(290)	-	-	-	(290)
Foreign exchange movements	738,166	624,413	191,834	18,604	1,573,017
Other movements- Fees	28,314	296	227	-	28,837
Other movements - Amortisation of below market inter	3,079	856	48	-	3,983
Movement in deferred fee	(5,934)	-	-	-	(5,934)
Interest at credit-adjusted effective interest rate	-	-	-	19,315	19,315
Loans de-recognised due to substantial modification	(588,875)	-	-	-	(588,875)
New loans recognised after substantial modification	588,875				588,875
Modification gain	-	(23,474)	-	-	(23,474)
Gross carrying amount of long term development loans	54,970,904	45,012,805	5,102,581	581,838	105,668,128
Bridging finance development loans					
Balance at the beginning of the year	27,897	23,309	-	-	51,206
Transfer from Stage 2 to stage 3		(6,897)	6,897	-	0
Disbursements	57,438	-	-	-	57,438
Repayments	(14,209)	(1,300)	-	-	(15,509)
Interest on bridging finance development loans	3,146	850	483	-	4,479
Other movements - Fees	817	-	-	-	817
Gross carrying amount of bridging finance development loans	75,089	15,962	7,380	-	98,431
Total gross carrying amount	55,045,993	45,028,767	5,109,961	581,838	105,766,559
Less provisions for ECL	(1,107,208)	(8,706,833)	(2,727,012)	(366,671)	(12,907,724)
Balance at the end of the period	53,938,785	36,321,934	2,382,949	215,167	92,858,835

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2023					
Long term development loans					
Balance at the beginning of the year	58,367,285	31,952,885	4,436,889	1,110,775	95,867,834
Loss on derecognition of financial instrument	(4,596)				(4,596)
Transfer from stage 1 to stage 2	(18,494,123)	18,494,123	-	-	0
Transfer from stage 2 to stage 1	3,715,565	(3,715,565)	-	-	0
Transfer from other assets	-	-			0
Transfer from stage 2 to stage 3	-	(316,501)	316,501	-	0
Proceeds from sale of financial assets	(321,578)				(321,578)
Write-offs	-	-	(628,798)	-	(628,798)
Disbursements	12,603,937	30,123	0	-	12,634,060
Repayments	(9,906,942)	(5,313,510)	(867,188)	(979,018)	(17,066,658)
Transfer from provisions - development expenditure	(37,517)	(11,453)	(580)	-	(49,550)
New loans recognised after substantial modification	2,074,167	-	-	59,737	2,133,904
Loans derecognised due to substantial modification	(196,596)	(1,877,571)	(59,737)	-	(2,133,904)
Effective interest on development loans during the year	4,835,236	4,284,306	297,140	-	9,416,682
Interest at credit-adjusted effective interest rate	-	-	-	111,015	111,015
Amortisation of below market interest rate loans	(1,539)	(428)	(24)		(1,991)
Contractual interest on stage 3	-	0	858	-	858
Day one gains/losses on below market rate loans	37,517	11,453	580		49,550
Other administrative adjustments	(342)	(89)	(822)	-	(1,253)
Foreign exchange movements	3,509,206	1,760,516	(31,798)	234,579	5,472,503
Other movements – fees	237,627	3,828	1,612	-	243,067
Modification gain/(loss)	-	81,692	(9)	-	81,683
Gross carrying amount of long term development loans	**56,417,307**	**45,383,809**	**3,464,624**	**537,088**	**105,802,828**
Bridging finance development loans					
Balance at the beginning of the year	8,217	-	-	-	8 217
Stage 1 to Stage 2	(8,217)	8,217	-	-	-
Modification gain/(loss)		19	-	-	19
Disbursements	28 092	24,876	-	-	52 968
Interest	508	1,874			2 382
Repayments	(1 132)	(12,038)	-	-	(13 170)
Other movements – fees	429	361	-	-	790
Gross carrying amount of bridging finance development loans	**27 897**	**23 309**	**-**	**-**	**51 206**
Total gross carrying amount	**56,445,204**	**45,407,118**	**3,464,624**	**537,088**	**105,854,034**
Less provisions for ECL	(901,948)	(8,356,051)	(2,399,681)	(517,265)	(12,174,945)
Balance at the end of the period	**55,543,256**	**37,051,067**	**1,064,943**	**19,823**	**93,679,089**

in thousands of rands	30 September 2023 Reviewed	31 March 2023 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:

Development loans receivable net of ECLs		
Stage 1 loans	55 045 993	56 445 204
Stage 2 loans	45 028 767	45 407 118
Stage 3 loans	5 109 961	3 464 624
POCI	581 838	537 088
Loss allowance	(12 907 724)	(12 174 945)
Development loans receivable net of ECLs	**92 858 835**	**93 679 089**

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 2023					
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	(40,350)	264,753		-	224,403
Transfer from Stage 2 to Stage 3	-	(387,378)	704,333	-	316,955
Transfer from Stage 2 to Stage 1	48	(1,254)		-	(1,206)
Disbursements	59,587	-	-	-	59,587
Repayments during the year		-	-	-	-
Suspended interest	-	-	54,992	-	54,992
Other administrative adjustments	-	-	(290)	-	(290)
Foreign exchange movements	18,531	303,041	93,860	-	415,432
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	167,444	171,620	(525,564)	(150,594)	(337,094)
Balance at end of the period	1,107,208	8,706,833	2,727,012	366,671	12,907,724
ECL allowance recognised to income statement	205,260	350,782	272,629	(150,594)	678,077

* The ECL on development loans has increased marginally year-on-year mainly in response to a marginal deterioration in the credit risk of the development loan portfolio. The slow recovery from the COVID-19 pandemic, together with the effect of the unwinding of pandemic era relief policies, notably rising consumer inflation and interest rates, are key contributors to both domestic and international credit risk elements. In addition, incidents of global conflict, though outside the organisation's mandated investment area, have an adverse impact on the DBSA's borrowers, as these result in disruptions in food supply chains together, upward volatility in key commodity prices, driving up borrowing costs (resulting in liquidity stress) and finally restricting access to capital markets for the DBSA's borrowers. 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 R2.9 billion (31 March 2023: 2.5 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.

in thousands of rands	Stage 1 - 12 month ECL	Stage 2 - Lifetime ECL	Stage 3 - Lifetime ECL	POCI	Total
31 March 2023					
Balance at the beginning of the year	1,333,626	6,249,674	3,248,208	867,489	11,698,997
Transfer from Stage 1 to Stage 2	(761,058)	636,953	-	-	(124,105)
Transfer from Stage 2 to Stage 3		(149,705)	247,160	-	97,455
Transfer from Stage 2 to Stage 1	81,107	(670,299)	-	-	(589,192)
Disbursements	242,784	-	-	39,914	282,698
Sale of financial assets	(1,225)	-	-	-	(1,225)
Other administrative adjustments	-	-	(1,253)	-	(1,253)
Suspended interest	-	-	858	-	858
New loans recognised after substantial modification	-	-	-	-	-
Substantial modification	-	-		-	-
Write-offs**	-	-	(628,798)	-	(628,798)
Foreign exchange movements	7,236	559,756	421,038	-	988,030
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	(522)	1,729,672	(887,532)	(390,138)	451,480
Balance at end of the year	**901,948**	**8,356,051**	**2,399,681**	**517,265**	**12,174,945**
ECL allowance recognised to income statement	**(430,453)**	**2,106,377**	**(219,334)**	**(350,224)**	**1,106,366**

	in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
10.14	Analysis of current and non-current portion of development loans		
	Long term development loans		
	Current portion	8,451,443	14,043,070
	Non-current portion	97,216,685	91,759,758
	Total long term development loans	105,668,128	**105,802,828**
	Bridging finance development loans		
	Current portion	63,081	51,206
	Non-current portion	35,350	0
	Total bridging finance development loans	98,431	**51,206**
	Gross loan book	105,766,559	**105,854,034**
	Provision for ECLs	(12,907,724)	(12,174,945)
	Amortised cost	92,858,835	**93,679,089**

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 2023							
Development Loans	-	-	5,370,918	23,474	-	-	23,474
31 March 2023							
Development Loans	2,895	(9)	7,560,200	81,711	-	-	81,702

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

Financial liabilities at amortised cost		
Accrued interest (financial market liabilities – amortised cost)	881,865	670 183
Trade payables	200,722	210 285
Current portion of lease liabilities	5,851	4 158
Balance at the end of the period	1,088,438	**884,626**
Non-financial liabilities		
Bonus provision	108,960	185 922
PAYE, VAT and Compensation Commissioner	6,517	18 243
Accrued Income	982	
Balance at the end of the period	116,459	**204,165**
Trade, other payables and accrued interest on debt funding	1,204,897	**1 088 791**
Analysis of trade and other payables		
Current portion	**1,204,897**	**1,088,791**

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 2023				
Provision for ECLs on loan commitments	36,943	-	(27,713)	9,230
Strategic initiatives – Flood Relief	128,370	-	-	128,370
Total	165,313	-	(27,713)	137,600
Reconciliation of provisions at 31 March 2023				
Development expenditure	57 516	-	(57 516)	-
Provision for ECLs on loan commitments	2 430	34 513	-	36 943
Strategic initiatives – COVID-19	31 721	-	(31 721)	-
Strategic initiatives - Flood Relief	-	128,370	-	128 370
Total	**91 667**	**162 883**	**(89 237)**	**165 313**

Provision for developmental expenditure

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

Provision for ECLs on loan commitments

The provision for development loans and commitments represents the 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.

COVID-19 provision

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

Flood relief provision

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

12.2 Lease liabilities

Reconciliation of lease liabilities

in thousands of rands	Opening balance	Addition	Change in estimate	Interest accrued	Repayments	Current portion	Total
Reconciliation of provisions at 30 September 2023							
Leases	12,703	3,992	-	679	(3,045)	(5,851)	8,478
Reconciliation of lease liabilities at 31 March 2023							
Leases	**515**	**14,603**	**-**	**676**	**(3,091)**	**(4,158)**	**8,545**

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 2023 Reviewed	31 March 2023 Audited
12.3	**Total of provisions and lease liabilities**		
	Provisions	137,600	165,313
	Lease liabilities	8,478	8,545
	Total provisions and lease liabilities	**146 078**	**173 858**
13.	**DEBT FUNDING HELD AT AMORTISED COST**		
	Debt securities	29,335,550	31 241 067
	Lines of credit	28,774,553	27 228 313
	Balance per statement of financial position	**58,110,103**	**58 469 380**
	Accrued interest (note 11)	881,865	670 183
	Balance at end of the period including accrued interest	**58,991,968**	**59 139 563**
	Reconciliation of debt funding held at amortised cost		
	Balance at beginning of the year	58,469,380	55,535,353
	Capital raised	2,251,511	10,855,540
	Capital repaid	(4,300,346)	(13,079,836)
	Amortisation of discounts, premiums and transaction costs	252,124	460,626
	Foreign exchange adjustments on lines of credit	1,437,434	4,697,697
	Accrued interest (note 11)	881,865	670,183
	Balance at end of the period including accrued interest	**58,991,968**	**59,139,563**
	Analysis of debt funding at amortised cost:		
	Current portion	11,494,863	11,342,404
	Non-current portion	46,615,240	47,126,976
	Balance at the end of the period	**58,110,103**	**58,469,380**

in thousands	30 September 2023 Reviewed	31 March 2023 Audited
Euro amount included in debt funding held at amortised cost	419,948	**367,928**
US dollar amounts included in debt funding held at amortised cost	1,021,876	**1,064,713**

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 30 September 2023 R16 billion (31 March 2023: R17 billion).

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 2023 and 31 March 2023.

The total carrying amount of funding debt securities held at amortised cost inclusive of accrued interest amount of R498 million is R29.83 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R384 million is R29.16 billion.

14. DEFERRED INCOME

Balance at the beginning of the year	542,819	515,667
Current movements	20,874	28,168
Interest income and recoveries on loans	-	1,532
Deferred income recognised during the period	(3)	(2,548)
Balance at the end of the period	563,690	**542,819**

in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
15. INTEREST INCOME		
Interest income calculated using the effective interest rate		
Cash and cash equivalents	335 950	208,527
Development bonds	115 232	99,199
Effective interest income on development loans	5 689 918	4 686 709
Total interest income calculated using the effective interest rate	6 141 100	**4,994,435**
Other interest income		
Interest received on financial assets held at fair value through profit		
Derivative hedged assets	16,276	(1,688)
Development loans held at FVTPL	4,597	23,241
Equity investments – interest received from mezzanine instruments	59,840	93,301
Investment securities	17,034	22,028
Total other interest income	97,747	**136,882**
Total interest income	6,238,847	**5,131,317**

15.1 Interest income on development loans per staging

Stage 1 loans	2,961,131	2,970,571
Stage 2 loans	2,490,166	1,497,798
Stage 3 loans	219,306	156,338
POCI	19,315	62,002
Total interest income on effective interest rate	5,689,918	**4,686,709**

	in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
15.2	**Effective interest income on development loans per client classification**		
	Educational institutions	88,551	63,854
	Local government	1,818,377	1,615,880
	National and provincial government	593,457	329,545
	Private sector intermediaries	1,381,942	1,299,802
	Public utilities	1,807,591	1,377,628
	Total interest income on effective interest rate	5,689,918	**4,686,709**
16.	**INTEREST EXPENSE**		
	Interest expense on financial liabilities calculated using the effective interest rate		
	Bank and other payables	24,315	4,580
	Debt funding held at amortised cost	2,496,544	1,840,448
	Total interest expense on financial liabilities calculated using the effective interest rate	2,520,859	**1,845,028**
	Other interest expense		
	Interest expense on financial liabilities held at FVTPL		
	Derivatives hedging liabilities	-	2,226
	Funding: debt securities at FVTPL	-	35
	Interest expense on lease liabilities		
	Interest Expense - lease liabilities	679	-
	Total other interest expense	679	**2,261**
	Total interest expense	2,521,538	**1,847,289**
	Net interest income (Note 15 less Note16)	3,717,309	**3,284,028**
17.	**NET FEE INCOME**		
	Gross fee income		
	Lending fees	52,506	56,841
	Management fees	99,875	85,683
	Non-lending fees	46	79
	Total fee income	152,427	**142,603**
	Gross fee expense		
	Fees on funding	3,140	3,403
	Guarantee fees	11,717	14,462
	Other fees	144	54
	Total fee expense	15,001	**17,919**
	Net fee income	137,426	**124,684**

Lending fees

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

Management fees

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

Non-lending fees

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

Trade receivables

As at 30 September 2023 the Bank had R229 million (31 March 2023: R145 million) in trade receivable assets relating to management fees and lending fees. As at 30 September 2023 the Bank had no trade payables as a result of contracts with customers.

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
Reconciliation of trade receivables		
Balance at the beginning of the year	144,539	65,854
Repayments during the period	(16,435)	(55,005)
Raised and not paid during the period	101,365	133,690
Balance at the end of the period	**229,469**	**144,539**

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 2023, the Bank had no outstanding obligations emanating from contracts with customers for which trade payables have been recognised.

Costs incurred in obtaining or fulfilling a contract

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

	in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
18.	**IMPAIRMENT LOSSES**		
	Trade receivables and other assets	9 166	8 507
	Development loans (note 10.9)	678 077	519 834
	Development bonds (note 9.3)	10 008	29,940
	Loan commitments (note 24.1)	(27,713)	(2 430)
	Modification loss on financial assets	23,473	-
	Total	**693 011**	**555 851**
19.	**NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED**		
	Net profit for the period	2,145,500	2,777,185
	Dividends received	(46 759)	(14 932)
	Management fees - segregated funds	144	54
	Depreciation and amortisation	20 681	15 281
	Loss on disposal of property and equipment	(37)	(9)
	Grants, development expenditure and project preparation expenditure paid	124 543	46 123
	Net movements from financial assets and liabilities	(133 509)	26 342
	Fees received	63 822	151 247
	Fees accrued	(56 115)	(56 841)
	Debt guarantee fee raised	11 107	13 883
	Net foreign exchange gain	(140 788)	(825 514)
	Capital gain on equity investments	-	(36 580)
	Impairment losses	693 011	555 851
	Net interest income	(3,717,309)	(3,284,028)
	Movements in provisions and lease liabilities	(2 952)	88 774
	Decrease/(increase) in trade receivables and other assets	1 663	(4 560)
	Decrease in trade, other payables and accrued interest on debt funding	(159 191)	(121 094)
	Total	**(1196 189)**	**(668 818)**

20. NET (GAIN)/LOSS FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES

in thousands of rands	30 September 2023 Reviewed	30 September 2022 Reviewed
Interest rate derivatives		
Realised	(18 005)	202
Unrealised	(33 900)	(28 588)
Net gain from interest rate derivatives	(51 905)	(28 386)
Foreign exchange derivatives		
Realised	-	(2 181)
Unrealised	(5 580)	13 705
Net (gain) /loss from foreign exchange derivatives	(5 580)	11 524
Investment securities at FVTPL – unrealised		
Investment in segregated funds	1 108	8 289
Debt securities		
Designated at FVTPL – realised	-	(1 440)
Designated at FVTPL – unrealised	-	(20)
Net gain from debt securities	-	(1 460)
Equity investments		
Held at FVTPL - unrealised	392 593	117 117
Development loans		
Held at FVTPL	10 261	35 897
Other financial asset		
Held at FVTPL – unrealised	2 767	4 976
Net loss from financial assets and liabilities	349 244	147 958

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 2023 is encapsulated in the table on page 43. 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 R105.55 million (31 March 2023: R128.08 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 at 30 September 2023, the Bank had a ZAR interest rate swap portfolio with a total notional amount of R21.57 billion (31 March 2023: R15.61 billion). The net fair value of these swaps as of 30 September 2023 was negative R 886.3m (March 2023: R 274.6m negative), comprising assets of R 0m (March 2023: R13.8m) and liabilities of R 886.3m (March 2023: R 288.46m). These amounts are recognized as cashflow hedge derivatives.

21.1.2.3 Contractual repricing gap

The table below shows the contractual repricing gap for 30 September 2023:

in millions of rands		Sep-2023								
		< 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	7,383								7,383
	USD	774								774
	EUR	669								669
Investment securities	ZAR	291		181						472
Development bonds	ZAR		42	544	83	83	83	833	500	2,169
Development loans	ZAR	20,411	10,158	7,644	2,131	2,533	4,293	6,350	20,696	74,217
	USD	11,991	3,766	4,080	613	323	299	355	527	21,952
	EUR	519	532	5,882						6,933
Derivatives asset - interest rate swaps	ZAR		150	371	858	833	833	950	13,004	17,000
	EUR		119	595	970	970	851	838	229	4,571
Assets Total		42,039	14,767	19,297	4,655	4,742	6,358	9,326	34,956	136,141
Debt funding at amortised costs - funding bonds	ZAR	(4,036)	(8,774)	(2,093)	(2,933)		(500)	(5,324)	(590)	(24,250)
	EUR							(3,999)		(3,999)
Debt funding at amortised costs - money market debt	ZAR	(400)	(400)	(300)						(1,100)
Lines of credit	ZAR	(3,860)	(1,233)	(13)						(5,106)
	USD		(5,044)	(13,890)	(108)	(112)	(52)	(59)	(65)	(19,329)
	EUR	(1,440)	(1,041)	(1,454)	(82)	(82)	(82)	(68)	(149)	(4,398)
Derivatives liability interest rate swaps	ZAR		(17,000)							(17,000)
	EUR		(119)	(4,451)						(4,571)
Liabilities total		(9,736)	(33,611)	(22,200)	(3,124)	(194)	(634)	(9,450)	(803)	(79,753)
Net repricing gap		32,303	(18,844)	(2,904)	1,532	4,548	5,724	(124)	34,153	56,388
Cumulative repricing gap		32,303	13,459	10,555	12,087	16,635	22,359	22,235	56,388	

The table below shows the contractual repricing gap for 31 March 2023:

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	EUR	954	-	-	-	-	-	-	-	954
	USD	740	-	-	-	-	-	-	-	740
	ZAR	4,472	-	-	-	-	-	-	-	4,472
Investment securities	ZAR	36	130	-	181	-	-	-	-	347
Development bonds	ZAR	-	42	42	585	83	83	83	1,292	2,210
Development loans	USD	9,514	3,994	6,571	628	359	369	329	613	22,377
	EUR	627	1,898	4,672	-	-	-	-	-	7,197
	ZAR	9,671	27,687	1,387	2,057	1,985	2,438	7,159	20,794	73,178
Derivatives held for for risk management purposes - interest rate swap	ZAR	-	75	171	567	567	567	567	8,688	11,202
	EUR	-	115	222	547	547	547	2,166	261	4,405
Derivatives held for for risk management purposes - Foreign exchange contracts	ZAR	1,575	-	-	-	-	-	-	-	1,575
Total financial market assets		**27,589**	**33,941**	**13,065**	**4,565**	**3,541**	**4,004**	**10,304**	**31,648**	**128,657**
Debt funding at amortised costs - funding bonds	ZAR	(3,336)	(10,774)	(2,093)	(2,933)	-	(500)	(5,069)	(590)	(25,295)
	EUR	-	-	-	-	-	-	(3,854)	-	(3,854)
Debt funding at amortised costs -Lines of credit	EUR	(1,195)	(1,064)	(449)	(122)	(79)	(79)	(79)	(169)	(3,236)
	USD	-	(4,815)	(13,692)	(100)	(103)	(78)	(51)	(91)	(18,930)
	ZAR	(3,860)	(1,240)	(21)	-	-	-	-	-	(5,121)
Debt funding at amortised costs -money market debt	ZAR	-	(600)	(1,500)	-	-	-	-	-	(2,100)
Derivative liabilities held for risk management purposes	EUR	-	(115)	(4,290)	-	-	-	-	-	(4,405)
	ZAR	-	(11,200)	-	-	-	-	-	-	(11,200)
Derivative liabilities held for risk management purposes - foreign exchange contracts	EUR	(1,542)	-	-	-	-	-	-	-	(1,542)
Total financial market liabilities		**(9,933)**	**(29,808)**	**(22,045)**	**(3,155)**	**(182)**	**(657)**	**(9,053)**	**(850)**	**(75,683)**
repricing gap		**17,656**	**4,133**	**(8,980)**	**1,410**	**3,359**	**3,347**	**1,251**	**30,798**	**52,974**
Cumulative repricing gap		**17,656**	**21,789**	**12,809**	**14,219**	**17,578**	**20,925**	**22,176**	**52,974**	

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

21.1.3. Foreign exchange risk

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

21.1.3.1 Currency risk

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, currency options and forward exchange contracts (FECs) to hedge its foreign currency risk. As at 30 September 2023, the Bank had cross-currency swaps with a notional amount of RNil (31 March 2023; RNil). In addition, the Bank had foreign exchange contracts with notional amount of RNil (31 March 2023: R1.57 billion) and foreign exchange option hedges with notional amount of R14.6 billion (31 March 2023: R15.5 billion). 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:

	30 September 2023 Reviewed		31 March 2023 Audited	
in thousands	**EUR**	**USD**	**EUR**	**USD**
Assets				
Cash and cash equivalents	33,431	40,913	49,508	41,628
Development loans	369,624	1,220,839	398,657	1,336,708
Equity investments	34,077	127,643	37,005	140,266
Total assets	437,132	1,389,395	**485,170**	**1,518,602**
Liabilities				
Debt funding and lines of credit	(419,948)	(1,021,876)	(367,928)	(1,064,713)
Total liabilities	(419,948)	(1,021,876)	**(367,928)**	**(1,064,713)**
Net open position before hedging	17,184	367,519	**117,242**	**453,889**
Currency options	-	(267,339)	-	(330,165)
Foreign exchange contracts	-	-	(80,000)	-
Net open position after hedging	17,184	100,180	**37,242**	**123,724**

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)	16.9965	(51,541)	16.0779	(284,242)	(335,783)
	(10)	17.9963	(34,361)	17.0237	(189,491)	(223,852)
	(5)	18.9961	(17,180)	17.9694	(94,751)	(111,931)
	-	**19.9959**	-	**18.9152**	-	-
	5	20.9957	17,180	19.8610	94,751	111,931
	10	21.9955	34,361	20.8067	189,491	223,852
	15	22.9953	51,541	21.7525	284,242	335,783
Spot exchange rate used		**19.9959**		**18.9152**		

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 2023 was R9.1 billion (31 March 2023: R6.3 billion). This includes cash and cash equivalents of R8.8 billion (31 March 2023: R6.1 billion), segregated money market funds of R291 million (31 March 2023: R36 million) and municipal bonds of Nil (31 March 2023: R130 million).

21.2.3 Available liquidity

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
High quality liquid assets		
Cash and cash equivalents	8,825,841	6,166,069
Other less liquid assets		
Investment in segregated funds	291,448	36,332
Municipal bonds – nominal value	-	130,000
Total available liquidity	**9,117,289**	**6,332,401**

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (tradable market securities) as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions, money and capital securities issuance under the Bank's domestic medium-term programme and capital market repurchase transactions. Liquidity includes undrawn credit facilities for the year amounted to approximately R3.99 billion (31 March 2023: R4.27 billion).

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by ALCO on a quarterly basis. The 12-month cumulative liquidity gap as at 30 September 2023 was R8.78 billion (31 March 2023: R6.86 billion).

21.2.4 Contractual liquidity gap

The table below analyses the contractual liquidity gap for 30 September 2023:

in millions of rands		Sep-2023								
		< 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	7,383								7,383
	USD	774								774
	EUR	669								669
Investment securities	ZAR	291		181						472
Development bonds	ZAR		42	544	83	83	83	833	500	2,169
Development loans	ZAR	36	2,009	2,365	4,149	4,595	6,622	8,947	45,495	74,217
	USD		2,216	2,465	3,907	3,243	2,844	2,709	4,569	21,952
	EUR		153	1,150	1,378	1,099	667	592	1,896	6,934
Assets Total		9,153	4,420	6,704	9,517	9,021	10,215	13,080	52,460	114,571
Debt funding at amortised costs - funding bonds	ZAR			(6,410)	(7,006)	(1,563)	(1,350)	(5,708)	(2,213)	(24,250)
	EUR							(3,999)		(3,999)
Debt funding at amortised costs - money market debt	ZAR	(400)	(400)	(300)						(1,100)
Lines of credit	ZAR		(7)	(1,219)	(967)	(1,293)	(1,287)	(333)		(5,106)
	USD		(79)	(2,485)	(5,404)	(3,989)	(1,313)	(1,068)	(4,992)	(19,329)
	EUR		(41)	(154)	(1,226)	(263)	(265)	(311)	(2,139)	(4,399)
Liabilities total		(400)	(527)	(10,568)	(14,603)	(7,109)	(4,214)	(11,420)	(9,343)	(58,184)
Net liquidity gap		8,753	3,893	(3,864)	(5,086)	1,912	6,001	1,661	43,117	56,387
Cumulative liquidity gap		8,753	12,646	8,782	3,696	5,608	11,609	13,270	56,387	

The table below analyses the contractual liquidity gap for 31 March 2023:

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	4,472	-	-	-	-	-	-	-	4,472
	USD	740	-	-	-	-	-	-	-	740
	EUR	954	-	-	-	-	-	-	-	954
Investment securities	ZAR	36	130	-	181	-	-	-	-	347
Development bonds	ZAR	-	42	42	585	83	83	83	1,292	2,210
Development loans	EUR	-	111	837	1,217	1,220	1,129	722	1,962	7,198
	USD	128	769	3,791	3,777	3,124	2,880	2,449	5,458	22,376
	ZAR	100	3,110	2,912	3,924	3,867	4,591	9,411	45,263	73,178
Derivatives asset - FEC	ZAR	1,575	-	-	-	-	-	-	-	1,575
Total Financial Market Assets Total		**8,005**	**4,162**	**7,582**	**9,684**	**8,294**	**8,683**	**12,665**	**53,975**	**113,050**
Debt funding at amortised costs - funding bonds	ZAR	-	-	(4,393)	(8,375)	(1,948)	(2,913)	(5,453)	(2,213)	(25,295)
	EUR	-	-	-	-	-	-	(3,854)	-	(3,854)
Debt funding at amortised cost-Lines of credit	EUR	-	(1,064)	(148)	(147)	(243)	(261)	(264)	(1,111)	(3,238)
	USD	-	(74)	(2,334)	(1,523)	(7,304)	(1,500)	(999)	(5,196)	(18,930)
	ZAR	-	(7)	(1,223)	(328)	(1,300)	(1,287)	(977)	-	(5,122)
Debt funding at amortised costs - money market debt	ZAR	-	(600)	(1,500)	-	-	-	-	-	(2,100)
Derivatives liability -forward exchange contracts	EUR	(1,542)	-	-	-	-	-	-	-	(1,542)
Total Financial Market Liabilities total		**(1,542)**	**(1,745)**	**(9,598)**	**(10,373)**	**(10,795)**	**(5,961)**	**(11,547)**	**(8,520)**	**(60,081)**
Net liquidity gap		**6,463**	**2,417**	**(2,016)**	**(689)**	**(2,501)**	**2,722**	**1,118**	**45,455**	**52,969**
Cumulative liquidity gap		**6,463**	**8,880**	**6,864**	**6,175**	**3,674**	**6,396**	**7,514**	**52,969**	

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 Definition of equity investment risk

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

21.3.2 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:

21.3.3 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.

21.3.4 Listed equity investments

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

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

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

The impact of the top-down approach that uses fair value adjustment is disclosed in the table below: From the table below a 10% increase on the fair value adjustment will have a R432 million increase in the equity values as at 30 September 2023 and a 10% decrease in fair value adjustment results in a R353 million decrease in the equity values as at 30 September 2023.

21.3.5 Equity investments

in thousands of rands	10% decrease in fair value	Fair value adjustments	10% increase In fair value
30 September 2023			
Equity instruments listed and unlisted	**353 334**	**392 593**	**431 852**
Listed	-	-	-
Unlisted	353 334	392 593	431 852
31 March 2023			
Equity instruments listed and unlisted	**28 698**	**31 887**	**35 076**
Listed	-	-	-
Unlisted	28 698	31 887	35 076

21.3.6 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 2023				
Actual	152,886	-	2,485,870	-
Stressed – adverse case	15,289	(15,289)	2,470,582	(0.02)
Stressed – positive case	15,289	15,289	2,501,159	0.02
31 March 2023				
Actual	53,115	-	2,655,087	-
Stressed – adverse case	5,312	(5,312)	2,649,775	(0.20)
Stressed – positive case	5,312	5,312	2,660,399	0.20

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 2023				
Listed				
Level 1				
Unlisted				
Level 2	2,786,400	2,350,432	2,414,380	2,478,327
Level 3	2,921,335	2,418,741	2,485,870	2,553,000
Total	5,707,735	4,769,173	4,900,250	5,031,327
% 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%.

31 March 2023				
Listed				
Level 1	-	-	-	-
Unlisted				
Level 2	2,878,325	2,427,905	2,493,963	2,560,020
Level 3	3,041,891	2,585,085	2,655,087	2,725,090
Total	**5,920,216**	**5,012,990**	**5,149,050**	**5,285,110**
% change in fair value		**(2.64)**		**2.64**

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.64%.

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 6% movement in foreign exchange rate the fair value change on the equity portfolio was +- 4.28%. The exchange rates used at measurement date are USD/ZAR at R18.9152 and EUR/ZAR at R19.9959.

in thousands of rands	6% decrease in effective exchange rate	Fair value - actual	6% increase in effective exchange rate
30 September 2023			
Listed			
Level 1			
ZAR			
Unlisted			
Level 2			
USD	2,260,272	2,414,380	2,568,487
Level 3			
EUR	637,903	681,395	724,888
USD	176,967	189,032	201,098
ZAR	1,615,443	1,615,443	1,615,443
Total	4,690,585	4,900,250	5,109,916
% Change in fair value	(4.28)		4.28

For 22% movement in foreign exchange rate the fair value change on the equity portfolio was +-14.68%. The exchange rates used at measurement date are ZAR/USD at R17.7803 and ZAR/EUR at R19.2721.

in thousands of rands	22% decrease in effective exchange rate	Fair value - actual	22% increase in effective exchange rate
31 March 2023			
Listed			
Level 1			
ZAR	-	-	-
Unlisted			
Level 2			
USD	1,945,291	2,493,963	3,042,635
Level 3			
EUR	556,266	713,161	870,056
USD	178,413	228,735	279,057
ZAR	1,713,191	1,713,191	1,713,191
Total	**4,393,161**	**5,149,050**	**5,904,939**
% Change in fair value	**(14.68)**		**14.68**

21.3.7 Marketability discount rates applied

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

in thousands of rands	Level 1	Level 2	Level 3	Total
30 September 2023				
0% – 12.5%	-	-	10,179	10,179
12.5% – 15.0%	-	-	33,814	33,814
15.0% – 16.5%	-	2,414,380	2,441,877	4,856,257
16.5% – 20%	-	-	-	-
20.0% – 22.5%	-	-	-	-
Total	-	2,414,380	2,485,870	4,900,250
31 March 2023				
0% – 12.5%	-	-	-	-
12.5% – 15.0%	-	-	31,238	31,238
15.0% – 16.5%	-	2,493,963	2,623,849	5,117,812
20.0% – 22.5%	-	-	-	-
22.5% – 25.0%	-	-	-	-
Total	**-**	**2,493,963**	**2,655,087**	**5,149,050**

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 2023				
Level 3	171,015	10,544	48,309	38,120
% Change		(56.7)		56.7

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

31 March 2023				
Level 3	**160,754**	**42,850**	**48,309**	**53,770**
% Change		**(11.30%)**		**11.3%**

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-11.30%.

21.4 Credit risk

21.4.1 Sensitivity analysis – ECL

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

30 September 2023	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Adverse	35	25	(10)	5,300,744	4,510,043	(15)
Base case	60	70	10	4,181,590	5,139,707	23
Best case	5	5	-	331,707	351,106	6
Weighted ECL – Stages 1 and 2				4,513,297	5,490,813	2.0
Credit-impaired ECL				3,093,683	3,093,683	-
Total ECL				7,606,980	8,584,496	1.0

31 March 2023	Actual weight %	Adjusted weight %	% Change	Actual ECL (R'000)	Adjusted ECL (R'000)	% Change ECL
Adverse case	40	50	10	2,885,904	3,601,974	25
Base case	55	45	(10)	322,824	322,824	-
Best case	5	5	-	6,049,271	5,924,702	(2)
Weighted ECL – Stages 1 and 2				**9,257,999**	**9,849,500**	**6.4**
Credit-impaired ECL				2,916,946	2,916,946	-
Total ECL				**12,174,945**	**12,766,446**	**4.9**

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 2023				
Base case	100	12,965,452	57,726	0.4
Adverse case	100	13,251,236	343,510	2.7
Best case	100	12,620,083	(287,642)	2.2
31 March 2023				
Base case	100	12,705,851	520,906	4.2
Adverse case	100	12,980,523	805,578	6.2
Best case	100	11,955,033	(219,912)	(1.8)

Sensitivity analysis – single name impairments

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

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

in thousands of rands	10% Decrease in management value R'000	Actual R'000	10% Increase in management value R'000
30 September 2023			
Stage 3 ECL / Single name impairments (incl. POCI)	3,313,711	3,093,683	2,873,654
% change	7.11		(7.11)
31 March 2023			
Credit-impaired ECL (Stage 3 NPL & POCI)	2,993,393	2,916,946	2,822,805
% change	2.62		(3.23)

21.5 Impact of macro-economic shock events

Assets Portfolio

21.5.1 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 macro-economic shock events such as, Sovereign debt challenges in Africa, Russia-Ukraine conflict or inflation or the South Africa's subdued economic growth rates.

21.5.2 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. During the initial advent of the pandemic in 2020, the DBSA Credit Lab revised the Forward-Looking Model based on linear regression methodology. Given continuing COVID-19 and economic conditions in effect at that time, the linear regression model in use provide to be unreliable by under and overestimating ECL at various time periods. The linear regression approach limitation was in only predicting linear relationships between dependent variables. Non-linear methodologies were investigated, and non-parametric regression methods were considered a good option given the shape of the development data. The Generalised Additive Model (GAM), a form of non-parametric regression 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.

21.5.2 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 provided, where the staging of loans with satisfactory performance prior to COVID-19 were not automatically changed in terms of IFRS loan staging. However, underperforming loans that showed negative COVID-19 induced deterioration which was permanent were downgraded to Stage 3

21.5.3 Consideration of post balance sheet information

Prior to the advent of the COVID-19 pandemic, the Bank's standard practice was to use forward-looking information obtained approximately a month before the reporting date. In the post-pandemic era, the Bank continues this practice, however management continuously monitors the current and forecast effects of macro-economic shock events in order to determine whether these indicate evidence of the occurrence of adjusting post balance sheet events. Given the current macro-economic outlook, the impact of changes to forward-looking information for August 2023 is reviewed (in a manner consistent with the prior year) using data available as at 30 September 2023 but obtained in early October 2023.

21.5.4 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. For the interim period under review the weightings were reviewed as follows :

- Increase in Base 5%
- Reduction in Adverse 5%
- Unchanged Best case

The amendment to the weights during the period under review , is reflective of current economic environment in which the Bank operates.

Since the Bank’s initial adoption of IFRS 9, there has been, and continues to be, an overall continuing negative trend on most key macro-economic factors, this excludes the limited initial recovery in numerous high-frequency indicators following the roll back of mobility restrictions in most jurisdictions. Notwithstanding the fact that Bank had proactively increased the weighing assigned to negative scenarios, the Bank continues to perform various scenario analyses and stress testing of the ECL, with the summary below showing limited results from stress testing and changes in weightings:
» Increase in Adverse case by 5% causes ECL to increase by approximately 0.2%
» Increase in Adverse case by 10% causes ECL to increase by approximately 0.4%
» Increase in Adverse case by 15% causes ECL to increase by approximately 0.6%.

21.5.5 IFRS 9 post-implementation plan

After successful embedment of IFRS 9 over the preceding two financial reporting periods, in 2022, the Bank commenced IFRS 9 post implementation review and the project is currently underway. The Bank identified key focal areas for improvement and the project has been delineated into corresponding workstreams each with a working group established to deal with each focus area. As part of the review, the Bank seeks to continue compliance with best practice in a manner commensurate with its internal risk and governance approach. Any required changes or updates to internal policies and/or processes are subject to approval under the Bank’s applicable governance framework.

21.6 Liabilities Portfolio

21.6.1 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 borrowings recognised during interim reporting period. The Bank undertakes rigorous cashflow forecasting as part of liquidity management. The Bank has an approved foreign currency borrowing limit, which enables the Bank to raise funding in the international markets. In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents , 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.

21.6.1 Hedging accounting

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

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.

21.7 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 elevated price levels, energy importing economies have seen significant increases in fuel and gas prices, contributing the noted rise in headline inflation.

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

21.8 Reference rate reform

21.8.1 Overview

The Bank is exposed to market risk associated with the following interest rate benchmarks in its hedge accounting relationships and contractual agreements: JIBAR, LIBOR and EURIBOR. Various groups comprising of various skills sets and professionals across the Bank were established to work on reference rate reform transition. In addition, training sessions have been held.

In light of the amendments issued by the IASB to IFRS 9 which provides relief to all hedging relationships that are directly affected by interest rate benchmark reform, the Bank will continue to apply the phase 1 amendments to IFRS 9 until such a point in that the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Bank is exposed to ends.

The Bank has been preparing for the IBOR reform for the past 2 years and there is a dedicated project management team that ensures that all project deliverables are effectively and efficiently met. The Bank's project governance structure remain in place as the transition is nearing the end process and the key function is to provide direction and approve key decisions and project metrics. The reference rate project is overseen by the Reference Rate Reform project Steering Committee (SteerCo) which comprises of group executives and is responsible for the transition and governance of the reference rate reform. The reference rate reform project operations are managed by the reference rate reform Operations Committee (OpsCo) which comprises multidisciplinary teams and heads of business units across the Bank.

(a) IBOR reform update

The Financial Stability Board initiated a reform of the major interest reference rates to new alternative reference rates which are more reliable and robust. The ICE Benchmark Administration (IBA, administrator of LIBOR) issued a publication in March 2021 regarding the replacement of reference interbank rates and their cessation dates. The USD LIBOR rates which the Bank is exposed to will cease to be published on 30 June 2023. As at 30 September 2023, the Bank has loan contracts that transitioned from USD LIBOR to Overnight SOFR and Term SOFR and some to synthetic Libor for those contracts where the fall back synthetic Libor is applicable. The process to finalize the contract amendments remains on going with a number of contracts already signed. Overall the Bank is now in the final phases on contract repapering for all those contracts affected by the USD Libor reform.

(b) JIBAR reform update

The South African Reserve Bank is in a process of replacing JIBAR, however the end date for JIBAR publication has not been communicated. The Market Practitioners Group (MPG) designated the South African Overnight Index Average (ZARONIA) as the preferred successor rate that will most likely replace JIBAR. ZARONIA is currently being published to allow market participants to observe the rate, while the MPG considers its implications and plans for the Jibar transition. The Bank continues to monitor developments in the local regulator (SARB) on local reference rate reforms (JIBAR) and is engaging with local bodies as well as international developments regarding the reference rate reform.

(c) Judgements and assumptions

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

(d) Various workstreams

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.

21.8.2 Updates on key developments on interest rate reform

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

21.8.2.1 Contract reviews and amendments

The Bank has completed the review of all affected loan agreements within the asset and liability portfolios that are affected by the IBOR reform in 2022. The Bank is now in the process of finalizing the contract repapering with clients for contracts that have not transitioned.

21.8.2.2 ICT systems and model

The changes to systems and adoption of new methodologies is an area of significant management focus. The Bank core banking systems (treasury financial assets and liabilities as well as the development loan portfolio) have been upgraded for reference rate reform functionality and the relevant license obtained to make use of the alternative reference rates.

21.8.2.3 Risk management

Effective risk management is critical to the success of the project. The project is structured in a manner that allows effective risk management. Below is a summary of the key risks (given the stage of the 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. A significant number of contracts have already been transitions and new loan agreements signed off.

(c) **Operational risk** – The risk that there may be delays in incorporating changes related to Alternative Reference Rates (ARRs) in the policies, procedures, or manuals of the organisation. This may lead to operational delays or errors.

Risk Mitigation
A review of all affected policies has been completed, and awareness and training has been provided as part of the roll out of the updated policies.

(e) **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.

(f) **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.

(g) **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.

21.8.3 Exposures of significant IBORs subject to interest rate reform

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
The table below shows IBOR exposure in ZAR currency amount:				
LIBOR tenors				
30 September 2023				
USD LIBOR (1 month)				
USD LIBOR (3 months)	1,672,622			
USD LIBOR (6 months)	5,201,079	5,801,465	925,720	
Total	6,873,701	5,801,465	925,720	-
31 March 2023				
USD LIBOR (1 month)	2 719 633	-	129 170	-
USD LIBOR (3 months)	1 685 992	-	-	-
USD LIBOR (6 months)	13 845 500	10 428 566	2 187 169	-
Total	**18 251 125**	**10 428 566**	**2 316 339**	-
The table below shows IBOR exposure in USD currency amount:				
LIBOR tenors				
30 September 2023				
USD LIBOR (1 month)				
USD LIBOR (3 months)	88,427			
USD LIBOR (6 months)	274,968	306,709	48,941	
Total	363,395	306,709	48,941	-
31 March 2023				
USD LIBOR (1 month)	152 958	-	7 265	-
USD LIBOR (3 months)	94 824	-	-	-
USD LIBOR (6 months)	778 699	586 524	123 011	-
Total	**1 026 481**	**586 524**	**130 276**	**-**

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

(a) National public entities

The total book debt of loans extended to national public entities amounts to R23.3 billion (31 March 2023: R23.2 billion). None of these loans are non-performing. Of the loan commitments disclosed R4.7 billion (31 March 2023: R5 billion) relates to national public entities.

(b) National mandates

The net amount outstanding at year end amounted to R419 million (31 March 2023: R331 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:

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
Capital commitments	124,086	150 081
Development expenditure	69,000	69 000
Development loan commitments	10,393,395	10 869 873
Equity investments commitments	255,818	169 045
Project preparation expenditure	446,910	181 006
Gross carrying amount	11 289 209	**11 439 005**
Provision for ECLs	(9,230)	(36,943)
Net commitments at end of the period	11 279 979	**11 402 062**

24.1 Development loan commitments

The table below shows the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for expected credit losses for 30 September 2023:

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	(29,924)	29,924	-	-	-
Transfer from Stage 2 to stage 3	-	(351,528)	351,528	-	-
New loan commitments issued	2,301,903	-	-	-	2,301,903
Disbursements	(4,375,823)	(7,976)	-	-	(4,383,799)
Withdrawals	1,399,998	-	-	-	1,399,998
Forex gains/losses	179,208	12,274	13,927	11	205,420
Balance as at end of the period	9,800,951	226,810	365,455	179	10,393,395

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	428	-	-	428
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	(18,017)	(10,124)	-	(28,141)
Balance as at end of the period	6,339	2,891	-	9,230

Expected credit losses				
ECLs recognised in the income statement excluding interest in suspense and write-off	(17,589)	(10,124)	-	(27,713)

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 2023:

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	8,698,868	710,934	719,962	138	10,129,902
Transfer from stage 1 to stage 2	(535,200)	535,200	-	-	-
Transfer from stage 2 to stage 1	502,783	(502,783)			-
New loan commitments issued	11,025,115	-	-	-	11,025,115
Disbursements	(12,632,029)	(54,999)	-	-	(12,687,028)
Withdrawals	2,704,081	(236,100)	(719,962)	-	1,748,019
Foreign exchange gains	561,971	91,864		30	653,865
Balance as at end of the year	**10,325,589**	**544,116**	**-**	**168**	**10,869,873**

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	2,429	1	-	2,430
New loan commitments issued	15,480	13,014	-	28,494
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	6,019	-	-	6,019
Balance as at end of the year	**23,928**	**13,015**	**-**	**36,943**
Expected credit losses				
ECLs recognised in the income statement excluding interest in suspense and write-off	**21,499**	**13,014**	**-**	**34,513**

in thousands of rands	30 September 2023 Reviewed	31 March 2023 Audited
25. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
25.1 Irregular expenditure		
Fruitless and wastefull expenditure	-	-
Irregular expenditure	-	111
Total	-	**111**

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 that those already addressed in the notes to the Condensed Interim Financial Statements.

26.2 Non-adjusting events

To invigorate the capabilities of the board of directors, the following changes were made to the board of directors after the reporting period:

New appoinments:
The following six new independent non-executive directors were appointed for a term of 3 years effective from 2 October 2023 to 1 October 2026:
- Mr Jonathan Muthige
- Ms Chantal Naidoo
- Ms Disebo Moephuli
- Mr Barry Hore
- Mr Joel Netshitenzhe
- Professor Edgar Pieterse

Reappointments:
To retain valuable knowledge, skills and experience the following non-executive directors have been reappointed for another term of 3 years effective 2 October 2023 - 1 October 2026:
- Mr. B Nqwababa
- Mr. P Maatji
- Ms. P Nqeto

End of term:
By the effluxion of time, the following three non-executive directors' term came to an end effective 1 October 2023:
- Prof Mark Swilling (Board Chairperson)
- Dr Gaby Magomola (Deputy Chairman)
- Ms. Anu Sing
- Dr Blessing Mudavanhu

Ms Zodwa Mbele was appointed as an executive director effective from 2 October 2023

The Bank wished to advise noteholders that the following directors remain on the Board, as their term of office has not come to an end.

- Ms. Martie Janse Van Rensburg
- Ms. Dinao Lerutla
- Mr. Ebrahim Rasool
- Mr. Kenneth Brown (Shareholder representative)

Board Committee Changes

The following changes to the Bank's Board Committees effective from the 11th of October 2023 occurred:

Board Credit and Investment Committee ("BCIC")

Ms. Disebo Moephuli, Dr. Chantal Naidoo and Ms. Zodwa Mbele have been appointed as new BCIC members. Ms. Martie Janse van Rensburg has been appointed as the Chairperson of the BCIC replacing Ms. Anu Sing who is no longer a member of the DBSA Board. There are no other changes to the membership of the BCIC.

Infrastructure Delivery and Knowledge Management Committee ("IDKC")

Mr. Joel Netshitenzhe and Prof. Edgar Pieterse have been appointed as new members of the IDKC. There are no other changes to the membership or chairmanship of IDKC.

Human Resources and Remuneration Committee ("HRC")

Mr. Ebrahim Rasool and Mr. Jonathan Muthige have been appointed as new members of the HRC. Mr. Petrus Matji is no longer a member of the HRC. There are no other changes to the membership or chairmanship of HRC.

Social and Ethics Committee ("SEC")

Mr. Jonathan Muthige, Mr. Joel Netshitenzhe, Dr Chantal Naidoo, and Ms. Boitumelo Mosako have been appointed as new members of the SEC. Mr. Kenneth Brown has been appointed as the Chairperson of the SEC replacing Prof. Mark Swilling who is no longer a member of the DBSA Board. Mr. Ebrahim Rasool and Ms. Pinkie Nqeto are no longer members of the SEC. There are no other changes to the membership of the SEC.

Audit and Risk Committee (ARC)

Dr Chantal Naidoo, Ms. Disebo Moephuli, and Mr. Barry Hore have been appointed as new members of the ARC. Mr. Bongani Nqwababa has been appointed as the Chairperson of the ARC replacing Ms. Martie Janse van Rensburg who remains a member of ARC. There are no other changes to the membership of the ARC. The ARC appointment is subject to ratification at the next Annual General Meeting.

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 through a secure electronic manner at the election of the person requesting inspection as well as on the Bank's website.

28. System's Breech update

Following the cyber-attack in May 2023, the Bank's emergency protocols were promptly deployed, and operations moved to Disaster Recovery (DR) site where key functions continued operating with minimal disruption. The impact of the cyber-attack and the costs arising from the cyber-attack have been minimal on account of the integrity of the Bank's back-ups from which the environment could be rebuilt without having to engage the threat actor (TA). DBSA's proactive and transparent communication of the incident contributed to minimal (neutral) media coverage and relatively few queries or concerns raised by data subjects. The Bank demonstrated its resilience to deliver and retain focus in times of crises

ABBREVIATIONS AND ACRONYMS

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

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

ABBREVIATIONS AND ACRONYMS (CONTINUED)

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