

# 40 YEARS OF DEVELOPMENT PROGRESS

**2024**  
ANNUAL  
FINANCIAL  
STATEMENTS



# 40 YEARS OF DEVELOPMENT PROGRESS



## CONTENTS

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder<sup>1</sup>

Our reporting suite for the year ended 31 March 2024 consists of three reports:



The 2024 Integrated Annual Report, which is our primary communication with our stakeholders.

The 2024 Annual Financial Statements, which includes the directors' report and the independent auditor's report.

The 2024 Sustainability Review, which provides further information on our sustainability performance

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CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

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

- a) The Annual Financial Statements set out on pages 19 to 169, fairly present in all material respects the financial position, financial performance and cash flows of the Bank in terms of International Financial Reporting Standards (IFRS);
- b) No material facts have been omitted or untrue statements furnished that would make the Annual 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 Annual Financial Statements; and
- d) The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements.



Boitumelo Mosako  
Chief Executive Officer



Ntombizodwa Mbele  
Chief Financial Officer

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 31 MARCH 2024

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

In preparing the Annual 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);
- The Public Finance Management Act, No. 1 of 1999 (PFMA);
- International Financial Reporting Standards (IFRS);
- 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 Annual 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, as well as the internal auditor's, review the financial and internal control systems, accounting policies, reporting and disclosure; and
- Internal audit performed a review on the adequacy and effectiveness of the internal controls and systems implemented by management in the financial reporting processes (month end and year end). The assessment included governance, risk management and control environment in the three process descriptions (other financial accounts, financial assets and liabilities, and development assets and liabilities). Segregation of duties, management reviews, delegations of authority and appropriate approval committees processes were also assessed. The review did not include the assessment of the financial statements assertions (accuracy, occurrence, completeness, cut-off, rights and obligations, disclosure, etc.) per the individual accounts in the trial balance. This was performed by the external auditor.

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 year 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 Annual Financial Statements.

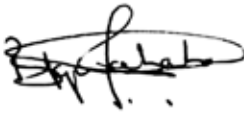
The Annual Financial Statements that appear on pages 19 to 169 were approved by the Board of Directors on 27 June 2024 and are signed on its behalf by:



Ebrahim Rasool  
Chairman of the Board



Boitumelo Mosako  
Chief Executive Officer



Bongani Nqwababa  
Chairman of the Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE  
DEVELOPMENT BANK OF SOUTHERN AFRICA  
FOR THE YEAR ENDED 31 MARCH 2024

Report on the audit of the Annual Financial Statements

Opinion

1.

I have audited the Annual Financial Statements of the Development Bank of Southern Africa (the Bank) set out on pages 19 to 169, which comprise the statement of financial position as at 31 March 2024, statement of comprehensive income and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the Annual Financial Statements, including a summary of significant accounting policies.
2.

In my opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA), the Development Bank of Southern Africa Act 13 of 1997 (Amended Act 41 of 2014) (DBSA Act) and Sections 27 to 31 of the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3.

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the Annual Financial Statements Section of my report.
4.

I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6.

Key audit matters are those matters that, in my professional judgement, were of the most significance in my audit of the Annual Financial Statements of the current period. These matters were addressed in the context of my audit of the Annual Financial Statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.

| Key audit matter                                                                                                                                                                                                                                                                                                           | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of development loans: expected credit losses (ECL) on development loans                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                          |
| The Bank determines the ECL relating to development loans in accordance with the requirements of IFRS 9. This determination is complex and requires a high level of judgement and assumptions.                                                                                                                             | In line with the requirements of ISA 540 (Revised), <i>Auditing Accounting Estimates and Related Disclosures</i> (ISA 540 Revised), I performed risk assessment procedures relating to obtaining an understanding of the expected credit losses and its related disclosures using the principles from IFRS 9.            |
| The Bank uses various models and assumptions to estimate the ECL. It applies judgement to identify the most appropriate model for each type of asset and determine the assumptions used in these models, including assumptions that relate to key credit risk drivers.                                                     | After considering the requirements of ISA 540(Revised) and ISA 330. The auditor’s responses to assessed risks (ISA 330), a combined audit approach was followed to respond to the risk identified in ECL on development loans.                                                                                           |
| The Bank uses a series of quantitative and qualitative criteria to determine if a loan has experienced a significant increase in credit risk. It incorporates forward-looking information (FLI) into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition. | My audit procedures included assessing the appropriateness of the ECL in terms of the requirements of IFRS 9.                                                                                                                                                                                                            |
| The ECL is measured as the probability- weighted present value of all cash shortfalls over the expected life of the financial asset, discounted at its original effective interest rate.                                                                                                                                   | I evaluated the design, implementation and operating effectiveness of the following controls: <ul style="list-style-type: none"><li>The governance processes for credit models and overlays</li><li>Governance committees where key judgements are considered</li><li>Accounting Authority oversight over ECL.</li></ul> |

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                              | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of development loans: expected credit losses (ECL) on development loans (continued)                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| The major components of the ECL include the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The PD is defined as an estimate of the likelihood of default over a given time horizon. The EAD is an estimate of the exposure at a future default date considering expected changes in the exposure after the reporting date. The LGD is an estimate of the loss arising in the case where default occurs at a given time. | I assessed the controls related to management’s annual credit reviews. This included confirming that the credit reviews were performed in accordance with the Bank’s policy and that the appropriate governance committee approved the assigned credit risk ratings.                                                                                                                                                                                             |
| The Bank’s PD estimates incorporate an FLI component determined based on a multivariate non-linear generalised additive model. The model-significant FLI drivers are historical macro-economic variables and observed default rates.                                                                                                                                                                                                                          | I evaluated the significant increase in credit risk triggers and assumptions applied by management in determining expected credit losses for loans. I also evaluated management’s assessment of the recoverability of loans. I found these estimates to be reasonable.                                                                                                                                                                                           |
| The LGD is determined based on the Bank’s exposures, historical default rates and financial factors. Adjustments are often effected based on the latest information.                                                                                                                                                                                                                                                                                          | In addition, I engaged an auditor’s expert to assess the appropriateness and reasonability of the credit risk models and assumptions used by management in determining the ECL using a challenger model. An assessment of the independence and competence of the expert was performed in line with ISA 620, <i>Using the work of an auditor’s expert</i> (ISA 620).                                                                                              |
| The Bank has applied a management overlay of R2.9 billion. This overlay covered additional industry and country risk in the Bank’s portfolio not captured by the base ECL model output. Management believed these overlays were necessary in response to the base model output that recommended a reversal of the expected credit losses.                                                                                                                     | The expert’s assessment included the following: <ul style="list-style-type: none"><li>Reviewing the ECL methodology for compliance with IFRS 9 principles and best practices</li><li>Independently reviewing the ECL model calculations for accuracy and consistency with the DBSA methodology</li><li>Performing a challenger ECL model, using independent inputs for the PDs, EADs, LGDs and FLI</li><li>Performing benchmarking and trend analysis.</li></ul> |
| The disclosures associated with the expected credit loss allowance on development loans are set out in the following notes to the Annual Financial Statements: <ul style="list-style-type: none"><li>Note 14 - Development loans</li><li>Note 42 - Risk management</li></ul>                                                                                                                                                                                  | I found management’s credit risk models and the assumptions used to determine the ECL to be reasonable and consistent with my expectations.                                                                                                                                                                                                                                                                                                                      |
| Due to the high degree of estimation, management judgement and magnitude of the development loans, which constituted the majority of total assets, the expected credit loss allowance is considered a matter of most significance for our audit.                                                                                                                                                                                                              | I determined management’s estimate to be within a reasonable range of my expectations, including the overlays applied.                                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                               | I assessed the IFRS 9 and IFRS 7 disclosures included in the Annual Financial Statements and I am satisfied that the disclosures are consistent with the requirements of IFRS.                                                                                                                                                                                                                                                                                   |

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE  
DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                         | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of equity investments held at fair value through profit or loss                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                     |
| The Bank measures equity investments at fair value through profit or loss. The equity investments portfolio does not have an active market; therefore, the Bank uses valuation techniques to establish fair value.                                                                                                                                                                                                                                       | In terms of the requirements of ISA 540 Revised, I performed separate risk assessment procedures for inherent and control risk relating to equity investments and their related disclosures.                                                                                                                                                                                        |
| A net asset value approach is used to determine the fair value of equity investments. Furthermore, marketability discounts are applied, where appropriate, to adjust for any identified investment risks.                                                                                                                                                                                                                                                | As per the requirements of ISA 540 Revised and in conjunction with ISA 330, a combined audit approach was followed to respond to the risk identified in equity investments held at fair value through profit and loss.                                                                                                                                                              |
| The determination of net asset value using fair value techniques includes estimates that are susceptible to management judgement and bias that may result in a misstatement.                                                                                                                                                                                                                                                                             | My audit procedures included assessing the appropriateness of the valuation technique used by management to value equity investments, including performing reasonability tests on the use of the net asset value valuation technique and applying marketability discounts based on comparable industry norms and practices.                                                         |
| Due to the significance of the judgements made in determining the fair value of equity investments and the extent of work required to address this matter, the valuation of equity investments was identified as a matter of significance in the audit of the Bank's current year Annual Financial Statements.                                                                                                                                           | I evaluated the design, implementation and operating effectiveness of the governance processes in place to approve the valuation of equity investments.                                                                                                                                                                                                                             |
| Equity investments held at fair value consist of direct investments in equity and third-party managed funds. The Bank normally uses market references to measure the instruments. Management's adjustments consider the impact of market uncertainties which affected estimates of resale values, marketability discounts and premiums, and the cost of debt. I considered these adjustments to be subjective and therefore requiring further attention. | I evaluated the applicability of the three methods that can be used for fair value private equity, namely the income approach, market approach and net asset value approach. Based on the nature of the investments held by the Bank, I concluded that the net asset value approach adopted by management is appropriate to value the equity investments.                           |
| The disclosures associated with the equity investments held at fair value through profit or loss are set out in the following note:                                                                                                                                                                                                                                                                                                                      | I evaluated the reasonability of the net asset value and the marketability discount.                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"><li>Note 11 - Equity investments held at fair value through profit or loss.</li></ul>                                                                                                                                                                                                                                                                                                                                  | Where current year audited Annual Financial Statements were available, I assessed the reasonableness of the net asset value per management's valuation to the audited Annual Financial Statements. Where current year audited Annual Financial Statements were not available, I used the latest audited Annual Financial Statements to assess reasonability of the net asset value. |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                          | I performed an assessment of the fair value hierarchy levels as disclosed using the principles of IFRS 13, <i>Fair Value Measurement</i> (IFRS 13) at an investment level and was able to conclude alignment with the Bank's view on the appropriateness of the fair value hierarchies/ assigned to each investment.                                                                |

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivative assets/liabilities held for risk management                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                        |
| There is a risk of incorrect valuation of derivatives at fair value because of the level of judgement required and the complexity of assumptions used in determining the appropriate valuation techniques.                                                                                                                                                                                                                                                                                                          | In terms of the requirements of ISA 540 Revised, I performed separate risk assessment procedures for inherent and control risk relating to derivatives and the related disclosures.                                                                                                                                                                    |
| Valuation of derivatives requires significant judgement in determining the appropriate valuation techniques. Fair value calculations depend on various sources of external and internal data and sophisticated modelling techniques used to value derivative financial instruments.                                                                                                                                                                                                                                 | After considering the requirements of ISA 540 Revised and ISA 330, a combined audit approach was followed to respond to the risk identified in derivatives through profit and loss.                                                                                                                                                                    |
| Due to the significance of the judgements made in determining the fair value of the complex financial instruments and the extent of work required to address this matter, this has been identified as a matter of most significance in the current year's audit of the Annual Financial Statements.                                                                                                                                                                                                                 | I engaged an auditors' expert to assess the appropriateness and reasonableness of the assumptions used by management in determining the valuation of derivatives. An assessment of the independence and competence of the expert was performed in line with ISA 620.                                                                                   |
| In measuring the fair value of the derivatives, the Bank considers credit value adjustments (CVA) and debit value adjustments (DVA). CVA is the adjustment made to the value of a derivative to provide for the probability of a counterparty defaulting (adjustments for the credit risk of the derivative counterparty). DVA is the adjustment made to provide for the probability of the holder of the derivative's own default for the credit risk of the derivative counterparty (the Bank's own credit risk). | The expert's assessment included the following: <ul style="list-style-type: none"><li>A valuation review of the derivative instruments held by the Bank.</li><li>The calculation of fair value adjustments i.e. CVA and DVA on a portfolio level, including the assumptions and methodology used in determining the CVA and DVA adjustments.</li></ul> |
| The disclosures associated with for derivatives are set out in the following notes to the Annual Financial Statements: <ul style="list-style-type: none"><li>Note 8.1 - Derivative assets held for risk management purposes</li><li>Note 8.2 - Derivative liabilities held for risk management purposes</li></ul>                                                                                                                                                                                                   | In respect of the derivatives population, I performed an independent recalculation of the fair values of derivative asset / liability positions.                                                                                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | I assessed the completeness, accuracy and adequacy of the disclosures. In addition, I also assessed the classification as a hedging instrument in line with IFRS 9.                                                                                                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | I found management's valuation of the derivative to be within range and consistent with my expectations.                                                                                                                                                                                                                                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | I assessed the disclosure relating to derivatives and concluded that it is in line with the requirements of IFRS 9 and IFRS 13.                                                                                                                                                                                                                        |

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Responsibilities of the Accounting Authority for the Annual Financial Statements

- 7. The Board of Directors, which constitutes the Accounting Authority is responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with the IFRS and the requirements of the PFMA, DBSA Act and Companies Act; and for such internal control as the Board of Directors determines is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.
- 8. In preparing the Annual Financial Statements, the Board of Directors, which constitutes the Accounting Authority is responsible for assessing the Bank's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Auditor-General for the audit of the Annual Financial Statements

- 9. My objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.
- 10. A further description of my responsibilities for the audit of the Annual Financial Statements is included in the annexure to this auditor's report. This description, which is located at page 11 forms part of my auditor's report.

Report on the audit of the annual performance report

- 11. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The Accounting Authority is responsible for the preparation of the annual performance report.
- 12. I selected the following objective presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected objectives that measures the Bank's performance on its primary mandated functions and that are of significant national, community or public interest.

| Objective                                                                      | Page numbers | Purpose                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial sustainability                                                       | 17 - 18      | To ensure the ability to grow quality and profitable disbursements, increasing self-originate disbursement opportunities and improving the Bank's operational efficiencies as part of cost optimisation.                                                                |
| Sustainable growth                                                             |              | To measure all funding activities made to clients (excl. grants and equities) as part of the Bank's core mandate of mobilising funding for development projects.                                                                                                        |
| Unemployment reduction                                                         |              | To reflect the DBSA's commitment to addressing unemployment as articulated in the DBSA's development position.                                                                                                                                                          |
| Increase SA fixed capital formation                                            |              | To measures the extent to which development impact is achieved through eradicating infrastructure backlogs and maintenance for government across all its spheres.                                                                                                       |
| Increased sustainable developmental outcomes in SA Districts                   |              | To measures a whole municipality (fully integrated) approach, which ensures delivery of integrated services whilst strengthening the monitoring and evaluation, of impact at district and local levels.                                                                 |
| Increased sustainable developmental outcomes in under-resourced municipalities |              | To unlock the value of infrastructure through the delivery of non-financial support activities in under-resourced municipalities to improve developmental impact and eradicate infrastructure backlogs.                                                                 |
| Just Transition                                                                |              | To provide dedicated advisory, investment and implementation support to access funds from climate funding mechanisms, and blend this with DBSA and other third-party funding. The long term intention is to emerge with a DBSA portfolio that is progressively greener. |
| Empowerment support                                                            |              | To increase the socio-economic impact of the activities of the Bank                                                                                                                                                                                                     |
| Gender mainstreaming                                                           |              | To measure the economic transformation to enable participation of black women owned entities in our economy                                                                                                                                                             |

- 13. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Bank's planning and delivery on its mandate and objectives.
- 14. I performed procedures to test whether:
  - the indicators used for planning and reporting on performance can be linked directly to the Bank's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the Bank's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
  - there is adequate supporting evidence for the achievements reported.
- 15. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
- 16. I did not identify any material findings on the reported performance information of the selected objectives.

Other matters

- 17. I draw attention to the matters below:

Achievement of planned targets

- 18. The annual performance report includes information on reported achievements against planned targets and provides explanations for under-achievement.
- 19. The table that follows provides information on the achievement of planned targets and list the key indicator that was not achieved as reported in the annual performance report. The reasons for underachievement of targets are included in the annual performance report on pages 17 to 18.

Increase SA fixed capital formation

| Key indicator not achieved        | Planned target | Reported achievement |
|-----------------------------------|----------------|----------------------|
| Value of infrastructure delivered | R4.9 billion   | R4.6 billion         |

Report on compliance with legislation

- 20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Authority is responsible for the Bank's compliance with legislation.
- 21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
- 22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Bank, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
- 23. I did not identify any material non-compliance with the selected legislative requirements.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE  
DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

Other information in the annual report

24. The Accounting Authority is responsible for the other information included in the annual report. The other information referred to does not include the Annual Financial Statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
25. My opinion on the Annual Financial Statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
26. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the Annual Financial Statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. I considered internal control relevant to my audit of the annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
29. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria  
28 June 2024



Annexure to the auditor's report

The annexure includes the following:

- the Auditor-General's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the Annual Financial Statements and the procedures performed on reported performance information for selected objectives and on the Bank's compliance with selected requirements in key legislation.

Annual Financial Statements

In addition to my responsibility for the audit of the Annual Financial Statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the Annual Financial Statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Annual Financial Statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the Annual Financial Statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the Bank to cease operating as a going concern
- evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and determine whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the Annual Financial Statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation                                                                                                  | Sections or regulations                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management act 1 of 1999 (PFMA)                                                               | Section 50(3); Section 50(3)(a); Section 50(3)(b) Section 51(1)(a)(iii); Section 51(1)(a)(iii); Section 51(1)(a)(iv); Section 51(1)(b);Section 51(1)(b)(i); Section 51(1)(b)(ii); Section 51(1)(e)(iii) Section 52(b) Section 54(2)(c) Section 54(2)(d) Section 55(1)(a); Section 55(1)(b); Section 55(1)(c)(i) Section 56; Section 57(b) Section 66(3)(a)                                                                                                                                  |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | Regulation 29.1.1; Regulation 29.1.1(a); Regulation 29.1.1(c); Regulation 29.2.1; Regulation 29.2.2; Regulation 29.3.1 Regulation 31.2.5; Regulation 31.2.7(a) Regulation 33.1.1; Regulation 33.1.3                                                                                                                                                                                                                                                                                         |
| Preferential Procurement Policy Framework Act 5 of 2000                                                      | Section 1(i); Section 2(1)(a); Section 2(1)(b); Section 2(1)(f)                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Preferential procurement regulation of 2017 (PPR)                                                            | Regulation 4(1); Regulation 4(2) Regulation 5(1); Regulation 5(3); Regulation 5(6); Regulation 5(7) Regulation 6(1); Regulation 6(2); Regulation 6(3); Regulation 6(5); Regulation 6(6); Regulation 6(8) Regulation 7(1); Regulation 7(2); Regulation 7(3); Regulation 7(5); Regulation 7(6); Regulation 7(8) Regulation 8(2); Regulation 8(5) Regulation 9(1); Regulation 9(2) Regulation 10(1); Regulation 10(2) Regulation 11(1); Regulation 11(2) Regulation 12(1) and Regulation 12(2) |
| Preferential procurement regulation of 2022 (PPR)                                                            | Regulation 3(1) Regulation 4(1); Regulation 4(2); Regulation 4(3); Regulation 4(4) Regulation 5(1); Regulation 5(2); Regulation 5(3); Regulation 5(4)                                                                                                                                                                                                                                                                                                                                       |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)                                       | Section 34(f)                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| National Treasury SCM Instruction Note 03 2021/22                                                            | Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c );4.4(d); 4.6 Paragraph 5.4                                                                                                                                                                                                                                                                                                                                                                                                                   |
| National Treasury SCM Instruction 4A of 2016/17                                                              | Paragraph 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| National Treasury SCM Instruction Note 03 2019/20                                                            | Paragraph Par 5.5.1(iv); 5.5.1(x)                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| National Treasury SCM Instruction Note 11 2020/21                                                            | Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| PFMA SCM instruction 08 of 2022/23                                                                           | Paragraph 3.2; Paragraph 4.3.2; 4.3.3.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Competition Act 89 of 1998                                                                                   | Section 4(1)(b)(ii)                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| National Treasury instruction note 4 of 2015/16                                                              | Paragraph 3.4                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Second amendment of National Treasury instruction 05 of 2020/21                                              | Paragraph 4.8; 4.9; 5.1; 5.3                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Erratum National Treasury instruction 5 of 202/21                                                            | Paragraph 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Erratum National Treasury instruction 5 of 202/21                                                            | Paragraph 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| National Treasury instruction note 5 of 2020/21                                                              | Paragraph 5.1 and 5.3                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Construction Industry Development Board Act No.38 of 2000 (CIDB)                                             | Section 18(1) Section 22(3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| CIDB Regulations                                                                                             | Regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Companies Act 71 of 2008                                                                                     | Section 27; Section 28; Section 29; Section 30; Section 31                                                                                                                                                                                                                                                                                                                                                                                                                                  |

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2024

The directors have pleasure in presenting this report on the Annual Financial Statements of Development Bank of Southern Africa (DBSA) for the year ended 31 March 2024.

Nature of business

The Bank was reconstituted in terms of the Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014), as a development finance institution wholly owned by the South African government. The geographic mandate of the Bank has been extended beyond the Southern African Development Community (SADC) to any country on the African continent and its oceanic islands. The Bank aims to deepen its development impact in South Africa, SADC and the rest of the African continent by expanding access to development finance while effectively integrating and implementing sustainable development solutions. Since being founded in 1983, the Bank has expanded its role to serve as financier, adviser, partner, implementer and integrator to the benefit of its clients and communities. There have been no material changes to the nature of the business from the prior years.

Corporate governance

The directors embrace the principles of King IV and the Companies Act and endeavour to comply with these recommendations as far as they are not in conflict with the DBSA Act.

Financial results and activities

The financial results of the Bank are fully disclosed on pages 19 to 169. The key financial indicators for the year under review are:

- Net profit of R4.6 billion (31 March 2023: R5.2 billion).
- Sustainable earnings of R4.5 billion (31 March 2023: R4.2 billion).
- Net interest income increased by 18% to R7.7 billion (31 March 2023: R6.5 billion).
- Impairment losses increased to R1.4 billion (31 March 2023: R1.1 billion).
- Gross NPL% ratio of 3.9% (31 March 2023: 3.2%).
- Net NPL% ratio of 1.5% (31 March 2023: 1.1%).
- Operating income of R7.8 billion (31 March 2023: R7.9 billion).
- Cost to income ratio improved to 21.0% (31 March 2023: 23.5%).
- Cash flow generated from operations increased to R5.4 billion (31 March 2023: R5.1 billion).
- Total assets increased by 9% to R118.3 billion (31 March 2023: to R108.6 billion).
- Development loans, development bonds and equity disbursements amounted to R17 billion (31 March 2023: R13.7 billion).
- ROE on sustainable earnings 9.0% (31 March 2023: 9.3%).
- ROE on net profit 9.3% (31 March 2023: 11.5%).
- Debt-to-equity ratio excluding R20 billion callable capital of 123% (31 March 2023: 124%).
- Debt-to-equity ratio including R20 billion callable capital 89% (31 March 2023: 87%). Callable capital is authorised shares but not yet issued. Debt to equity ratio is within the Bank’s regulatory limit of 250%.

During the current year, the Bank declared its maiden dividend, the details thereof are disclosed in Section 4 of this report. This is in addition to the continued support extended to Government on various development initiatives; such as municipal support (R194million), operational costs for Infrastructure Fund (R45 million) and DLabs (R54 million).

Summarised information on the financial performance of the Bank is included in the unaudited financial overview Section of the Integrated Annual Report.

Assessment of the macro-economic and other shock events on the Bank

The ongoing Ukraine-Russia war and recent Middle East conflict and related impact on global shipping routes are compounding a number of pre-existing adverse global economic trends, including inflation, extreme poverty, increasing food insecurity, globalisation, and worsening environmental degradation and climate change risk. While extreme risks like the severe banking crisis have moderated, the balance remains tilted to the downside as China’s real estate crisis could deepen further, and commodity price volatility risk remains heightened due to renewed geopolitical tensions and the risk of disruptions due to climate change. Geo-economic fragmentation and intensification thereof, lack of multilateralism, and related uncertainty has been heightened and in the long term, trade fragmentation may reduce global GDP.

There is heightened political risk due to countries with scheduled elections globally. In 2024, more countries may face debt restructuring and relief. In South Africa, long standing structural constraints such as power shortages, ongoing port and railway crises (logistical challenges) that are creating bottlenecks and curbing mineral exports, weak state capacity to implement policies, and shortage of skilled workers are some of the key constraints to economic growth.



DIRECTORS REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2024

Risks and uncertainties associated with macro-economic and other shock events

Ongoing hostilities in Europe (Russia-Ukraine) have been a major driver of risk and uncertainty across the globe and the end date of the hostilities remain unknown. Disruption to international supply chains continue to have a negative impact on risk of food security, notably in countries dependent on Ukrainian agricultural exports. The initial fuel shortages driven by the initial loss of the Russian supply contributed to inflation in both developed and developing countries, outside policymakers' desired target ranges and inflation remain at high levels as at year end.

Continued through-the-cycle monitoring of economic developments remains key to ensuring that the Bank is shielded against financial and economic shocks. South Africa's economic outlook remains negative, underpinned by subdued economic growth rate, high interest rates, high inflation, logistical challenges and impact on economic growth, increased municipal risk and deterioration of credit quality in the municipal sectors, China's economic performance, deteriorating sovereign debt situation of African countries slow pace of sovereign debt restructuring discussions, energy security and reliability challenges. These risk factors require a conservative and forward-looking approach to loan loss provisioning.

Dividend

During the current financial year the dividend policy for the Bank was approved at the Bank's Annual General Meeting. The approved dividend policy means that the Bank can distribute a portion of its net profit generated to the shareholder. On 27 June 2024, the Board authorised an annual dividend declaration of R48 million to be distributed to the shareholder (National Treasury) and the payment of the dividend is subject to approval by shareholder at the next annual general meeting in line with the DBSA Act.

Share capital

Authorised capital amounts to R20.2 billion, which is divided into two million and twenty thousand ordinary shares of R10 000 each. The Board may from time to time, with the approval of the shareholders previously given at a meeting of shareholders, increase the issued share capital of the Bank. The Minister may, after consultation with the Board and by notice in the Government Gazette, adjust the amount of the authorised share capital of the Bank and the number of ordinary shares.

Authorised capital

2 020 000 ordinary shares (31 March 2023: 2 020 000) at par value of R10 000 each.

Callable capital (authorised but unissued share capital)

2 000 000 ordinary shares (31 March 2023: 2 000 000) at a par value of R10 000 each.

Issued share capital

20 000 ordinary shares (31 March 2023: 20 000) at a par value of R10 000 each.

Going concern

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

Borrowing powers

As per Regulation 44 of the regulations made under Section 17 of the DBSA Act, the directors may in their discretion borrow or raise funding for the purposes of the Bank subject to the leverage ratio not exceeding 2.5 times the permanent capital and accumulated reserves. An annual borrowing programme, based on projections of business activity for the following financial year, is submitted to National Treasury for approval. The current year debt raised was within the approved programme, and the overall borrowings remained within the leverage ratio limit.

| Overall borrowing limit (R billion) | Limit | Borrowing |
|-------------------------------------|-------|-----------|
| Regulatory per DBSA Act             | 130   | 64        |
| Annual borrowing programme*         | 13    | 3         |
| Foreign currency borrowing**        | 36    | 34        |
| Domestic Medium Term Note Programme | 80    | 15        |

\* The net repayment of R3 billion was made during the year (31 March 2023: R2.2 billion).
\*\* The foreign currency borrowing limit for the 2024/2025 financial year is R41.4 billion.

Directorate and Secretariat

Details pertaining to the names of Board members and the Secretariat appear in the Integrated Annual Report.

Non-executive directors are subject to retirement by rotation. They hold office for a period of three years and are eligible for re-appointment. Non-executive directors are eligible for appointment for a maximum of three terms. Details of the directors' current service contracts are shown in the table below.

| Name                                 | Position                                            | Number of terms served (including current term) | Current service contract |                                                  |
|--------------------------------------|-----------------------------------------------------|-------------------------------------------------|--------------------------|--------------------------------------------------|
|                                      |                                                     |                                                 | From                     | To                                               |
| Current                              |                                                     |                                                 |                          |                                                  |
| Ms B Mosako <sup>1</sup>             | Chief Executive Officer and Managing Director       | 1                                               | 1 April 2023             | 31 March 2025                                    |
| Ms N P Mbele <sup>2</sup>            | Chief Financial Officer                             | Non-applicable                                  | 2 October 2023           | Until such time she ceases to hold office as CFO |
| Mr E Rasool <sup>3</sup>             | Independent Non-executive Director, Chairman        | 1                                               | 30 November 2022         | 29 November 2025                                 |
| Ms M Janse Van Rensburg <sup>4</sup> | Independent Non-executive Director, Deputy Chairman | 3                                               | 1 April 2022             | 31 March 2025                                    |
| Mr K Brown                           | Independent Non-executive Director                  | 1                                               | 30 November 2022         | 29 November 2025                                 |
| Mr B Hore <sup>6</sup>               | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| Ms D Lerutla                         | Independent Non-executive Director                  | 1                                               | 30 November 2022         | 29 November 2025                                 |
| Mr P Matji <sup>5</sup>              | Independent Non-executive Director                  | 2                                               | 2 October 2023           | 1 October 2026                                   |
| Ms D Moephuli <sup>6</sup>           | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| Mr J Muthige <sup>6</sup>            | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| Dr C Naidoo <sup>6</sup>             | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| Mr J Netshitenzhe <sup>6</sup>       | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| Ms P Nqeto <sup>5</sup>              | Independent Non-executive Director                  | 3                                               | 2 October 2023           | 1 October 2026                                   |
| Mr B Nqwababa <sup>5</sup>           | Independent Non-executive Director                  | 2                                               | 2 October 2023           | 1 October 2026                                   |
| Prof E Pieterse <sup>6</sup>         | Independent Non-executive Director                  | 1                                               | 2 October 2023           | 1 October 2026                                   |
| During the year                      |                                                     |                                                 |                          |                                                  |
| Ms A Sing <sup>7</sup>               | Independent Non-executive Director                  | 3                                               | 2 October 2020           | 1 October 2023                                   |
| Mr B Mudavanhu <sup>7</sup>          | Independent Non-executive Director                  | 2                                               | 2 October 2020           | 1 October 2023                                   |
| Dr G Magomola <sup>8</sup>           | Independent Non-executive Director, Deputy Chairman | 1                                               | 2 October 2020           | 1 October 2023                                   |
| Prof M Swilling <sup>7</sup>         | Independent Non-executive Director, Chairman        | 3                                               | 2 October 2020           | 1 October 2023                                   |

<sup>1</sup> Appointed as the Chief Executive Officer of the Bank, effective from 1 April 2023.
<sup>2</sup> Appointed as the Chief Financial Officer of the Bank effective 3 July 2023 and was appointed to the Board from 2 October 2023.
<sup>3</sup> Appointed as Chairman of the Board from 08 November 2023.
<sup>4</sup> Appointed as Deputy Chairman of the Board with effect from 11 October 2023.
<sup>5</sup> Term ended. Re-appointed to Board effective 2 October 2023.
<sup>6</sup> Appointed in order to invigorate the capabilities of the Board of Directors, effective 2 October 2023 until 1 October 2026.
<sup>7</sup> Term of office ended.
<sup>8</sup> Appointed as Deputy Chairman with effect from 07 February 2023 until 1 October 2023. Term ended on 1 October 2023.

The details of the Directors' emoluments and related party transactions are set out in notes 41 and 43 of the Annual Financial Statements. The governance structure is detailed in the Integrated Annual Report.

DIRECTORS REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

Remuneration policy

The DBSA Remuneration Policy, which is approved by the Human Resources Committee (HRC) and the Board, forms the basis of how the Bank remunerates its employees. It is aligned to the strategic direction and specific drivers of the businesses within the Bank, supporting operational excellence, continuous improvement and innovation. The aspect of remuneration continues to be fundamental in respect of the attraction, development, retention of employees as well as continued motivation of a high performance culture, in furthering of the Bank’s ability to deliver on its mandate. In execution of a fore-mentioned, the Audit and Risk Committee, as well as the Human Resources Committee provide the necessary oversight in respect of the Bank’s performance and employee remuneration.

Business and registered address

The Bank’s business and registered address details appear on page 173.

Taxation status

The Bank is exempt from normal taxation in terms of Section 10(1)(t)(x) of the Income Tax Act No 58 of 1962, as amended. The Bank is subject to and complies with all other South African taxes, including employees’ tax and Value Added Tax (VAT). The Bank paid net VAT amounting to R61 million (31 March 2023: R69 million).

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2024 are in all material respects consistent with those applied in the Annual Financial Statements for the year ended 31 March 2023.

Events after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial year which will have a significant effect on the operations or the financial position of the Bank other than that disclosed in note 51 of the Annual Financial Statements on page 169.

Litigation

The directors are not aware of any litigation against the Bank other than that disclosed under contingent liabilities in note 44 of the Annual Financial Statements on page 163.

Related party transactions

Details of the Bank’s related party transactions are set out in note 43 of the Annual Financial Statements on page 163.

Information presented in terms of Section 55(2)(B) of the PFMA

- i) **Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year:** There were no instances where the Bank sustained material losses. Refer to note 47 of the Annual Financial Statements on page 167.
- ii) **Particulars of any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure:** There were no instances where the Bank sustained material losses.
- iii) **Particulars of any losses recovered or written off:** No material losses were recovered or written off other than in the ordinary course of business.
- iv) **Particulars of any financial assistance received from the state and commitments made by the state on behalf of the Bank:** No financial assistance was received.

ANNUAL PERFORMANCE REPORT  
FOR THE YEAR ENDED 31 MARCH 2024

The annual performance report and indicators for the Bank are set out below.

HIGH LEVEL PERFORMANCE OVERVIEW

The DBSA's mandate requires the Bank to maximise development impact through infrastructure development, financing and capacity building, in South Africa and across the African continent. This requires a purposeful strategy geared towards financial sustainability, through balance sheet growth, income growth and cost optimisation, that enables the Bank’s ongoing sustainable development outcomes. The Balanced Scorecard (BSC) translates key strategic objectives into measurable outcomes, which are approved by the Board of Directors. The BSC is a key instrument for implementing and monitoring the achievement of predetermined strategic objectives.

The DBSA worked towards achieving exceptional results, even in the context of sluggish global, regional and domestic economic recovery during the 2023/24 financial year, meeting 82.4% of its targets. Notable achievements include both **financial outcomes**, such as the return on sustainable earnings, total disbursements and cost to income ratio (financing business), and **development outcomes**, including unlocking the infrastructure investment under-resourced municipalities, projects approved for funding by DBSA's existing climate and environmental facilities and empowerment support as detailed in the table below. The percentage of procurement spend on black women-owned suppliers for infrastructure development third party funds exceeded the targets. This can be attributed to the awarding of construction contracts to entities that have black women share ownership of 30% and above during the financial year.

The targets for the following three key performance indicators were partially achieved:

- **Value of infrastructure delivered:** The underperformance is largely attributed to:
  - Delays in getting concurrence letters from clients for the appointment of contractors in some of the projects.
  - Delays in obtaining construction permits from the Department of Labour.
  - Public budget cuts for some of the projects that were in implementation stage during the year under review.
- **Client and Stakeholder satisfaction survey:** The underperformance is attributed to delays in the finalization of the procurement process for an independent service provider to undertake our Brand Health and Stakeholder Survey. The survey will be concluded in the second quarter of 2024/25.
- **Implementation of culture change initiative:** The draft culture strategy received Board comments in February 2024 and will be resubmitted for Board approval in June 2024.

The table below provides the Bank's performance against the planned targets on corporate performance objectives for the year ended 31 March 2024:

FOR THE YEAR ENDED 31 MARCH 2024

| Objective                                                                         | Key performance indicator                                                                                                                                               | Target                                                                                                | Results                                                                             |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Financial sustainability                                                          | • ROE (calculated on sustainable earnings)                                                                                                                              | 6%                                                                                                    | 9.0%                                                                                |
|                                                                                   | • Cost to income ratio - financing business                                                                                                                             | 30%                                                                                                   | 18.2%                                                                               |
| Sustainable growth                                                                | • Total Disbursements                                                                                                                                                   | R14 billion                                                                                           | R17 billion                                                                         |
| Unemployment reduction                                                            | • Number of jobs facilitated                                                                                                                                            | 22 000                                                                                                | 31 638                                                                              |
| Increase SA fixed capital formation                                               | • Value of infrastructure delivered                                                                                                                                     | R4.9 billion                                                                                          | R4.6 billion                                                                        |
| Increased sustainable developmental outcomes in SA Districts                      | • Number of programmes approved for implementation in district spaces / Value of infrastructure unlocked in district municipal spaces adopted for programmatic approach | 5                                                                                                     | 5                                                                                   |
| Increased sustainable developmental outcomes in under-resourced municipalities    | • Value of infrastructure unlocked in under-resourced municipalities (excluding the partnered municipal spaces)                                                         | R1.5 billion                                                                                          | R2.5 billion                                                                        |
| Just Transition                                                                   | • Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g., CFF, EGIP etc.)                                                 | R0.5 billion                                                                                          | R4.6 billion                                                                        |
| Empowerment support                                                               | • Number of transactions that are committed for DBSA funding to black-owned entities                                                                                    | 6                                                                                                     | 13                                                                                  |
| Gender mainstreaming                                                              | • Percentage of procurement spend on black woman owned suppliers for IDD third party fund (30% and above shareholding)                                                  | 35% of total procurement spend from B-BBEE suppliers                                                  | 49% of total procurement spend from B BBEE suppliers                                |
| Increase DBSA efficiency and effectiveness                                        | • Digital DBSA (digitalisation, automation, and process re-engineer)                                                                                                    | 3 business processes automated for our core business.                                                 | 4 business processes automated for our core business                                |
| Develop a high performance and accountability and suitable organisational culture | • Align DBSA architecture/design and people process to the growth strategy of the organisation.                                                                         | 2 People Processes aligned as per core business requirements                                          | 2 people processes aligned as per core business requirements                        |
|                                                                                   | • Implementation of culture change initiative                                                                                                                           | Develop a Board espoused culture strategy for the DBSA                                                | Draft culture strategy developed for Board approval                                 |
| Smart Partnerships                                                                | • Client and Stakeholder satisfaction survey                                                                                                                            | 4                                                                                                     | 2                                                                                   |
| Improve DBSA governance and risk management                                       | • Irregular, unauthorised and fruitless and wasteful expenditure                                                                                                        | Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure | 0.0% (R) of expenses as irregular, unauthorised, fruitless and wasteful expenditure |
|                                                                                   | • Ethical behaviour                                                                                                                                                     | Decisive consequence management for unethical behaviour                                               | No findings of unethical behaviour that required decisive consequence management    |
|                                                                                   | • Compliance with the PFMA                                                                                                                                              | Process all PFMA submissions within the stipulated deadline                                           | All PFMA submissions were processed within the stipulated timelines                 |
|                                                                                   | • Unqualified Audit opinion                                                                                                                                             | Achieve unqualified audit opinion without matter of emphasis                                          | Clean audit opinion                                                                 |

## AS AT 31 MARCH 2024

## Assets

|                                                              |      |                    |                    |
|--------------------------------------------------------------|------|--------------------|--------------------|
| Cash and cash equivalents at amortised cost                  | 5    | 10 803 772         | 6 166 069          |
| Trade receivables and other assets                           | 6    | 238 723            | 402 066            |
| Investment securities                                        | 7    | 493 175            | 359 881            |
| Derivative assets held for risk management purposes          | 8.1  | 9 545              | 64 543             |
| Other financial Asset                                        | 9    | 37 534             | 40 452             |
| Development loans held at fair value through profit or loss  | 10   | 20 784             | 48 309             |
| Equity investments held at fair value through profit or loss | 11   | 4 808 783          | 5 149 050          |
| Development bonds at amortised cost                          | 13   | 2 065 754          | 2 154 345          |
| Development loans at amortised cost                          | 14   | 99 329 694         | 93 679 089         |
| Property, equipment and right of use of assets               | 15   | 456 060            | 441 149            |
| Intangible assets                                            | 16   | 51 051             | 59 626             |
| <b>Total assets</b>                                          |      | <b>118 314 875</b> | <b>108 564 579</b> |
| <b>Equity and liabilities</b>                                |      |                    |                    |
| <b>Liabilities</b>                                           |      |                    |                    |
| Trade, other payables and accrued interest on debt funding   | 17   | 1 309 114          | 1 088 791          |
| Repurchase agreements at amortised cost                      | 20.6 | 1 194 651          | -                  |
| Derivative liabilities held for risk management purposes     | 8.2  | 476 741            | 612 920            |
| Liability for funeral and post-employment medical benefits   | 19   | 47 984             | 44 767             |
| Debt funding held at amortised cost                          | 20   | 62 499 696         | 58 469 380         |
| Provisions and lease liabilities                             | 18   | 167 548            | 173 858            |
| Deferred income                                              | 21   | 578 495            | 542 819            |
| <b>Total liabilities</b>                                     |      | <b>66 274 229</b>  | <b>60 932 535</b>  |
| <b>Equity</b>                                                |      |                    |                    |
| Share capital                                                | 22   | 200 000            | 200 000            |
| Retained income                                              |      | 37 865 501         | 33 158 903         |
| Permanent government funding                                 | 23   | 11 692 344         | 11 692 344         |
| Other reserves                                               | 24   | (448 989)          | (211 586)          |
| Reserve for general loan risk                                | 25   | 2 731 790          | 2 792 383          |
| <b>Total equity</b>                                          |      | <b>52 040 646</b>  | <b>47 632 044</b>  |
| <b>Total equity and liabilities</b>                          |      | <b>118 314 875</b> | <b>108 564 579</b> |



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                            | Notes | 2024             | 2023             |
|------------------------------------------------------------------|-------|------------------|------------------|
| <b>Interest income</b>                                           |       |                  |                  |
| Interest income calculated using the effective interest rate     | 26    | 12 773 775       | 10 422 335       |
| Other interest income                                            | 26    | 178 874          | 258 112          |
| <b>Interest expense</b>                                          |       |                  |                  |
| Interest expense calculated using the effective interest rate    | 27    | (5 239 703)      | (4 159 075)      |
| Other interest expense                                           | 27    | -                | (3 195)          |
| <b>Net interest income</b>                                       | 27    | <b>7 712 946</b> | <b>6 518 177</b> |
| Net fee income                                                   | 28    | 376 019          | 334 691          |
| Net foreign exchange gain                                        | 29    | 128 497          | 860 205          |
| Net (loss) /gain from financial assets and financial liabilities | 30    | (509 186)        | 86 745           |
| Investment and other income                                      | 31    | 86 138           | 97 864           |
| <b>Other operating income</b>                                    |       | <b>81 468</b>    | <b>1 379 505</b> |
| <b>Operating income</b>                                          |       | <b>7 794 414</b> | <b>7 897 682</b> |
| Project preparation expenditure                                  | 32    | (8 922)          | (14 306)         |
| Development expenditure                                          | 33    | (193 656)        | (274 323)        |
| Impairment losses                                                | 34    | (1 428 311)      | (1 054 078)      |
| Personnel expenses                                               | 35    | (996 677)        | (914 408)        |
| Other operating expenses                                         | 36    | (449 850)        | (366 299)        |
| Depreciation and amortisation                                    | 37    | (42 571)         | (31 557)         |
| <b>Profit from operations</b>                                    |       | <b>4 674 427</b> | <b>5 242 711</b> |
| Grants paid                                                      | 38    | (25 628)         | (32 720)         |
| <b>Profit for the year</b>                                       |       | <b>4 648 799</b> | <b>5 209 991</b> |

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                             | Notes | 2024             | 2023             |
|-----------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Profit for the year</b>                                                        |       | <b>4 648 799</b> | <b>5 209 991</b> |
| <b>Items that will not be reclassified to profit or loss</b>                      |       |                  |                  |
| Loss on revaluation of land and buildings                                         | 24.1  | -                | (43 934)         |
| Movement in own credit risk for funding held at fair value through profit or loss | 24.3  | -                | (13)             |
| Remeasurement of funeral and post-employment medical benefit liabilities          |       | (2 794)          | 4 414            |
| <b>Total items that will not be reclassified to profit or loss</b>                |       | <b>(2 794)</b>   | <b>(39 533)</b>  |
| <b>Items that may be reclassified subsequently to profit or loss</b>              |       |                  |                  |
| Unrealised loss on cash flow hedges                                               | 24.2  | (555 835)        | (167 680)        |
| Loss/(gain) on cash flow hedges reclassified to profit or loss                    | 24.2  | 318 432          | (281 759)        |
| <b>Total items that may be reclassified subsequently to profit or loss</b>        |       | <b>(237 403)</b> | <b>(449 439)</b> |
| <b>Other comprehensive loss</b>                                                   |       | <b>(240 197)</b> | <b>(488 972)</b> |
| <b>Total comprehensive income for the year</b>                                    |       | <b>4 408 602</b> | <b>4 721 019</b> |

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                            |               |                              |                               | Other reserves                           |                         |                         | Total of other reserves* | Retained income | Total equity |
|------------------------------------------------------------------|---------------|------------------------------|-------------------------------|------------------------------------------|-------------------------|-------------------------|--------------------------|-----------------|--------------|
|                                                                  | Share capital | Permanent government funding | Reserve for general loan risk | Revaluation reserve on land and building | Cash flow hedge reserve | Own credit risk reserve |                          |                 |              |
| Balance as at 1 April 2022                                       | 200 000       | 11 692 344                   | 1 855 171                     | 182 434                                  | 99 353                  | 13                      | 281 800                  | 28 881 710      | 42 911 025   |
| Profit for the year                                              | -             | -                            | -                             | -                                        | -                       | -                       | -                        | 5 209 991       | 5 209 991    |
| Other comprehensive income                                       |               |                              |                               |                                          |                         |                         |                          |                 |              |
| Loss on revaluation of land and buildings                        | -             | -                            | -                             | (43 934)                                 | -                       | -                       | (43 934)                 | -               | (43 934)     |
| Movements in own credit risk for funding held at FVTPL           | -             | -                            | -                             | -                                        | -                       | (13)                    | (13)                     | -               | (13)         |
| Remeasurement of funeral and post-employment benefit liabilities | -             | -                            | -                             | -                                        | -                       | -                       | -                        | 4 414           | 4 414        |
| Unrealised loss on cash flow hedges                              | -             | -                            | -                             | -                                        | (167 680)               | -                       | (167 680)                | -               | (167 680)    |
| Gain on cash flow hedges reclassified                            | -             | -                            | -                             | -                                        | (281 759)               | -                       | (281 759)                | -               | (281 759)    |
| Transfer to general loan risk reserve                            | -             | -                            | 937 212                       | -                                        | -                       | -                       | -                        | (937 212)       | -            |
| Total comprehensive income                                       | -             | -                            | 937 212                       | (43 934)                                 | (449 439)               | (13)                    | (493 386)                | 4 277 193       | 4 721 019    |
| Balance as at 31 March 2023                                      | 200 000       | 11 692 344                   | 2 792 383                     | 138 500                                  | (350 086)               | -                       | (211 586)                | 33 158 903      | 47 632 044   |
| Profit for the year                                              | -             | -                            | -                             | -                                        | -                       | -                       | -                        | 4 648 799       | 4 648 799    |
| Other comprehensive income                                       |               |                              |                               |                                          |                         |                         |                          |                 |              |
| Remeasurement of funeral and post-employment benefit liabilities | -             | -                            | -                             | -                                        | -                       | -                       | -                        | (2 794)         | (2 794)      |
| Unrealised loss on cash flow hedges                              | -             | -                            | -                             | -                                        | (555 835)               | -                       | (555 835)                | -               | (555 835)    |
| Loss on cash flow hedges reclassified to profit or loss          | -             | -                            | -                             | -                                        | 318 432                 | -                       | 318 432                  | -               | 318 432      |
| Transfer from general loan risk reserve                          | -             | -                            | (60 593)                      | -                                        | -                       | -                       | -                        | 60 593          | -            |
| Total comprehensive income                                       | -             | -                            | (60 593)                      | -                                        | (237 403)               | -                       | (493 386)                | 4 706 598       | 4 408 602    |
| Balance as at 31 March 2024                                      | 200 000       | 11 692 344                   | 2 731 790                     | 138 500                                  | (587 489)               | -                       | (211 586)                | 37 865 501      | 52 040 646   |
| Note(s)                                                          | 22            | 23                           | 25                            | 24.1                                     | 24.2                    | 24.3                    | 24                       |                 |              |

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

|                                                                       |       |              |              |
|-----------------------------------------------------------------------|-------|--------------|--------------|
| in thousands of rands                                                 | Notes | 2024         | 2023         |
| Cash flows from operating activities                                  |       |              |              |
| Net profit adjusted for non-cash items and items separately disclosed | 39    | (1 609 682)  | (905 410)    |
| Interest received                                                     |       | 11 493 312   | 9 493 770    |
| Interest paid                                                         |       | (4 511 413)  | (3 501 903)  |
| Dividends received                                                    |       | 54 138       | 24 756       |
| Net cash generated from operating activities                          |       | 5 426 355    | 5 111 213    |
| Cash flows from development activities                                |       |              |              |
| Development loan disbursements                                        |       | (16 929 895) | (12 687 028) |
| Development loan principal repayments                                 |       | 13 016 359   | 8 530 596    |
| Equity investments disbursements                                      | 11.1  | (24 165)     | (47 910)     |
| Equity investments repayments                                         | 11.1  | 97 465       | 459 383      |
| Development bonds disbursements                                       | 13.2  | -            | (1 000 000)  |
| Development bonds repayments                                          | 13.2  | 83 333       | 41 667       |
| Grants, development and project preparation expenditure paid          |       | (210 886)    | (158 369)    |
| Increase in deferred income                                           |       | 43 097       | 28 161       |
| Decrease/(increase) in advances to National Mandates                  |       | 108 188      | (156 116)    |
| Net cash used in development activities                               |       | (3 816 504)  | (4 989 616)  |
| Net cash generated from operating and development activities          |       | 1 609 851    | 121 597      |
| Cash flows from investing activities                                  |       |              |              |
| Purchase of property and equipment                                    |       | (37 722)     | (49 002)     |
| Proceeds from disposal of property and equipment                      |       | 453          | -            |
| Purchase of intangible assets                                         |       | (5 447)      | (10 100)     |
| (Acquisition)/disposal of financial market assets                     |       | (158 407)    | 89 790       |
| Net cash generated from/(utilised by) investing activities            |       | (201 123)    | 30 688       |
| Cash flows from financing activities                                  |       |              |              |
| Gross financial market liabilities repaid                             |       | (10 364 080) | (13 174 638) |
| Gross financial market liabilities raised                             |       | 13 380 273   | 10 898 223   |
| Net cash generated from/(utilised) by financing activities            |       | 3 016 193    | (2 276 415)  |
| Net increase/(decrease) in cash and cash equivalents                  |       | 4 424 921    | (2 124 130)  |
| Effect of exchange rate movements on cash balances                    | 29    | 212 782      | 300 091      |
| Movement in cash and cash equivalents                                 |       | 4 637 703    | (1 824 039)  |
| Cash and cash equivalents at the beginning of the year                | 5     | 6 166 069    | 7 990 108    |
| Cash and cash equivalents at the end of the year                      | 5     | 10 803 772   | 6 166 069    |

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), the requirements of the PFMA and Sections 27 to 31 of the Companies Act, being the relevant and corresponding Sections of those specified in the DBSA Act, National Treasury Regulations and the JSE Limited Debt Listings Requirements. These Annual Financial Statements cover the individual entity (DBSA).

The Bank is not subject to the Banks Act. The Bank is a PFMA Schedule 2 entity.

1.1 Basis of preparation

1.1.1 Basis of measurement

The Annual Financial Statements have been 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.

The methods used to measure fair values are detailed in note 12.

The Annual Financial Statements were prepared on a going concern basis.

1.1.2 Presentation of the Annual Financial Statements

The Bank presents its statement of financial position in order of liquidity as it provides information that is more reliable and relevant to the users of the financial statements. The Annual Financial Statements presentation currency is the Rand. The Annual Financial Statements are rounded to the nearest thousand.

Financial assets and financial liabilities are generally reported at their net carrying amount in the statement of financial position. They are only offset when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default; or
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

Income and expenses are presented on a net basis only when permitted under IFRS.

1.1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Annual 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 Annual 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.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

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 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 42 for more details on expected credit losses and note 12 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 as noted in note 1.2.5, 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 Annual Financial Statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Bank has reasonable belief that there are adequate resources to continue as a going concern for the foreseeable future, based on forecasts and available cash resources. The Bank has assessed the impact of macro-economic shock events on

the Bank's ability to continue as a going concern. The Bank has concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern.

The Bank continues to monitor the macro-economic shock events impact on impairments, pricing and profitability to ensure that the Bank remains financially and operationally sustainable. The Bank has continued to be successful in raising funding from international development finance institutions as well as international and local commercial banks and asset managers. Refer to note 43 for further disclosures on macro-economic shock events.

(ii) Impairment testing for non-financial assets: Key assumptions underlying recoverable amounts

The recoverable amounts of assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

(iii) Depreciation and amortisation and the useful lives of property and equipment and intangible assets

Depreciation rates, depreciation methods adopted and residual values of assets require judgements and estimates to be made. Changes in estimates are disclosed in the relevant notes where applicable.

(iv) Valuation of land and buildings

The fair value of land and buildings is determined by an independent valuator or by management. The valuation technique used makes use of significant unobservable inputs such as expected market rental growth and capitalisation market interest rates.

(v) 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 assessment, and 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 levels 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.



ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

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.

(vi) Measurement of funeral benefit obligations and post-employment medical benefits

The cost of defined benefit post-employment medical benefits as well as the present value of the post-employment medical aid obligation are determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and medical cost trends. All assumptions are reviewed at each reporting date.

Obligations for contributions to the defined contribution provident fund plans are recognised as an expense in profit or loss when they are due.

(vii) 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 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.

(viii) Investment securities

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

(ix) 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.

(x) Provisions

Provisions are held in respect of a range of future obligations such as employee incentives, restructuring costs and litigation provisions.

Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgements about the ultimate outcomes of the transactions.

Additional disclosure of these estimates of provisions is included in note 18 - Provisions and lease liabilities.

(xi) 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 macro-economic 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.

(xii) 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.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.1 Basis of preparation (continued)  
1.1.3 Significant accounting judgements, estimates and assumptions (continued)

(xiii) 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.

(xiv) 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.

(xv) IFRS 15: Revenue from contracts with customers

No significant assumptions and judgements were made for revenue from contract with customers.

(xvi) IFRS 16: Leases

For leases with the option to extend or terminate, the Bank assumes that it will choose not to exercise its option to renew or terminate the contract therefore assumes that the leases will be applicable until the end of the original contract. Some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the Bank will exercise the extension option. Most leases in the Bank have fixed escalations.

(xvii) Write-offs

The Bank applies significant judgements for write-offs (refer to write-offs policy on page 45).

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

c) Macro-economic shock events

The waning impact of the COVID-19 pandemic combined with the elevated uncertainty resulting from the conflict in eastern Europe continues to shape the global macro-economic outlook. Disruptions to food and fuel supply chains have combined to produce a costpush inflationary environment across the globe. Fiscal policy responses have been consistent in accelerated unwinding of pandemicera 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.

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

Accounting for the following items within the statements of financial position and comprehensive income has been significantly impacted by the complexity and uncertainty resulting from the fallout from recent macro-economic shock events:

- Development loans held at FVTPL (note 10);
- Equity investments held at FVTPL (note 11);
- Development bonds at amortised cost (note 13);
- Development loans at amortised cost (note 14); and
- ECLs on financial assets held at amortised cost (note 35).

Significant judgements and estimates impacted by macro-economic shock events

An overview of the areas where additional judgement has been applied and includes references to the relevant Sections in the notes to the Annual Financial Statements, where additional information has been included is summarised below.

(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 ECL determination, is provided in notes 35 and 43. Taking into consideration the wide range of possible scenarios and macro-economic outcomes, and the relative uncertainty of the social and economic consequences of macro-economic shock events, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Significant increase in credit risk

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

(ii) Global sovereign debt relief initiatives

Due to macro-economic shock events and their combined impact on the world economy, several the Bank's customers have and continued to experience liquidity concerns. The Bank continues to apply its established policy of providing relief only upon formal request from affected borrower and following application of the necessary due diligence and approval by the appropriate governance framework. To assist customers, the Bank has considered individual debt relief applications received as follows:

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

In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 1.2.5 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.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

(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 three possible future macro-economic 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

1.2.1.1 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.

1.2.1.2 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’ cash flows.

(a) Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank’s management;
- The risks that affect the performance of the business (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated such as whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of income in prior periods, the reasons for such income and its expectations about future income activity. However, information about income activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking ‘adverse case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank’s business model for the classification of financial assets is detailed in the table below:

| Portfolio - Group of assets                         | Business model                                     | Classification and measurement    | Characteristics of cashflows                                                                         |
|-----------------------------------------------------|----------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------|
| 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 cashflows                   | Amortised cost                    | Cashflows that are solely principal and interest                                                     |
| Development loans at amortised cost                 | To collect contractual cashflows                   | Amortised cost                    | Cashflows that are solely principal and interest                                                     |
| Development loans at FVTPL                          | To collect contractual cashflows                   | 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 cashflows                   | Amortised cost                    | Cashflows that are solely principal and interest                                                     |
| Other financial assets                              | To collect contractual cashflows                   | Fair value through profit or loss | Cashflows that are not solely payment of principal and interest on the principal                     |
| 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 |

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.2 Financial instruments (continued)  
1.2.1 Financial assets (continued)

(b) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (such as non-recourse asset arrangements); and
- features that modify consideration of the time value of money such as periodical reset of interest rates.

(c) Financial assets 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.

(d) Financial assets at fair value through profit or loss

The classification of financial instruments at initial recognition depends on the characteristics of contractual cash flows and the business model for managing the instrument. 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 1.19. These assets consist of development loans, other financial assets, equity investments, investment securities and derivatives.

(e) 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 1.19.

1.2.1.3 Reclassifications of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting

period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

1.2.1.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item; and
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss.

1.2.1.5 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.



ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.1 Financial assets (continued)

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.

1.2.1.6 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (OCI) and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

1.2.1.7 Write-offs

IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when the Bank believes that there is no reasonable expectation of recovery. The Bank has internal policies which govern the process of write-off as dealt with by the Business Support and Recovery unit which ensures that post write-off recoveries remain insignificant over the long run. An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- The financial asset has been in default for the period which is deemed sufficient to determine;
- Whether the entity is able to receive any further economic benefit from the impaired loan; and
- At the point of write-off, the financial asset is fully impaired with no reasonable expectation of recovery of the asset.

1.2.2 Financial liabilities

Debt that is issued are classified as either financial liabilities or as equity in accordance with the terms 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.

1.2.2.1 Classification and measurement

The Bank accounts for its financial liabilities either as:

- held at FVTPL; 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 below:

The classification of financial liabilities is detailed below:

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

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.2 Financial liabilities (continued)

(a) 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 fair value through profit or loss is measured at fair value, with the changes in fair value arising from the entity's own credit risk be recognised in other comprehensive income.

(b) 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.

1.2.2.2 Changes in fair value of liabilities due to changes in the Bank's own credit risk

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

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

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

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

1.2.2.3 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. Further details of derivative financial instruments are disclosed in note 8.

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.

1.2.2.4 Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

1.2.2.5 Modification of financial liabilities

When either the contractual terms or cash flows of financial liabilities 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 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 that 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 liability is substantially different to the existing financial liability. 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 liability.
- Qualitative assessment: A significant change in the terms and conditions that are 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).

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/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/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.

1.2.2.6 Derecognition of a financial liability

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument for another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Bank accounts for substantial modification of the terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

For the qualitative aspects of the substantial modification assessment of financial liabilities, refer to accounting policy note 1.2.2.5.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.2 Financial instruments (continued)  
1.2.2 Financial liabilities (continued)

1.2.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

1.2.3 Trade date and settlement date accounting

The trade date is the date that an entity commits itself to purchase or sell an asset and trade date accounting refers to:

- The recognition of an asset to be received and the liability to pay for it on the trade date; and
- Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

The settlement date is the date that an asset is delivered to or by an entity and settlement date accounting refers to:

- The recognition of an asset on the day it is received by the entity; and
- The derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Interest does not start to accrue on the asset and corresponding liability from trade date and only starts from settlement date when title passes. The Bank applies settlement date accounting and accounts for any change in the fair value of assets to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. The change in value between trade date and settlement date is not recognised for assets carried at cost or amortised cost. The change in value is, however, recognised in profit or loss for assets classified as financial assets at FVTPL and for available for sale, the change in fair value is recognised in other comprehensive income.

1.2.4 Repurchase and sale agreements

Where the Bank sells investments from its portfolio and agrees to repurchase these at future dates with the risk of ownership remaining with the Bank, the consideration received is treated as a loan, secured by the underlying instrument and included in funding under repurchase agreements.

Conversely, excluded from investments are market instruments purchased under an agreement to resell at future dates with the risk of ownership remaining with the counterparty. The consideration paid is treated as an advance, secured by the underlying instrument and included in investments under resale agreements.

1.2.5 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.

1.2.5.1 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.

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 stage 3 when the counterparty has defaulted. Financial assets that are more than 90 (ninety) days in arrears are classified as non-performing, thus credit impaired. Further, the Bank uses stringent measures on loans with monthly repayments. When two consecutive payments have been missed or exposure in arrears equals to two monthly repayments, the exposure is transferred to stage 3.

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

Evidence that a financial asset is credit impaired includes observable data about the following events:

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

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

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

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

1.2.5.2 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. Refer to note 42.

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.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.2 Financial instruments (continued)  
1.2.5 Impairment of financial instruments (continued)

Backstop measure

A IFRS 9 requirement has a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due (DPD). Where applicable, the Bank has rebutted this presumption based on reasonable and supportable information, which is available, without undue cost or effort. The backstop measure is applied, whereby a loan is considered to have experienced SICR when a borrower is more than 30 DPD on its contractual payments.

This 30 DPD rebuttable presumption to exclude the following factors:

- Small balances of arrears more than 30 DPD;
- Arrears which consist of default interest which fall due within the current interest period (this arrear interest is payable at next interest payment date – which could be 1 month/1 quarter/1 semester);
- Arrears on mezzanine debt/junior debt/black economic empowerment debt funding where the loan payments are dependent on the receipt of a distribution from the holding company and the distribution is delayed due to administrative processes whilst the project is performing and the senior loan is not in arrears;
- Arrears due to timing mismatch between grant funding and borrower obligations/repayment schedule to the Bank;
- Arrears as a result of fees;
- Arrears due to foreign currency liquidity in the host country are referred to the Bank’s Investment Committee for a decision on a deal-by-deal basis;
- Loans with arrears as a result of repayments received, which repayments were not less than 95% of the repayment due amount; and
- Any other technical arrears as approved by the Investment Committee.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the accepted PD variation criteria, or which are less than 30 DPD are considered not to have an indication of a significant increase in credit risk and are considered to have low credit risk. The ECLs for these financial assets is based on a 12-month ECL.

A financial asset will migrate through the ECL stages as asset quality deteriorates. If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the financial asset has been cured, as per the curing policy of the Bank, the Bank measures the loss allowance at an amount equal to 12-month ECLs at the current reporting date.

Although some financial assets within the Bank’s portfolio might meet the definition of low credit risk, the Bank still performs an assessment of whether there has been a significant increase in credit risk between the reporting date and the date of initial recognition.

1.2.5.3 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. The concept of PDs is further explained in note 42.
- **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. The EAD is further explained in note 42.

- **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. The LGD is further explained in note 42.

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 (USD/ZAR).

For further details on how the Bank calculates ECLs, including the use of forward-looking information, and for details on the effect of modifications of loans on the measurement of ECL refer to note 42.

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 Annual Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. However, overlays are reversed or unwind on the back of repayments received and significant improvements in the credit risk or rating of the financial instruments. Management continues to monitor their judgements on these in order to ensure that the financial instruments are adequately provided.

(a) Expected credit losses on modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The modification gain or loss is recognised in profit or loss; and
- If the expected restructuring results in the derecognition of the existing asset, then the fair value of the new asset is the new cash flows based on the new terms of the restructure. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset.

The Bank monitors the subsequent performance of the modified assets. If the Bank determines that the credit risk has significantly improved after restructuring, the assets are moved from stage 3 or stage 2 (lifetime ECL) then stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets in accordance with the policy of the Bank.



ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.2 Financial instruments (continued)  
1.2.5 Impairment of financial instruments (continued)

(b) Trade and other receivables

For trade and other receivables only, the Bank applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables if there is no significant financing component. Under this approach the tracking of changes in credit risk is not required, instead lifetime expected credit losses are recognised. ECLs are recognised in profit or loss.

The provision matrix will be used to calculate the ECL on trade and other receivables.

The Bank will use the historically observed default rates (actual write-off) over the expected life of the trade and other receivables adjusted as necessary to reflect current conditions to calculate the default rate in the provision matrix.

Adjustments will be made for forward-looking information based on economic conditions. The default rate calculated in the provision matrix will be adjusted for economic conditions.

The total book debt comprises of various categories of trade and other receivables and the default rate applicable to these categories is applied on the customers within these categories to calculate the ECL allowance.

(c) Loan commitments

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

The date that the Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

To the extent that the amount of the ECLs on a loan commitment contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the impairment allowance is presented as a provision.

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

(d) Financial guarantees

A financial guarantee is a contract to compensate the third parties for a financial loss when the financial guarantee counterparty does not pay a specified amount.

After initial recognition, the Bank measures the financial guarantees at the higher of:

- The amount of the credit loss allowance; and
- The amount initially recognised (fair value) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The ECL on financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

For financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements.

To the extent that the amount of the ECLs on a financial guarantee contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the impairment allowance is presented as a provision in the statement of financial position.

1.2.5.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

1.2.5.5 Write-off policy

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery of the financial asset.

Loan and equity investments, or portions thereof, which are classified as bad or deemed uncollectable may be written off. Facilities may only be written off when they are considered uncollectable and worthless, i.e. action for recovery has been exhausted or it is no longer worthwhile in the foreseeable future. Partial write-offs of impaired loan accounts may be considered under the following circumstances:

- A partial write-off forms part of a restructuring or a negotiated settlement;
- The realisable value of security is less than the balance outstanding (including principal, accrued interest and other charges) and topping up of the security deficiency is not forthcoming;
- The shortfall in security value over the outstanding balance is uncollectable;
- The outstanding amount is to be written down to the value of the security (i.e. the shortfall in security value over the outstanding balance is written off) or agreement has been reached for the payment of a fixed amount as full and final settlement for the indebtedness to the Bank;
- In duplum interest where its recovery is no longer possible; or
- In terms of the delegated authority held by the Chief Executive Officer.

All write-offs are recommended by the Investment Committee to the Audit and Risk Committee (ARC) for approval. Motivations for write-off may be considered when one or more of the following applies:

- There is no probability of any further recoveries and no realisable security is held;
- All security held has been realised and the sale proceeds thereof appropriated towards reducing the outstanding debt;
- The borrower and guarantor(s) have no known means of repayment;
- The recovery process will be uneconomical;
- The in duplum rule applies; and/or
- It will take abnormally long to recover outstanding debt and the Bank will/has instituted legal action to recover.

1.2.5.6 Collateral and other credit enhancements

In addition to pricing for the risk, the Bank uses collateral to enhance the quality of credit and/or to reduce the expected losses on its lending portfolio. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on a yearly basis.

Collateral and guarantees are used by the Bank for credit risk mitigation. The main types of collateral taken comprise bank accounts, floating charge, guarantee, income stream, insurance, mortgage bond, notarial bond, surety and unit trust. The Bank also uses various forms of specialised legal agreement like guarantees and similar legal contracts in support of credit extension where necessary.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

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.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.3 Hedge accounting (continued)

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.

Note 8 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

1.3.1 Fair value hedge

The fair value change on qualifying hedging instruments is recognised in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where gains and losses are related to hedging instruments, they are recognised in profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the hedge accounting requirements (after rebalancing, if applicable). This includes instances where hedging instrument expires or is sold, terminated or exercised. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

1.3.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the hedge accounting requirements (after rebalancing if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, the discontinuation is accounted for prospectively. The cumulative unrealised gain or loss is recognised immediately in profit or loss.

1.4 Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Cash and cash equivalents include notes and coins on hand, current accounts, call deposits and fixed deposits.

Cash and cash equivalents are measured at amortised cost in the statement of financial position. The balance at amortised cost are regarded as having a low probability of default, therefore the ECL is insignificant.

1.5 Trade and other receivables

Trade and other receivables comprise trade debtors, third party funds, staff loans and VAT.

Trade receivables are measured at amortised cost less provision for ECLs as they meet the objective of collecting cash flows over their life.

Trade receivables generally do not contain a significant financing component. The provision for ECLs is determined by applying a simplified approach equalling the lifetime ECLs.

The Bank shall only write-off bad debt when all reasonable steps have been taken to recover the debt. Write-offs are presented as impairments in the statement of comprehensive income.

Any recoveries due to enforcement activities are treated as bad debt recovered in the year which such recoveries are made.

The write-off is approved according to the Bank's Delegation of Authority. Write-offs are disclosed as part of ECLs on trade receivables and other assets in the statement of financial position.

1.6 Investment securities

Investment securities consist of government bonds, municipal bonds, state-owned entities bonds and segregated funds. These are held as part of the strategic liquidity portfolio. The instruments are measured at FVTPL as the overall business model is one where the main purpose for investment securities is that these are held as part of the strategic liquidity portfolio and can thus be redeemed at any time depending on the Bank's liquidity requirements. Any changes in the fair value will be recognised in profit or loss.

1.7 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. Value in use is the present value of projected cash flows covering the remaining useful life of the asset.

A reversal of an impairment loss of assets, measured at cost less accumulated depreciation or amortisation and impairment losses, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase to the extent that it exceeds the amount of impairment previously recognised in profit or loss.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.8 Property, equipment and right of use of assets

1.8.1 Property and equipment

1.8.1.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings, which are measured at fair value less accumulated depreciation and impairment losses, in terms of the revaluation model. Land and buildings are revalued every two years by an independent valuator.

After recognition as an asset, an item of property whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss. When revalued land and buildings are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Freehold land and buildings are subsequently carried at fair value, based on yearly valuations performed either by an independent valuator or management. Changes in fair value are recognised in OCI and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Leasehold improvements and buildings leased are capitalised and are amortised over the lease term.

1.8.1.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss when incurred.

1.8.1.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| Item                   | Estimated useful life |
|------------------------|-----------------------|
| Buildings              | 40 years              |
| Computer equipment     | 3 years               |
| Furniture and fittings | 10 years              |
| Leasehold improvements | 3 years               |
| Motor vehicles         | 4–5 years             |
| Office equipment       | 5–10 years            |

The useful lives, depreciation methods and the residual values of assets are reviewed and adjusted annually, if appropriate. Changes resulting from this review are accounted for prospectively as changes in estimates.

1.8.2 Right of use of assets

1.8.2.1 Recognition and measurement

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

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

1.8.2.2 Subsequent measurement

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

1.8.2.3 Depreciation on right of use assets

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

1.8.2.4 Termination of lease

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

Where the Bank or lessor terminates or cancels a lease, the right of use is derecognised to reflect the partial or full termination of the lease. The Bank as lessee recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The lease liability is derecognised accordingly.

1.9 Intangible assets

1.9.1 Recognition and measurement

Intangible assets that are acquired by the Bank, and which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Internally generated goodwill and brands are recognised in profit or loss as incurred.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment.

1.9.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, otherwise it is recognised in profit or loss as incurred.

1.9.3 Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

| Item     | Estimated useful life |
|----------|-----------------------|
| Software | 3 - 15 years          |

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.10 Trade and other payables

Trade and other payables comprise trade creditors, third party funds and agencies.

Trade and other payables are initially measured at fair value. Subsequently, they are measured at amortised cost using the effective interest rate method.

1.11 Employee benefits

1.11.1 Defined contribution plan

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in profit or loss when they are due.

1.11.2 Defined benefit plan

The Bank contributes to a defined benefit plan for post-employment medical benefits for eligible employees and pensioners.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Bank's net obligation in respect of a defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date based on the nominal bond curve that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary, using the projected unit credit method.

When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Bank recognises all actuarial gains and losses arising from defined benefit plans directly in OCI.

1.11.3 Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

1.11.4 Short term employee benefits

Short term employee benefit obligations, including annual leave, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.12 Provisions and lease liabilities

1.12.1 Provisions

Provisions are recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic resources will be required to settle the obligation. When the effect of discounting is material, provisions are discounted using an appropriate discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

(a) Onerous contracts

Provisions are recognised for onerous contracts when the expected benefits to be derived by the Bank from a contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

1.12.2 Lease liabilities

A lease liability is initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Bank's incremental borrowing rate at the date of entering into the lease.

For variable lease payments, fixed amounts are assumed and used in the calculation of the lease liability. The difference in the amounts assumed and the amounts paid are expensed in the statement of profit or loss. Subsequent to initial recognition, the interest accrued is included in the balance of the lease liability and the repayments are reduced to the balance of the lease liability.

When the Bank or lessor terminates or cancels a lease, the lease liability is derecognised; any difference in the lease liability is recognised in profit or loss on derecognition.

The Bank has elected to account for short term leases and leases of low-value assets using the practical expedients. These leases relate to items of computer equipment. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

1.13 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 1.19.

Repurchase and resale agreements

Where the Bank sells investments from its portfolio and agrees to repurchase these at future dates with the risk of ownership remaining with the Bank, the consideration received is treated as a loan, secured by the underlying instrument and included in funding under repurchase agreements.

Conversely, excluded from investments are market instruments purchased under an agreement to resell at future dates with the risk of ownership remaining with the counterparty. The consideration paid is treated as an advance, secured by the underlying instrument and included in investments under resale agreements.

1.14 Share capital and reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

If the Bank reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.



ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.14 Share capital and reserves (continued)

1.14.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

The Bank’s equity instruments primarily include a permanent government funding and shares issued. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

1.14.2 Permanent government funding

This represents capital provided by the South African government and remains part of the permanent capital of the Bank.

1.14.3 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments where the hedged transaction has not occurred or not yet affected profit or loss.

1.14.4 Reserve for general loan risks

The reserve is maintained as part of the Bank’s capital management purposes and is calculated based on the latest internal risk rating of borrowers. The reserve is reviewed quarterly. The reserve for each risk category is estimated by calculating each risk category as follows:

- Low risk minimum of 3% (MS1–7);
- Medium risk minimum of 5% (MS8–13); and
- High risk minimum of 7% (MS14–MS17).

Any adjustment to the reserve is recognised as a movement directly between retained earnings and the reserve for general loan risks in the statement of changes in equity.

1.14.5 Revaluation reserve on land and buildings

This reserve represents the fair value adjustment recognised on the revaluation of land and buildings. Land and buildings are subsequently carried at fair value, based on annual valuations performed either by an independent valuator or management. These revaluations are made yearly to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Changes in fair value are recognised in OCI and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

1.14.6 Dividends

Dividends distributions made to equity holders are recognised as a reduction in equity when they are appropriately authorised for distribution.

1.15 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank’s revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at FVTPL.

1.16 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. The Bank also assumes 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 47 and accounting policy 1.2.5 for the policy disclosure.ECLs arising from loan commitments are included within provisions (refer to note 18).

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

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

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

1.17 Revenue recognition

1.17.1 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.

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.

1.17.2 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 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.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.17 Revenue recognition (continued)

1.17.2.1 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 such as constructing infrastructure on behalf of clients. The fees are earned based on the stage of completion of the project using the input method. There is no significant financing component for management fees.

1.17.2.2 Lending fees

Lending fees are fees charged by the Bank for processing and funding a loan. They can include application fees, attorney fees, recording fees and underwriting fees. There is no significant financing component for lending fees. Lending fees are raised as per the agreement at a percentage of the facility/commitment.

1.17.2.3 Non-lending fees

The fees relate to non-lending services provided to customers and are recognised when the service obligation is completed. There is no significant financing component for non-lending fees.

1.17.3 Other income

Other income includes cost recoveries, rental income and gains or losses on the disposal of assets or liabilities excluding equity instruments and those instruments recognised at FVTPL. Other income is recognised when or as the Bank satisfies a performance obligation.

1.18 Investment income

Investment income includes all income, loss, revaluation and foreign exchange gains and losses relating to equity investments. Dividend income is recognised in profit or loss when the Bank's right to receive payment is established per the following:

1.18.1 Dividend income

(a) Unlisted equities

Dividend income is recognised when the issuance of the dividend is properly authorised, i.e. issuance of the dividend has been approved by the relevant authority (i.e. the Board of Directors or Shareholders) in accordance with legislation applicable to the entity's jurisdiction of incorporation.

(b) Listed equities

Dividend income is recognised on the ex-dividend date, i.e. the date on which the Bank's irrefutable right to receive the dividend is confirmed.

1.19 Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the Annual Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Annual Financial Statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.19.1 Property, equipment and right of use of assets

The fair value of land and buildings is based on a two-year valuation performed by an independent valuator.

1.19.2 Other financial asset

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

1.19.3 Financial instruments

Fair value measurements are categorised into three different levels in the fair value hierarchy, based on the inputs to the valuation techniques used. The hierarchy levels are defined as follows:

- (a) Unadjusted, quoted prices 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. The Bank does not adjust quoted prices obtained in active markets.

The level 1 classification is made for all financial instruments where there is enough volume of trades and liquidity. Listed government bonds are classified as level 1. Listed municipal bonds, corporate bonds, state-owned entity bonds and own issued bonds are disclosed as level 1 fair value hierarchy only in instances where there is evidence of sufficient volume of trades and number of trades in an active market. The criteria applied are shown in point (b) below:

- (b) There are two groups of Bank's financial instruments that are disclosed as fair value hierarchy level 2.

- **Group 1 instruments** – Instruments where the valuation technique applied uses the market observable inputs. Such techniques may include: using recent arm's length market transactions, reference to the current fair value of similar instruments and discounted cash flow analysis, pricing models or other techniques commonly used by market participants.
- **Group 2 instruments** – Listed instruments from an inactive market and whose trading volumes do not support a level 1 classification are shown as level 2 classification. These instruments include municipal, corporate, state-owned entity and own-issued bonds listed in an inactive market where there is no sufficient volume of trades and liquidity.No adjustments are made to quoted prices. However, should the market be inactive, such fair values do not qualify for level 1 classification. Financial instruments at fair value are disclosed as level 1 fair value hierarchy only if the instrument has a minimum weekly.
- **Financial instruments** at fair value are disclosed as level 1 fair value hierarchy only if the instrument has a minimum daily trade volume of 10 trades, a minimum weekly trade volume of 50 trades in the last trading week close to measurement date and cumulatively a minimum of 200 trade volume per month is achieved. The thresholds are reviewed annually and represent management's judgement (based on historical trade volume analysis) in assessing the trading volumes which supports a level 1 fair value hierarchy-classification. No adjustments are made to listed or observable prices. Close to each measurement date, the Bank assesses whether instruments' trading volumes and number of trades support a level 1 classification.

- (c) Valuation techniques, as described in (b) above, 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 in (b) and (c) use as inputs interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlying and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and observable transaction prices where available. The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred.

The Bank's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- Changes in market and trading activity (e.g. significant increases/decreases in trading activity); and
- Changes in inputs used in valuation techniques (e.g. inputs becoming/ceasing to be observable in the market or significant adjustments required due to material risk events, such as COVID-19, applicable as from the year under review).

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)  
1.19 Determination of fair values (continued)

1.19.4 Equity investments

After initial recognition, the Bank measures equity investments at FVTPL.

If the market for an equity financial instrument is not active, the Bank uses a valuation technique to establish what the transaction price would be in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market based measurement and uses the assumptions that market participants would use when pricing an asset under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a force transaction, involuntary liquidation or a distressed sale.

- The Bank uses valuation techniques in measuring equity instruments, including:
- Price of recent investment, if available;
  - Discounted cash flow analysis based on free cash flows, earnings or dividends using market-related adjusted discount rates;
  - Price earnings growth (PEG);
  - Option pricing models;
  - Net asset values (NAV); and
  - Offer price as proxy to the fair value.

- The Bank ensures that these valuation techniques:
- Make maximum use of market inputs and where applicable rely 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.

Equity investments held at fair value consist of direct investments in equity and third party managed funds.

1.19.5 Investment securities

In the case of instruments for which actively quoted market prices are available, the fair value of financial instruments is based on the quoted market price at reporting date, without any deduction for transaction costs. These market prices are based on capital and interest.

1.19.6 Debt securities

In the case of instruments for which actively quoted market prices are available, the fair value of financial instruments is based on the quoted market price at reporting date, without any deduction for transaction costs. These market prices are based on capital and interest.

1.19.7 Lines of credit

These market prices are based on capital and interest. If actively quoted market prices are not available, the fair value is determined through discounted cash flow techniques, using market interest rates taking into account the credit quality and duration of the instrument.

1.19.8 Derivatives

The fair value of forward exchange contracts is determined by discounting the contractual future cash flows at the relevant market curves and netting off at the rand spot exchange rate as at the reporting date.

The fair value of interest rate swaps, forward rate agreement and cross currency swaps is the estimated amount that the Bank would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and foreign exchange rates and the creditworthiness of the respective swap counterparties. The fair value of derivatives that are not exchange-traded is estimated using discounted cash flow valuation methods with inputs limited, to the extent possible, to market observable data.

The fair value of options is calculated using a Black-Scholes derived model that values both time value of money and intrinsic value of options to determine a theoretical market value. The Bank applies a version of the Black-Scholes option-pricing model that is modified to incorporate a 'dividend yield' from the underlying asset. In the case of currency options, the dividend yield is the interest rate on the foreign currency. The intrinsic value is computed as the maximum of zero and the value of the option if it were exercised immediately. Intrinsic value is either zero or the payoff that would accrue from exercising the option immediately, whichever is the larger.

Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows and the discount rate is a

market-related rate at the reporting date for an instrument with similar terms and conditions.

1.19.9 Interest-bearing loans

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, convert expected future amounts to a single present amount. The Bank uses discount rate adjustment present value technique which attempts to capture all the risk associated with the item being measured in the discount rate and is most commonly used to value assets and liabilities with contractual payments such as debt instruments. The following assumptions are applied in the calculation of fair value:

- The forecasted interest and capital cash flows are contractual;
- A flat probability of default curve for each loan is assumed across all loan maturities. A flat probability of default curve means a flat credit margin (being a product of loss given default and probability of default) for each loan;
- The credit margin is added to an interpolated swap rate to determine the discount rate used in discounting the cash flows;
- The swap rates represent the base risk free rate for all loans. The swap rates are downloaded from Reuters as at valuation date and contain market data of interest rate swaps;
- The interest cash flows include client credit margin and the discount rate applied is adjusted to include the credit margin;
- The discount rate is used to calculate the present value of cash flows, i.e. present value = cash flow/(1 + discount rate)^tenor; and
- The valuation excludes non-performing loans due to cash flows being uncertain and this has been consistent with prior years.

1.19.10 Interest rates used for determining fair value

The Bank uses market-derived discount curves as at the reporting date. Future cash flows are based on contractual cash flows and, where market observable inputs are not available, management makes use of best estimates to determine the appropriate credit spread to apply. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

1.20 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.

1.21 Events after the reporting period

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.

1.21.1 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.

1.21.2 Non-adjusting event

An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

1.22 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 Annual Financial Statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

ACCOUNTING POLICIES (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. STATEMENT OF COMPLIANCE (continued)

1.23 Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for-sale (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in profit or loss.

1.24 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.

1.25 Funds administered on behalf of third parties

The Bank manages funds on behalf of third parties. Funds administered on behalf of third parties are in ring fenced bank accounts, which are restricted and are utilised for specific purposes as determined in the agreements with third parties and as instructed by the parties to the agreements. The funds are not disclosed in the Bank’s statement of financial position as they do not meet the definition of an asset as per the accounting framework.

1.26 Segmental reporting

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.

| Segment                               | Key group of assets in the segment  | Business model                                      | Classification and measurement under IFRS 9 |
|---------------------------------------|-------------------------------------|-----------------------------------------------------|---------------------------------------------|
| RSA Economic and Social               | Development bonds - Municipal bonds | To collect contractual cash flows                   | Amortised cost                              |
|                                       | Development loans                   | To collect contractual cash flows                   | Amortised cost                              |
|                                       | Trade receivables and other assets  | To collect contractual cash flows                   | Amortised cost                              |
| RSA Economic and Social               | Development loans                   | To collect contractual cash flows                   | Amortised cost                              |
|                                       | Trade receivables and other assets  | To collect contractual cash flows                   | Amortised cost                              |
| Rest of Africa                        | Development loans                   | To collect contractual cash flows                   | Amortised cost                              |
|                                       | Trade receivables and other assets  | To collect contractual cash flows                   | Amortised cost                              |
| Treasury and balance sheet management | Cash and cash equivalents           | To hold to collect contractual cash flows           | Amortised cost                              |
|                                       | Investment securities               | Held primarily for sale to manage liquidity needs   | Fair value through profit or loss           |
|                                       | Derivative assets                   | Derivative assets held for risk management purposes | Fair value through profit or loss           |
| Infrastructure Delivery               | Trade receivables and other assets  | To collect contractual cash flows                   | Amortised cost                              |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2024

1. NEW STANDARDS AND INTERPRETATIONS

1.1 Standards and Interpretations issued but not yet effective

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

1.1.1 IAS 7 and IFRS 7 - Supplier financing arrangements (Effective for annual periods beginning on or after 1 January 2024)

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

1.1.2 IFRS 16 Leases - sale and leaseback transactions (Effective for annual periods beginning on or after 1 January 2024)

The amendments provide a requirement for the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

1.1.3 IAS 1 Presentation of financial statements - classification of current and non-current liabilities (Effective for annual periods beginning on or after 1 January 2024)

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.

1.1.4 IAS 21 The effects of changes in foreign exchange rates – Lack of exchangeability (Effective for annual periods beginning on or after 1 January 2025)

The amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

1.1.5 IFRS 18 Presentation and disclosure in financial statements - Replaces IAS 1 (Effective for annual periods beginning on or after 1 January 2027)

IFRS 18 requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating activities, investing activities, financing activities, income taxes and discontinued operations. The first three categories are new. These categories are complemented by the requirement to present sub totals and totals for operating profit or loss before financing and income taxes and profit or loss.

1.1.6 Sustainability and Climate related disclosures

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

IFRS S1 – General Requirements for Disclosure of Sustainability-Related Financial Information (Effective for annual periods beginning on or after 1 January 2024)

The objective of IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

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

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

1. NEW STANDARDS AND INTERPRETATIONS (continued)

1.2 Amended standards effective for the current financial year

1.2.1 Interest Rate Benchmark Reform

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

1.2.1.1 Modification of financial instruments

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

The practical expedient above will be applied to the development loans. Any other changes to the contractual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the group's modification policy (refer to accounting policy 1.2.1.5 and 1.2.2.5 for further information relating to the modification policy).

1.2.1.2 Hedge accounting

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

1.2.1.3 Risks

The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to Alternative Reference Rates (ARRs). The Bank will transition to ARR as each interest rate benchmark is replaced. Refer to note 42 for additional risk disclosures.

1.2.2 IAS 1: Presentation of Financial Statements

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

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

1.2.3 IAS 8: Accounting Policies, changes in accounting estimates and errors

**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. SEGMENTAL INFORMATION

The Bank has five reportable segments as listed below, which are the Bank's strategic business units. These business units are managed separately, based on the Bank's management and internal reporting structure for each of the strategic business units. The Bank's Executive Committee reviews internal management reports on at least a quarterly basis.

The following are the Bank's reportable segments:

- RSA Municipalities;
- RSA Economic and Social;
- Rest of Africa;
- Infrastructure Delivery Division; and
- Treasury and Balance Sheet Management.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

2. SEGMENTAL INFORMATION (continued)

|                                                                    | RSA Municipalities |                    | RSA Economic and Social |                    | Rest of Africa    |                   | Infrastructure Delivery |                | Treasury and Balance Sheet Management |                  | *All other       |                  | Total              |                    |
|--------------------------------------------------------------------|--------------------|--------------------|-------------------------|--------------------|-------------------|-------------------|-------------------------|----------------|---------------------------------------|------------------|------------------|------------------|--------------------|--------------------|
|                                                                    | 2024               | 2023               | 2024                    | 2023               | 2024              | 2023              | 2024                    | 2023           | 2024                                  | 2023             | 2024             | 2023             | 2024               | 2023               |
| Interest income calculated using EIR                               | 3 955 700          | 3 543 023          | 4 712 434               | 3 793 020          | 3 322 851         | 2 493 972         | -                       | -              | 782 790                               | 592 320          | -                | -                | 12 773 775         | 10 422 335         |
| Other interest income                                              | -                  | 18 191             | 92 386                  | 175 251            | 43 501            | 29 793            | -                       | -              | 42 987                                | 34 877           | -                | -                | 178 874            | 258 112            |
| <b>Total interest income</b>                                       | <b>3 955 700</b>   | <b>3 561 214</b>   | <b>4 804 820</b>        | <b>3 968 271</b>   | <b>3 366 352</b>  | <b>2 523 765</b>  | <b>-</b>                | <b>-</b>       | <b>825 777</b>                        | <b>627 197</b>   | <b>-</b>         | <b>-</b>         | <b>12 952 649</b>  | <b>10 680 447</b>  |
| Interest expense calculated using EIR                              | (1 847 058)        | (1 509 334)        | (2 053 450)             | (1 541 076)        | (883 819)         | (657 346)         | -                       | -              | (454 117)                             | (451 319)        | (1 259)          | -                | (5 239 703)        | (4 159 075)        |
| Other interest expense                                             | -                  | -                  | -                       | -                  | -                 | -                 | -                       | -              | -                                     | (2 366)          | -                | (829)            | -                  | (3 195)            |
| <b>Total interest expense</b>                                      | <b>(1 847 058)</b> | <b>(1 509 334)</b> | <b>(2 053 450)</b>      | <b>(1 541 076)</b> | <b>(883 819)</b>  | <b>(657 346)</b>  | <b>-</b>                | <b>-</b>       | <b>(454 117)</b>                      | <b>(453 685)</b> | <b>(1 259)</b>   | <b>(829)</b>     | <b>(5 239 703)</b> | <b>(4 162 270)</b> |
| <b>Net interest income/(loss)</b>                                  | <b>2 108 642</b>   | <b>2 051 880</b>   | <b>2 751 370</b>        | <b>2 427 195</b>   | <b>2 482 533</b>  | <b>1 866 419</b>  | <b>-</b>                | <b>-</b>       | <b>371 660</b>                        | <b>173 512</b>   | <b>(1 259)</b>   | <b>(829)</b>     | <b>7 712 946</b>   | <b>6 518 177</b>   |
| Net fee income/(loss)                                              | 936                | 378                | 85 538                  | 45 414             | 74 541            | 69 935            | 216 074                 | 244 077        | (34 729)                              | (54 671)         | 33 659           | 29 558           | 376 019            | 334 691            |
| Dividends <sup>1</sup>                                             | -                  | -                  | 54 138                  | 9 252              | -                 | 15 504            | -                       | -              | -                                     | -                | -                | -                | 54 138             | 24 756             |
| Other operating income <sup>1</sup>                                | 10                 | 5 974              | 7 583                   | 5 626              | 2 078             | 44 680            | 7 558                   | 11 218         | 12                                    | -                | 14 759           | 5 610            | 32 000             | 73 108             |
| <b>Other income/(loss)</b>                                         | <b>946</b>         | <b>6 352</b>       | <b>147 259</b>          | <b>60 292</b>      | <b>76 619</b>     | <b>130 119</b>    | <b>223 632</b>          | <b>255 295</b> | <b>(34 717)</b>                       | <b>(54 671)</b>  | <b>48 418</b>    | <b>35 168</b>    | <b>462 157</b>     | <b>432 555</b>     |
| <b>Operating income</b>                                            | <b>2 109 588</b>   | <b>2 058 232</b>   | <b>2 898 629</b>        | <b>2 487 487</b>   | <b>2 559 152</b>  | <b>1 996 538</b>  | <b>223 632</b>          | <b>255 295</b> | <b>336 943</b>                        | <b>118 841</b>   | <b>47 159</b>    | <b>34 339</b>    | <b>8 175 103</b>   | <b>6 950 732</b>   |
| Other operating expenses <sup>2</sup>                              | (347 469)          | (316 004)          | (399 548)               | (353 749)          | (315 202)         | (295 249)         | (271 433)               | (231 533)      | (23 793)                              | (16 587)         | (89 083)         | (67 585)         | (1 446 528)        | (1 280 707)        |
| Depreciation and amortisation                                      | (12 812)           | (9 649)            | (16 018)                | (11 401)           | (12 634)          | (9 381)           | (969)                   | (969)          | (138)                                 | (157)            | -                | -                | (42 571)           | (31 557)           |
| Impairments                                                        | 87 339             | 382 581            | (1 064 318)             | (1 076 658)        | (416 415)         | (356 730)         | -                       | -              | -                                     | -                | (34 917)         | (3 271)          | (1 428 311)        | (1 054 078)        |
| Development expenditure <sup>3</sup>                               | (74 668)           | (53 292)           | -                       | -                  | -                 | -                 | -                       | -              | -                                     | -                | (118 988)        | (221 031)        | (193 656)          | (274 323)          |
| Project preparation                                                | -                  | -                  | -                       | -                  | -                 | -                 | -                       | -              | -                                     | -                | (8 922)          | (14 306)         | (8 922)            | (14 306)           |
| Revaluation of development loans <sup>4</sup>                      | -                  | -                  | -                       | -                  | (55 984)          | (16 219)          | -                       | -              | -                                     | -                | -                | -                | (55 984)           | (16 219)           |
| Revaluation of equity investments <sup>4</sup>                     | -                  | -                  | (111 490)               | 78 522             | (352 856)         | (110 409)         | -                       | -              | -                                     | -                | -                | -                | (464 346)          | (31 887)           |
| Grants                                                             | -                  | -                  | -                       | -                  | -                 | -                 | -                       | -              | -                                     | -                | (25 628)         | (32 720)         | (25 628)           | (32 720)           |
| <b>Sustainable earnings <sup>5</sup></b>                           | <b>1 761 978</b>   | <b>2 061 868</b>   | <b>1 307 255</b>        | <b>1 124 201</b>   | <b>1 406 061</b>  | <b>1 208 550</b>  | <b>(48 770)</b>         | <b>22 793</b>  | <b>313 012</b>                        | <b>102 097</b>   | <b>(230 379)</b> | <b>(304 574)</b> | <b>4 509 157</b>   | <b>4 214 935</b>   |
| Net foreign exchange gain <sup>6</sup>                             | -                  | -                  | -                       | -                  | -                 | -                 | -                       | -              | 128 498                               | 860 205          | -                | -                | 128 498            | 860 205            |
| Net (loss)/gain from financial assets and liabilities <sup>4</sup> | -                  | (709)              | -                       | -                  | -                 | -                 | -                       | -              | 14 063                                | 138 177          | (2 919)          | (2 617)          | 11 144             | 134 851            |
| <b>Profit/ (loss) for the year</b>                                 | <b>1 761 978</b>   | <b>2 061 159</b>   | <b>1 307 255</b>        | <b>1 124 201</b>   | <b>1 406 061</b>  | <b>1 208 550</b>  | <b>(48 770)</b>         | <b>22 793</b>  | <b>455 573</b>                        | <b>1 100 479</b> | <b>(233 298)</b> | <b>(307 191)</b> | <b>4 648 799</b>   | <b>5 209 991</b>   |
|                                                                    |                    |                    |                         |                    |                   |                   |                         |                |                                       |                  |                  |                  |                    |                    |
| <b>Capital expenditure</b>                                         | <b>-</b>           | <b>-</b>           | <b>-</b>                | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>                | <b>-</b>       | <b>-</b>                              | <b>-</b>         | <b>50 478</b>    | <b>59 888</b>    | <b>50 478</b>      | <b>59 888</b>      |
|                                                                    |                    |                    |                         |                    |                   |                   |                         |                |                                       |                  |                  |                  |                    |                    |
| Development loans                                                  | 33 851 346         | 32 364 165         | 40 705 987              | 37 961 630         | 24 772 361        | 23 353 294        | -                       | -              | -                                     | -                | -                | -                | 99 329 694         | 93 679 089         |
| Development bonds                                                  | 2 065 754          | 2 154 345          | -                       | -                  | -                 | -                 | -                       | -              | -                                     | -                | -                | -                | 2 065 754          | 2 154 345          |
| Equity investments                                                 | -                  | -                  | 1 800 412               | 1 989 739          | 3 008 371         | 3 159 311         | -                       | -              | -                                     | -                | -                | -                | 4 808 783          | 5 149 050          |
| Other assets                                                       | 184 453            | 183 894            | 526 380                 | 490 372            | 21 306            | 49 563            | 231 933                 | 329 940        | 10 604 434                            | 5 954 027        | 542 138          | 574 299          | 12 110 644         | 7 582 095          |
| <b>Total assets</b>                                                | <b>36 101 553</b>  | <b>34 702 404</b>  | <b>43 032 779</b>       | <b>40 441 741</b>  | <b>27 802 038</b> | <b>26 562 168</b> | <b>231 933</b>          | <b>329 940</b> | <b>10 604 434</b>                     | <b>5 954 027</b> | <b>542 138</b>   | <b>574 299</b>   | <b>118 314 875</b> | <b>108 564 579</b> |
|                                                                    |                    |                    |                         |                    |                   |                   |                         |                |                                       |                  |                  |                  |                    |                    |
| <b>Total liabilities <sup>7</sup></b>                              | <b>17 434 807</b>  | <b>17 797 635</b>  | <b>22 339 503</b>       | <b>20 986 245</b>  | <b>16 555 050</b> | <b>16 790 717</b> | <b>275 387</b>          | <b>324 625</b> | <b>4 493 199</b>                      | <b>60 965</b>    | <b>5 176 283</b> | <b>4 972 348</b> | <b>66 274 229</b>  | <b>60 932 535</b>  |

\* The All Other segment includes Project Preparation and Corporate assets.

1. Dividends (R54 138) and other operating income (R32 000) make up other income (R86 138) in the statement of comprehensive income.

2. Operating expenses (R1 446 528) comprises of personnel expenses (R996 677) and general and administration expenses (R449 851).

3. Development expenditure relates to lending and non-lending support of under resourced municipalities (R91 664) and strategic initiatives (R101 992).

4. Revaluation losses have been split between equity investments, development loans and financial instruments for segment reporting purposes. Revaluation loss on equity investments (R464 346), loss on development loans (R55 984) and net gain from financial assets and liabilities (R11 144) make up net loss from financial assets and financial liabilities (R509 186) in the statement of comprehensive income.

5. Sustainable Earnings as outlined in the DBSA's corporate plan means Earnings (Profit) before foreign currency exchange loss and financial instruments adjustments, but including revaluation on equity instruments.

6. Treasury is responsible for foreign exchange management across the bank and as such all foreign exchange gains and losses have been reallocated to Treasury.

7. The allocation of liabilities to segments is based on use of resources within each segment. This allocation process is based on the Funds Transfer Pricing (FTP) process.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

3. FINANCIAL ASSETS BY CATEGORY

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

| in thousands of rands                                | Notes | At amortised cost | FVTPL     | Total carrying amount | Fair value  |
|------------------------------------------------------|-------|-------------------|-----------|-----------------------|-------------|
| 31 March 2024                                        |       |                   |           |                       |             |
| Cash and cash equivalents at amortised cost          | 5     | 10 803 772        | -         | 10 803 772            | 10 803 772  |
| Trade receivables and other assets                   | 6     | 183 650           | -         | 183 650               | 183 650     |
| Investment securities*                               | 7     | -                 | 493 175   | 493 175               | 493 175     |
| Derivative assets held for risk management purposes* | 8.1   | -                 | 9 545     | 9 545                 | 9 545       |
| Other financial asset                                | 9     | -                 | 37 534    | 37 534                | 37 534      |
| Development loans at FVTPL**                         | 10    | -                 | 20 784    | 20 784                | 20 784      |
| Equity investments held at FVTPL**                   | 11    | -                 | 4 808 783 | 4 808 783             | 4 808 783   |
| Development bonds at amortised cost                  | 13    | 2 065 754         | -         | 2 065 754             | 2 099 861   |
| Development loans at amortised cost                  | 14    | 99 329 694        | -         | 99 329 694            | 118 332 161 |
| Total                                                |       | 112 382 870       | 5 369 821 | 117 752 691           | 136 789 265 |

\* Derivative assets held for risk management and investment securities are mandatorily held at fair value through profit or loss.

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

| in thousands of rands                                | Notes | At amortised cost | FVTPL     | Total carrying amount | Fair value  |
|------------------------------------------------------|-------|-------------------|-----------|-----------------------|-------------|
| 31 March 2023                                        |       |                   |           |                       |             |
| Cash and cash equivalents at amortised cost          | 5     | 6 166 069         | -         | 6 166 069             | 6 166 069   |
| Trade receivables and other assets                   | 6     | 328 437           | -         | 328 437               | 328 437     |
| Investment securities*                               | 7     | -                 | 359 881   | 359 881               | 359 881     |
| Derivative assets held for risk management purposes* | 8.1   | -                 | 64 543    | 64 543                | 64 543      |
| Other financial asset                                | 9     | -                 | 40 452    | 40 452                | 40 452      |
| Development loans at FVTPL**                         | 10    | -                 | 48 309    | 48 309                | 48 309      |
| Equity investments held at FVTPL**                   | 11    | -                 | 5 149 050 | 5 149 050             | 5 149 050   |
| Development bonds at amortised cost                  | 13    | 2 154 345         | -         | 2 154 345             | 2 220 025   |
| Development loans at amortised cost                  | 14    | 93 679 089        | -         | 93 679 089            | 113 007 819 |
| Total                                                |       | 102 327 940       | 5 662 235 | 107 990 175           | 127 384 585 |

\* Derivative assets held for risk management and investment securities are mandatorily held at fair value through profit or loss.

\*\* Development loans and equity instrument are mandatory 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 FVTPL                                                       |                  |                  |                  |             |
| 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 of financial assets held at amortised cost for which fair values are disclosed | -                | 8 386 094        | 113 336 256      | 121 722 350 |
| Total fair value of financial assets                                                 | -                | 11 344 933       | 116 039 652      | 127 384 585 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

4. FINANCIAL LIABILITIES BY CATEGORY

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

| in thousands of rands                                      | Notes | At amortised cost | FVTPL          | Total carrying amount | Fair Value        |
|------------------------------------------------------------|-------|-------------------|----------------|-----------------------|-------------------|
| <b>31 March 2024</b>                                       |       |                   |                |                       |                   |
| Trade, other payables and accrued interest on debt funding | 17    | 1 094 628         | -              | 1 094 628             | 1 094 628         |
| Derivative liabilities held for risk management purposes*  | 8.2   | -                 | 476 741        | 476 741               | 476 741           |
| Repurchase agreements at amortised cost                    | 20    | 1 194 651         | -              | 1 194 651             | 1 199 972         |
| Debt funding held at amortised cost**                      | 20    | 62 499 696        | -              | 62 499 696            | 65 495 330        |
| <b>Total</b>                                               |       | <b>64 788 975</b> | <b>476 741</b> | <b>65 265 716</b>     | <b>68 266 671</b> |

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

\*\* The accrued interest portion of R878 million on Debt Funding held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of R63.38 billion is made up of accrued interest R878 million plus principal of R62.5 billion.

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

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

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

| in thousands of rands                                      | Notes | At amortised cost | FVTPL          | Total carrying amount | Fair Value        |
|------------------------------------------------------------|-------|-------------------|----------------|-----------------------|-------------------|
| <b>31 March 2023</b>                                       |       |                   |                |                       |                   |
| Trade, other payables and accrued interest on debt funding | 17    | 884 626           | -              | 884 626               | 884 626           |
| Derivative liabilities held for risk management purposes*  | 8.2   | -                 | 612 920        | 612 920               | 612 920           |
| Debt funding held at amortised cost**                      | 20    | 58 469 380        | -              | 58 469 380            | 61 398 061        |
| <b>Total</b>                                               |       | <b>59 354 006</b> | <b>612 920</b> | <b>59 966 926</b>     | <b>62 895 607</b> |

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

\*\* The accrued interest portion of R670 million on debt funding held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of 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             |
|-----------------------------------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|
| <b>Financial liabilities held at FVTPL</b>                                                    |                  |                   |                  |                   |
| Derivative liabilities held for risk management purposes*                                     | -                | 612 920           | -                | 612 920           |
| <b>Total financial liabilities held at FVTPL</b>                                              | <b>-</b>         | <b>612 920</b>    | <b>-</b>         | <b>612 920</b>    |
| <b>Financial liabilities held at amortised cost for which fair values are disclosed</b>       |                  |                   |                  |                   |
| 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        |
| <b>Total financial liabilities held at amortised cost for which fair values are disclosed</b> | <b>-</b>         | <b>62 068 244</b> | <b>214 443</b>   | <b>62 282 687</b> |
| <b>Total fair value of financial liabilities</b>                                              | <b>-</b>         | <b>62 681 164</b> | <b>214 443</b>   | <b>62 895 607</b> |

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

5. CASH AND CASH EQUIVALENTS AT AMORTISED COST

| in thousands of rands                        | 2024              | 2023             |
|----------------------------------------------|-------------------|------------------|
| <b>Cash and cash equivalents consist of:</b> |                   |                  |
| Call deposits                                | 8 322 088         | 4 508 610        |
| Cash in bank                                 | 2 481 684         | 1 657 459        |
| <b>Balance at end of the year</b>            | <b>10 803 772</b> | <b>6 166 069</b> |

The weighted average interest rate earned on call deposits detailed above was 8.68% (31 March 2023: 6.55%). The Bank's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities is disclosed in note 42.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                                                                                                                                                                  |  | Notes | 2024     | 2023     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|----------|----------|
| 6. TRADE RECEIVABLES AND OTHER ASSETS                                                                                                                                                                                  |  |       |          |          |
| 6.1. Analysis of trade receivables and other assets                                                                                                                                                                    |  |       |          |          |
| Financial assets at amortised cost                                                                                                                                                                                     |  |       |          |          |
| Trade receivables                                                                                                                                                                                                      |  |       | 239 165  | 348 827  |
| Less provision for ECL on trade receivables                                                                                                                                                                            |  |       | (56 648) | (21 731) |
| Net carrying amount trade receivables                                                                                                                                                                                  |  |       | 182 517  | 327 096  |
| Accrued interest                                                                                                                                                                                                       |  |       | 1 079    | 1 254    |
| Deposits                                                                                                                                                                                                               |  |       | 4        | 4        |
| Staff loans*                                                                                                                                                                                                           |  |       | 50       | 83       |
| Total financial assets                                                                                                                                                                                                 |  |       | 183 650  | 328 437  |
| * Staff loans are for employees and are interest free. The interest that should have been receivable on staff loans is R5 883 at prime lending rate of 11.75% (31 March 2023: R9 306 at prime lending rate of 11.25%). |  |       |          |          |
| Non-financial assets                                                                                                                                                                                                   |  |       |          |          |
| Payroll expenses receivable                                                                                                                                                                                            |  |       | 20       | 27       |
| Prepayments                                                                                                                                                                                                            |  |       | 51 063   | 71 447   |
| Subsistence and travel                                                                                                                                                                                                 |  |       | 1 117    | 566      |
| VAT                                                                                                                                                                                                                    |  |       | 2 873    | 1 589    |
| Total non-financial assets                                                                                                                                                                                             |  |       | 55 073   | 73 629   |
| Balance at end of the year                                                                                                                                                                                             |  |       | 238 723  | 402 066  |
| 6.2 Analysis of current and non-current portion of trade receivables and other assets                                                                                                                                  |  |       |          |          |
| Current portion                                                                                                                                                                                                        |  |       | 227 562  | 374 213  |
| Non-current portion                                                                                                                                                                                                    |  |       | 11 161   | 27 853   |
| Balance at end of the year                                                                                                                                                                                             |  |       | 238 723  | 402 066  |
| 6.3 Reconciliation of provision for ECLs on trade receivables                                                                                                                                                          |  |       |          |          |
| Balance at beginning of the year                                                                                                                                                                                       |  |       | 21 731   | 18 460   |
| Increase in provision for ECL on trade receivables (refer to note 34)                                                                                                                                                  |  |       | 34 917   | 3 271    |
| Balance at end of the year                                                                                                                                                                                             |  |       | 56 648   | 21 731   |

Staff loans, deposits, accrued interest and trade receivables are held at amortised cost. Staff loans and deposits are regarded as having a low probability of default, therefore the ECL is insignificant.

Expected credit losses is provided on trade receivables based on the simplified approach. The Bank used historically observed default rates (actual write-off) over the expected life of the trade receivables adjusted as necessary to reflect current conditions to calculate the ECL for trade receivables.

6.4 Default rates used for the calculation of ECLs for trade receivables

The default rates used for the calculation of ECLs for trade receivables are detailed below.

|                                  | 2024<br>%  | 2023<br>%  |
|----------------------------------|------------|------------|
| Trade receivables                |            |            |
| Ex-employees                     | 100        | 100        |
| Infrastructure Delivery Division | -          | -          |
| Other trade receivables          | 17 and 100 | 17 and 100 |

6.5 Credit quality of trade receivables and other assets

The tables below provide information about the credit quality of trade receivables and other assets, where the ECL is measured at an amount equal to the lifetime ECL (simplified approach).

| in thousands of rands                                                       | Days     |       |        |         | Total    |
|-----------------------------------------------------------------------------|----------|-------|--------|---------|----------|
|                                                                             | > 90     | 61-90 | 31-60  | 1-30    |          |
| 31 March 2024                                                               |          |       |        |         |          |
| Infrastructure Delivery Division trade receivables Expected loss rate of 0% |          |       |        |         |          |
| Gross carrying amount                                                       | 97 361   | -     | 22 612 | 46 814  | 166 787  |
| Provision for lifetime ECL                                                  | -        | -     | -      | -       | -        |
| Net carrying amount at end of the year                                      | 97 361   | -     | 22 612 | 46 814  | 166 787  |
| Other trade receivables - Expected loss rate of 17% and 100%                |          |       |        |         |          |
| Gross carrying amount                                                       | 51 301   | -     | 3 414  | 15 730  | 70 445   |
| Provision for lifetime ECL                                                  | (50 889) | -     | (851)  | (2 975) | (54 715) |
| Net carrying amount at end of the year                                      | 412      | -     | 2 563  | 12 755  | 15 730   |
| Ex-employees receivables - Expected loss rate of 100%                       |          |       |        |         |          |
| Gross carrying amount                                                       | 1 933    | -     | -      | -       | 1 933    |
| Provision for lifetime ECL                                                  | (1 933)  | -     | -      | -       | (1 933)  |
| Net carrying amount at end of the year                                      | -        | -     | -      | -       | -        |
| Total net carrying amount at end of the year                                | 97 773   | -     | 25 175 | 59 569  | 182 517  |

| in thousands of rands                                                         | Days     |       |         |         | Total    |
|-------------------------------------------------------------------------------|----------|-------|---------|---------|----------|
|                                                                               | > 90     | 61-90 | 31-60   | 1-30    |          |
| 31 March 2023                                                                 |          |       |         |         |          |
| Infrastructure Delivery Division trade receivables - Expected loss rate of 0% |          |       |         |         |          |
| Gross carrying amount                                                         | 124 632  | 5 600 | 61 631  | 73 933  | 265 796  |
| Provision for lifetime ECL                                                    | -        | -     | -       | -       | -        |
| Net carrying amount at end of the year                                        | 124 632  | 5 600 | 61 631  | 73 933  | 265 796  |
| Other trade receivables - Expected loss rate of 17% and 100%                  |          |       |         |         |          |
| Gross carrying amount                                                         | 47 557   | 1 239 | 14 162  | 18 055  | 81 013   |
| Provision for lifetime ECL                                                    | (12 344) | (633) | (3 307) | (3 429) | (19 713) |
| Net carrying amount at end of the year                                        | 35 213   | 606   | 10 855  | 14 626  | 61 300   |
| Ex-employees receivables - Expected loss rate of 100%                         |          |       |         |         |          |
| Gross carrying amount                                                         | 2 018    | -     | -       | -       | 2 018    |
| Provision for lifetime ECL                                                    | (2 018)  | -     | -       | -       | (2 018)  |
| Net carrying amount at end of the year                                        | -        | -     | -       | -       | -        |
| Total net carrying amount at end of the year                                  | 159 845  | 6 206 | 72 486  | 88 559  | 327 096  |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

6. TRADE RECEIVABLES AND OTHER ASSETS (continued)

6.6 Reconciliation of the gross carrying amount of trade receivables and the provision for ECLs

The tables below show the reconciliation of the opening balance to the closing balance of the gross carrying amount of trade receivables and the provision for ECLs:

|                                          | Default rate |              |         |           |
|------------------------------------------|--------------|--------------|---------|-----------|
| in thousands of rands                    | 0%           | 17% and 100% | 100%    | Total     |
| 31 March 2024                            |              |              |         |           |
| Reconciliation of gross carrying amount  |              |              |         |           |
| Balance at the beginning of the year     | 265 796      | 81 013       | 2 018   | 348 827   |
| Movements for the year                   | (99 009)     | (10 568)     | (85)    | (109 662) |
| Gross carrying amount at end of the year | 166 787      | 70 445       | 1 933   | 239 165   |
| Reconciliation of provision for ECL      |              |              |         |           |
| Balance at the beginning of the year     | -            | (19 713)     | (2 018) | (21 731)  |
| Increase in provision for ECL            | -            | (35 002)     | 85      | (34 917)  |
| Provision for ECL at end of the year     | -            | (54 715)     | (1 933) | (56 648)  |
| Net carrying amount at end of the year   | 166 787      | 15 730       | -       | 182 517   |

**31 March 2023**

|                                                 |                |                 |                |                 |
|-------------------------------------------------|----------------|-----------------|----------------|-----------------|
| <b>Reconciliation of gross carrying amount</b>  |                |                 |                |                 |
| Balance at the beginning of the year            | 116 857        | 60 499          | 1 853          | 179 209         |
| Movements for the year                          | 148 939        | 20 514          | 165            | 169 618         |
| <b>Gross carrying amount at end of the year</b> | <b>265 796</b> | <b>81 013</b>   | <b>2 018</b>   | <b>348 827</b>  |
| <b>Reconciliation of provision for ECL</b>      |                |                 |                |                 |
| Balance at the beginning of the year            | -              | (16 607)        | (1 853)        | (18 460)        |
| Increase in provision for ECL                   | -              | (3 106)         | (165)          | (3 271)         |
| <b>Provision for ECL at end of the year</b>     | <b>-</b>       | <b>(19 713)</b> | <b>(2 018)</b> | <b>(21 731)</b> |
| <b>Net carrying amount at end of the year</b>   | <b>265 796</b> | <b>61 300</b>   | <b>-</b>       | <b>327 096</b>  |

6.7 Trade receivables comprises:

| in thousands of rands                                   | 2024   | 2023   |
|---------------------------------------------------------|--------|--------|
| <b>Mandates</b>                                         |        |        |
| City of Johannesburg                                    | 143    | 143    |
| City of Tshwane                                         | 680    | -      |
| Department of Water and Sanitation                      | 1 186  | 233    |
| District Development Model (DDM)                        | 457    | 4 232  |
| Eastern Cape Department of Education                    | 1 132  | 2 302  |
| Ekurhuleni Metropolitan Municipality                    | 20 570 | 14 525 |
| Free State Department of Education                      | -      | 4 636  |
| Free State Department of Human Settlements (FSHS)       | 48     | 14 994 |
| Gauteng Department of Agriculture and Rural Development | 2 034  | 2 392  |
| Gauteng Department of Education                         | 3 408  | 1 500  |
| Gauteng Department of Health                            | 6 798  | 22 055 |
| Gauteng Growth and Development Agency (GGDA)            | 1 029  | 12 921 |
| Global Environmental Facility                           | 751    | 338    |
| Government Printing works                               | -      | 258    |
| Green Climate Fund                                      | 1 573  | 1 653  |

| in thousands of rands                                                                      | 2024           | 2023           |
|--------------------------------------------------------------------------------------------|----------------|----------------|
| Infrastructure Delivery Management System (IDMS)                                           | 3 759          | 6 515          |
| Infrastructure Fund                                                                        | 5 820          | 701            |
| Infrastructure Investment Programme for South Africa (IIPSA)                               | 671            | 3 360          |
| Jobs Fund                                                                                  | -              | 152            |
| KFW HIV/VCT 2 Programme                                                                    | 347            | 347            |
| KwaZulu-Natal Department of Education                                                      | 11 003         | 4 632          |
| Letaba TVET College                                                                        | 195            | 355            |
| Limpopo Department of Economic Development, Environment and Tourism                        | 37             | 641            |
| Limpopo Department of Education                                                            | 10 807         | 22 190         |
| Limpopo Department of Health                                                               | 2 149          | 35 906         |
| Limpopo Department of Public Works                                                         | 7 591          | 7 547          |
| Mpumalanga Department of Education (MPDOE)                                                 | 4 909          | 2 052          |
| National Department of Basic Education for Accelerated Infrastructure Schools Programme    | 16 973         | 22 038         |
| National Department of Cooperate Governance (DCOG)                                         | 443            | -              |
| National Department of Correctional Services                                               | 793            | 507            |
| National Department of Defence                                                             | 1 351          | 178            |
| National Department of Energy - Independent Power Producer Office                          | 5 808          | 10 488         |
| National Department of Health                                                              | 20 037         | 24 374         |
| National Department of Public Works                                                        | 21 591         | 36 753         |
| National Department of Tourism                                                             | 4 054          | 164            |
| National Department of Trade and Industry                                                  | 6 856          | 709            |
| National Treasury Cities Support Programme (NTCSP)                                         | 7 943          | 14 036         |
| National Treasury Project Preparation Fund                                                 | 3 450          | 3 450          |
| North West Department of Education                                                         | 2 263          | 3 494          |
| North West Department of Public Works                                                      | 3 476          | 5 943          |
| South African National Roads Agency Limited                                                | 1 800          | -              |
| Student Housing Infrastructure Programme Management (SHIPMO)                               | 45 006         | 42 612         |
| Water Partnership Office                                                                   | 481            | -              |
| World Economic Forum -Sustainable Development Investment Partnership Programme (WEF- SDIP) | -              | 373            |
| <b>Balance at end of the year for mandates</b>                                             | <b>229 422</b> | <b>331 699</b> |
| <b>Other programmes and receivables</b>                                                    |                |                |
| African Climate Foundation                                                                 | -              | 1 000          |
| African World Heritage Fund (AWHF)                                                         | 1 192          | 559            |
| Bank Seta                                                                                  | 15             | 16             |
| Development Bank of Namibia                                                                | 1 030          | -              |
| Former employees                                                                           | 1 933          | 2 018          |
| KFW SADC PPDF                                                                              | 1 772          | -              |
| KFW SADC Water Fund                                                                        | 1 381          | 1 455          |
| Other trade receivables                                                                    | 2 420          | 4 504          |
| Pan African Capacitation Building Platform (PACBP)                                         | -              | 2 186          |
| Thembisile Hani Local Municipality                                                         | -              | 500            |
| The World Bank - South Africa Office                                                       | -              | 4 890          |
| <b>Balance at end of the year for other programmes and receivables</b>                     | <b>9 743</b>   | <b>17 128</b>  |
| <b>Balance at end of the year for trade receivables</b>                                    | <b>239 165</b> | <b>348 827</b> |

The amounts mainly arose from the Bank’s non-lending activities in the Infrastructure Delivery Division, mandates and other agencies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                                                                                                                                                                                                                                  |                                                                     | 2024      | 2023      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------|-----------|
| 7.                                                                                                                                                                                                                                                                                     | INVESTMENT SECURITIES                                               |           |           |
| 7.1                                                                                                                                                                                                                                                                                    | Investment securities consist of the following:                     |           |           |
| Investment securities mandatorily held at fair value through profit or loss                                                                                                                                                                                                            |                                                                     |           |           |
| Investment in segregated funds                                                                                                                                                                                                                                                         |                                                                     | 304 966   | 36 332    |
| Municipal bonds - listed                                                                                                                                                                                                                                                               |                                                                     | 188 209   | 323 549   |
| Balance at end of the year                                                                                                                                                                                                                                                             |                                                                     | 493 175   | 359 881   |
| 7.2                                                                                                                                                                                                                                                                                    | Investment securities reconciliation                                |           |           |
| Balance at beginning of the year                                                                                                                                                                                                                                                       |                                                                     | 359 881   | 444 287   |
| Additions                                                                                                                                                                                                                                                                              |                                                                     | 250 000   | -         |
| Fair value movements                                                                                                                                                                                                                                                                   |                                                                     | 13 294    | (8 820)   |
| Maturities                                                                                                                                                                                                                                                                             |                                                                     | (130 000) | (75 000)  |
| Premium and discounts                                                                                                                                                                                                                                                                  |                                                                     | -         | (586)     |
| Balance at end of the year                                                                                                                                                                                                                                                             |                                                                     | 493 175   | 359 881   |
| Investments securities are held for sale as part of the strategic liquidity portfolio to manage the Bank's liquidity requirements. Accrued interest is presented as part of the investment securities fair value movements and amounts to R7.4 million (31 March 2023: R12.5 million). |                                                                     |           |           |
| 7.3                                                                                                                                                                                                                                                                                    | Analysis of current and non-current potion of investment securities |           |           |
| Current portion                                                                                                                                                                                                                                                                        |                                                                     | 188 209   | 179 235   |
| Non-current portion                                                                                                                                                                                                                                                                    |                                                                     | 304 966   | 180 646   |
| Balance at end of the year                                                                                                                                                                                                                                                             |                                                                     | 493 175   | 359 881   |
| 8.                                                                                                                                                                                                                                                                                     | DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES |           |           |
| 8.1.                                                                                                                                                                                                                                                                                   | Derivative assets held for risk management purposes                 |           |           |
| Risk type:                                                                                                                                                                                                                                                                             |                                                                     |           |           |
| Interest rate derivatives                                                                                                                                                                                                                                                              |                                                                     | 9 545     | 13 829    |
| Foreign exchange derivatives                                                                                                                                                                                                                                                           |                                                                     | -         | 50 714    |
| Balance at end of the year                                                                                                                                                                                                                                                             |                                                                     | 9 545     | 64 543    |
| Included in derivative assets is a credit valuation adjustment (CVA) of R Nil million (31 March 2023: R0.87 million).                                                                                                                                                                  |                                                                     |           |           |
| 8.2.                                                                                                                                                                                                                                                                                   | Derivative liabilities held for risk management purposes            |           |           |
| Risk type:                                                                                                                                                                                                                                                                             |                                                                     |           |           |
| Interest rate derivatives                                                                                                                                                                                                                                                              |                                                                     | (476 741) | (288 462) |
| Foreign exchange derivatives                                                                                                                                                                                                                                                           |                                                                     | -         | (324 458) |
| Balance at end of the year                                                                                                                                                                                                                                                             |                                                                     | (476 741) | (612 920) |
| Included in derivative liabilities is a debit valuation adjustment (DVA) of R112 million (31 March 2023: R77 million).                                                                                                                                                                 |                                                                     |           |           |

| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                 |                | 2024                                                                                                                     | 2023             |                                                                  |                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------|---------------------------------------|
| <b>8.3. Net derivatives held for risk management</b>                                                                                                                                                                                                                                                                                                                                                                  |                |                                                                                                                          |                  |                                                                  |                                       |
| Derivatives designated as cash flow hedges                                                                                                                                                                                                                                                                                                                                                                            |                | (467 196)                                                                                                                | (574 950)        |                                                                  |                                       |
| Derivatives held for risk management not designated hedges - economic hedges                                                                                                                                                                                                                                                                                                                                          |                | -                                                                                                                        | 26 573           |                                                                  |                                       |
| <b>Net derivatives at end of the year</b>                                                                                                                                                                                                                                                                                                                                                                             |                | <b>(467 196)</b>                                                                                                         | <b>(548 377)</b> |                                                                  |                                       |
| <b>Derivatives designated as cash flow hedges</b>                                                                                                                                                                                                                                                                                                                                                                     |                |                                                                                                                          |                  |                                                                  |                                       |
| This category consists of currency swaps, and currency options used to hedge both the foreign currency risks arising from the Euro and US Dollar financial instruments as well as interest rate swaps used to hedge interest rate risk. All cash flow hedges were effective for the year under review. This category consists of derivative instruments designated as cash flow hedges for hedge accounting purposes. |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>Derivatives held for risk management not designated hedges - economic hedges</b>                                                                                                                                                                                                                                                                                                                                   |                |                                                                                                                          |                  |                                                                  |                                       |
| This category consists of interest rate swaps, foreign exchange contracts, forward rate agreements and cross-currency swaps that are not designated for hedge accounting purposes. These derivative instruments are accounted for as held at fair value through profit or loss. Such derivatives are used for managing the exposures to foreign currency and interest rate risks.                                     |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>8.4 Hedge accounting</b>                                                                                                                                                                                                                                                                                                                                                                                           |                |                                                                                                                          |                  |                                                                  |                                       |
| The tables below summarises the effect on financial position and performance - hedging instruments.                                                                                                                                                                                                                                                                                                                   |                |                                                                                                                          |                  |                                                                  |                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                       |                | Carrying amount                                                                                                          |                  |                                                                  |                                       |
| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                 | Nominal amount | Assets                                                                                                                   | Liabilities      | Changes in fair value used for calculating hedge ineffectiveness | Line item in the financial statements |
| <b>31 March 2024</b>                                                                                                                                                                                                                                                                                                                                                                                                  |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>Cash flow hedges</b>                                                                                                                                                                                                                                                                                                                                                                                               |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>Interest rate risk</b>                                                                                                                                                                                                                                                                                                                                                                                             |                |                                                                                                                          |                  |                                                                  |                                       |
| Interest rate swaps                                                                                                                                                                                                                                                                                                                                                                                                   | 20 356 657     | 9 545                                                                                                                    | (476 741)        | (304 816)                                                        | Derivative financial instruments      |
|                                                                                                                                                                                                                                                                                                                                                                                                                       |                | Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item |                  | Changes in fair value used for calculating hedge ineffectiveness | Cash flow hedge reserve               |
| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                 | Assets         | Liabilities                                                                                                              | Assets           | Liabilities                                                      | Line item in the financial statements |
| <b>31 March 2024</b>                                                                                                                                                                                                                                                                                                                                                                                                  |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>Cash flow hedges</b>                                                                                                                                                                                                                                                                                                                                                                                               |                |                                                                                                                          |                  |                                                                  |                                       |
| <b>Interest rate risk</b>                                                                                                                                                                                                                                                                                                                                                                                             |                |                                                                                                                          |                  |                                                                  |                                       |
| Interest rate swaps                                                                                                                                                                                                                                                                                                                                                                                                   | -              | -                                                                                                                        | -                | -                                                                | 302 328                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                                                                                                                          |                  |                                                                  | 587 489                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                                                                                                                          |                  |                                                                  | Development loans                     |

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FOR THE YEAR ENDED 31 MARCH 2024

8. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES (continued)

8.4 Hedge accounting (continued)

The tables below summarises the effect on financial position and performance - hedged items.

| in thousands of rands   | Change in the value of the hedging instrument recognised in OCI | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss that includes hedge ineffectiveness | Amount reclassified from cash flow hedge reserve to profit or loss | Line item affected in profit or loss because of the reclassification |
|-------------------------|-----------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
|                         |                                                                 |                                                    |                                                                 |                                                                    |                                                                      |
| <b>31 March 2024</b>    |                                                                 |                                                    |                                                                 |                                                                    |                                                                      |
| <b>Cash flow hedges</b> |                                                                 |                                                    |                                                                 |                                                                    |                                                                      |
| Options                 | (251 019)                                                       | -                                                  | Net foreign exchange gain/(loss)                                | 318 823                                                            | Net foreign exchange gain/(loss)                                     |
| Interest rate swaps     | (304 816)                                                       | (2 487)                                            | Net gain/(loss) from financial assets and financial liabilities | (391)                                                              | Net gain/(loss) from financial assets and financial liabilities      |
| <b>Total</b>            | <b>(555 835)</b>                                                | <b>(2 487)</b>                                     |                                                                 | <b>318 432</b>                                                     |                                                                      |

The table below summarises the effect on financial position and performance - hedging instruments.

| in thousands of rands             | Carrying amount |        |             | Changes in fair value used for calculating hedge ineffectiveness | Line item in the financial statements |
|-----------------------------------|-----------------|--------|-------------|------------------------------------------------------------------|---------------------------------------|
|                                   | Nominal amount  | Assets | Liabilities |                                                                  |                                       |
| <b>31 March 2023</b>              |                 |        |             |                                                                  |                                       |
| <b>Cash flow hedges</b>           |                 |        |             |                                                                  |                                       |
| <b>Foreign exchange rate risk</b> |                 |        |             |                                                                  |                                       |
| Currency options                  | 8 001 135       | 24 141 | (324 458)   | (425 139)                                                        | Derivative financial instruments      |
| <b>Interest rate risk</b>         |                 |        |             |                                                                  |                                       |
| Interest rate swaps               | 15 605 077      | 13 829 | (288 462)   | -                                                                | Derivative financial instruments      |

| in thousands of rands             | Carrying amount of the hedged item |             | Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item |             | Changes in fair value used for calculating hedge ineffectiveness | Cash flow hedge reserve | Line item in the financial statements                                                     |
|-----------------------------------|------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------|
|                                   | Assets                             | Liabilities | Assets                                                                                                                   | Liabilities |                                                                  |                         |                                                                                           |
| <b>31 March 2023</b>              |                                    |             |                                                                                                                          |             |                                                                  |                         |                                                                                           |
| <b>Cash flow hedges</b>           |                                    |             |                                                                                                                          |             |                                                                  |                         |                                                                                           |
| <b>Foreign exchange risk rate</b> |                                    |             |                                                                                                                          |             |                                                                  |                         |                                                                                           |
| Currency options                  | -                                  | -           | -                                                                                                                        | -           | 575 100                                                          | 67 804                  | Debt funding and development loans held at amortised cost and equity investments at FVTPL |
| <b>Interest rate risk</b>         |                                    |             |                                                                                                                          |             |                                                                  |                         |                                                                                           |
| Interest rate swaps               | -                                  | -           | -                                                                                                                        | -           | -                                                                | 282 282                 | Development loans                                                                         |
| <b>Total</b>                      | <b>-</b>                           | <b>-</b>    | <b>-</b>                                                                                                                 | <b>-</b>    | <b>575 100</b>                                                   | <b>350 086</b>          |                                                                                           |

The table below summarises the effect on financial position and performance - hedged items.

| in thousands of rands | Change in the value of the hedging instrument recognised in OCI | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss that includes hedge ineffectiveness | Amount reclassified from cash flow hedge reserve to profit or loss | Line item affected in profit or loss because of the reclassification |
|-----------------------|-----------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
|                       |                                                                 |                                                    |                                                                 |                                                                    |                                                                      |
| <b>31 March 2023</b>  |                                                                 |                                                    |                                                                 |                                                                    |                                                                      |
| Options               | 106 953                                                         | 149 961                                            | Net foreign exchange gain/(loss)                                | (254 089)                                                          | Net foreign exchange gain/(loss)                                     |
| Interest rate swaps   | (274 633)                                                       | -                                                  | Net (gain)/loss from financial assets and financial liabilities | (7 649)                                                            | Net (gain)/loss from financial assets and financial liabilities      |
| <b>Total</b>          | <b>(167 680)</b>                                                | <b>149 961</b>                                     |                                                                 | <b>(261 738)</b>                                                   |                                                                      |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands |                                                                                   | 2024      | 2023      |
|-----------------------|-----------------------------------------------------------------------------------|-----------|-----------|
| 9.                    | OTHER FINANCIAL ASSET                                                             |           |           |
|                       | Market value of investments                                                       | 37 534    | 40 452    |
|                       | This asset represents the fair value of the Medipref investment held with Sanlam. |           |           |
|                       | Reconciliation of Medipref investment                                             |           |           |
|                       | Balance at beginning of the year                                                  | 40 452    | 43 067    |
|                       | Contributions paid                                                                | (4 563)   | (3 779)   |
|                       | Expenses                                                                          | (560)     | (592)     |
|                       | Income                                                                            | 3 071     | 3 479     |
|                       | Decrease in market value                                                          | (866)     | (1 723)   |
|                       | Balance at end of the year                                                        | 37 534    | 40 452    |
|                       | Analysis of current and non-current portion of other financial asset              |           |           |
|                       | Non-current portion                                                               | 37 534    | 40 452    |
| 10.                   | DEVELOPMENT LOANS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS                       |           |           |
| 10.1                  | Analysis of development loans at FVTPL                                            |           |           |
|                       | Balance at beginning of the year                                                  | 160 754   | 115 535   |
|                       | Movements for the year (refer to note 10.1.1)                                     | 28 459    | 45 219    |
|                       | Gross development loans at FVTPL                                                  | 189 213   | 160 754   |
|                       | Fair value movements (refer to note 10.1.2)                                       | (168 429) | (112 445) |
|                       | Balance at end of the year                                                        | 20 784    | 48 309    |
| 10.1.1                | Movements during the year                                                         |           |           |
|                       | Interest accrued (refer to note 26)                                               | 43 501    | 29 367    |
|                       | Foreign exchange adjustments                                                      | (15 042)  | 15 852    |
|                       | Movements for the year                                                            | 28 459    | 45 219    |
| 10.1.2                | Fair value adjustments                                                            |           |           |
|                       | Balance at beginning of the year                                                  | (112 445) | (96 226)  |
|                       | Current year fair value adjustments (refer to note 30)                            | (55 984)  | (16 219)  |
|                       | Balance at end of the year                                                        | (168 429) | (112 445) |
| 10.2                  | Maturity analysis of development loans at FVTPL                                   |           |           |
|                       | Due after 3 (three) months but within (2) two years                               | 189 213   | 160 754   |
| 10.3                  | Sectorial analysis of development loans at FVTPL                                  |           |           |
|                       | Energy - electricity                                                              | 189 213   | 160 754   |
| 10.4                  | Geographical analysis of development loans at FVTPL                               |           |           |
|                       | Sierra Leone                                                                      | 189 213   | 160 754   |
|                       | USD Dollar amount included in development loans held at FVTPL                     | 10 000    | 9 041     |

| in thousands of rands |                                                                                | 2024      | 2023      |
|-----------------------|--------------------------------------------------------------------------------|-----------|-----------|
| 10.5                  | Client classification of development loans at FVTPL                            |           |           |
|                       | Private sector intermediaries                                                  | 189 213   | 160 754   |
| 10.6                  | Fixed and variable interest rate loans of development loans at FVTPL           |           |           |
|                       | Fixed                                                                          | 189 213   | 160 754   |
| 10.7                  | Analysis of current and non-current portion of development loans held at FVTPL |           |           |
|                       | Current portion                                                                | 189 213   | -         |
|                       | Non current portion                                                            | -         | 160 754   |
|                       | Balance at the end of the year                                                 | 189 213   | 160 754   |
| 11.                   | EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS                   |           |           |
|                       | Equity investments held at FVTPL                                               | 4 808 783 | 5 149 050 |
| 11.1                  | Analysis of equity investments held at FVTPL                                   |           |           |
|                       | Cost                                                                           |           |           |
|                       | Balance at beginning of the year                                               | 3 102 734 | 3 514 207 |
|                       | Acquisitions                                                                   | 24 165    | 47 910    |
|                       | Capital return                                                                 | (97 465)  | (459 383) |
|                       | Balance at end of the year                                                     | 3 029 434 | 3 102 734 |
|                       | Fair value adjustment                                                          |           |           |
|                       | Balance at beginning of the year                                               | 63 078    | 58 385    |
|                       | Current year fair value adjustment (refer to note 30)                          | (464 346) | (31 887)  |
|                       | Realised capital gain (refer to note 31)                                       | -         | 36 580    |
|                       | Balance at the end of the year                                                 | (401 268) | 63 078    |
|                       | Foreign exchange adjustments                                                   |           |           |
|                       | Balance at beginning of the year                                               | 1 983 238 | 1 403 915 |
|                       | Realised gain (refer to note 29)                                               | 151 603   | 87 228    |
|                       | Unrealised gain (refer to note 29)                                             | 45 776    | 492 095   |
|                       | Balance at the end of the year                                                 | 2 180 617 | 1 983 238 |
|                       | Fair value at the end of the year                                              | 4 808 783 | 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 11.2). In addition to individual asset exits, some of the funds in the portfolio have been extended.

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| in thousands of rands |                                                                                              | 2024      | 2023      |
|-----------------------|----------------------------------------------------------------------------------------------|-----------|-----------|
| 11.                   | EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS                                 |           |           |
| 11.2                  | Period since initial investment                                                              |           |           |
|                       | Less than 1 (one) year                                                                       | 10 433    | -         |
|                       | 1 (one) year but within 4 (four) years                                                       | 83 574    | 144 388   |
|                       | 4 (four) years but within 9 (nine) years                                                     | 283 345   | 532 414   |
|                       | 10 (ten) years and older                                                                     | 4 431 431 | 4 472 248 |
|                       | Balance at end of the year                                                                   | 4 808 783 | 5 149 050 |
| 11.3                  | Sectoral analysis of equity investments                                                      |           |           |
|                       | Commercial - communication                                                                   | 166 125   | 228 735   |
|                       | Commercial - construction                                                                    | 57 932    | 74 240    |
|                       | Commercial - financial                                                                       | -         | 75 299    |
|                       | Commercial - fund                                                                            | 2 106 753 | 2 383 271 |
|                       | Institutional infrastructure                                                                 | 1 350 715 | 1 190 291 |
|                       | Residential facilities                                                                       | 1 127 258 | 1 197 214 |
|                       | Balance at end of the year                                                                   | 4 808 783 | 5 149 050 |
| 11.4                  | Geographical analysis of equity investments                                                  |           |           |
|                       | International (the rest of the Africa excluding South Africa)                                | 3 438 681 | 3 627 096 |
|                       | South Africa                                                                                 | 1 370 102 | 1 521 954 |
|                       | Balance at end of the year                                                                   | 4 808 783 | 5 149 050 |
| 11.5                  | US Dollar and Euro amounts included in the above Africa and International equity investments |           |           |
|                       | US Dollar amount included                                                                    | 126 488   | 140 266   |
|                       | Euro amount included                                                                         | 35 624    | 37 005    |
| 11.6                  | Equity investments comprises of:                                                             |           |           |
|                       | Direct (In house managed funds)                                                              | 1 436 388 | 1 356 095 |
|                       | Indirect funds (Third party managed funds)                                                   | 3 372 395 | 3 792 955 |
|                       | Balance at end of the year                                                                   | 4 808 783 | 5 149 050 |
| 11.7                  | Analysis of current and non-current portion of equity investments                            |           |           |
|                       | Non-current portion                                                                          | 4 808 783 | 5 149 050 |
|                       | Balance at end of the year                                                                   | 4 808 783 | 5 149 050 |

12. FAIR VALUE OF ASSETS AND LIABILITIES

12.1 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.

12.2 Fair value hierarchy

The tables below show the fair value hierarchy of the Bank's assets and liabilities.

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

\* Exchange rate movements are a material driver of the fair value of equity instruments categorised as Level 2. The fair value of R2.4 billion (31 March 2023: R2.5 billion) includes foreign currency translation impact of R2.2 billion (31 March 2023: R1.9 billion) which is driven by observable currency exchange rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

12.2 Fair value hierarchy (continued)

| in thousands of rands                                                                   | Notes | Level 1  | Level 2           | Level 3        | Total             |
|-----------------------------------------------------------------------------------------|-------|----------|-------------------|----------------|-------------------|
| <b>Financial liabilities held at FVTPL</b>                                              |       |          |                   |                |                   |
| Derivative liabilities held for risk management purposes                                | 4     | -        | 476 741           | -              | 476 741           |
| <b>Financial liabilities held at amortised cost for which fair values are disclosed</b> |       |          |                   |                |                   |
| Trade, other payables and accrued interest on debt funding                              | 4     | -        | 877 708           | 216 920        | 1 094 628         |
| Repurchase agreements at amortised cost                                                 | 4     | -        | 1 199 972         | -              | 1 199 972         |
| Debt funding held at amortised cost                                                     | 4     | -        | 65 495 330        | -              | 65 495 330        |
| <b>Total financial liabilities</b>                                                      |       | <b>-</b> | <b>68 049 751</b> | <b>216 920</b> | <b>68 266 671</b> |

31 March 2023

Fair value disclosures

Assets held at FVTPL

|                                                     |    |   |           |           |           |
|-----------------------------------------------------|----|---|-----------|-----------|-----------|
| Investment securities                               | 3  | - | 359 881   | -         | 359 881   |
| Derivative assets held for risk management purposes | 3  | - | 64 543    | -         | 64 543    |
| Other financial asset                               | 3  | - | 40 452    | -         | 40 452    |
| Development loans at FVTPL                          | 3  | - | -         | 48 309    | 48 309    |
| Equity investments held at FVTPL*                   | 3  | - | 2 493 963 | 2 655 087 | 5 149 050 |
| Land and buildings                                  | 15 | - | -         | 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 |

|                     |  |          |                   |                    |                    |
|---------------------|--|----------|-------------------|--------------------|--------------------|
| <b>Total assets</b> |  | <b>-</b> | <b>11 344 933</b> | <b>116 421 555</b> | <b>127 766 488</b> |
|---------------------|--|----------|-------------------|--------------------|--------------------|

\* 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.

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 |

|                                    |  |          |                   |                |                   |
|------------------------------------|--|----------|-------------------|----------------|-------------------|
| <b>Total financial liabilities</b> |  | <b>-</b> | <b>62 681 164</b> | <b>214 443</b> | <b>62 895 607</b> |
|------------------------------------|--|----------|-------------------|----------------|-------------------|

| in thousands of rands | 2024 | 2023 |
|-----------------------|------|------|
|-----------------------|------|------|

12.3 Reconciliation of level 3 financial assets held at FVTPL

12.3.1 Equity investments held at FVTPL

|                                                                  |                  |                  |
|------------------------------------------------------------------|------------------|------------------|
| Balance at the beginning of year                                 | 2 655 087        | 2 659 291        |
| Decrease in fair value of equity investments (refer to note 30)* | (239 642)        | (4 204)          |
| <b>Balance at end of the year</b>                                | <b>2 415 445</b> | <b>2 655 087</b> |

\* The total unrealised loss of R240 million (31 March 2023: R4 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred.

The Bank's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- Changes in market and trading activity (e.g. significant increases/decreases in trading activity); and
- Changes in inputs used in valuation techniques (e.g. inputs becoming/ceasing to be observable in the market or significant adjustments required due to material risk events, such as COVID-19, applicable as from the year under review).

12.3.2 Development loans held at FVTPL

|                                                                              |               |               |
|------------------------------------------------------------------------------|---------------|---------------|
| Balance at the beginning of year                                             | 48 309        | 19 309        |
| Decrease in fair value of development loans at FVTPL (refer to note 10.1.2)* | (55 984)      | (16 219)      |
| Other movements (refer to note 10.1.1)                                       | 28 459        | 45 219        |
| <b>Balance at end of the year</b>                                            | <b>20 784</b> | <b>48 309</b> |

\* The total unrealised loss of R56 million (31 March 2023: R16 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.

12.4 Valuation techniques

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

| in thousands of rands                                        | 2024             |                 | 2023             |                 |
|--------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                              | Fair value       | Hierarchy level | Fair value       | Hierarchy level |
| <b>Financial instruments</b>                                 |                  |                 |                  |                 |
| Derivative assets held for risk management purposes (a)      | 9 545            | 2               | 64 543           | 2               |
| Investment securities (b)                                    | 493 175          | 2               | 359 881          | 2               |
| Equity investments (c)                                       | 4 808 783        | 2 and 3         | 5 149 050        | 2 and 3         |
| Other financial asset (d)                                    | 37 534           | 2               | 40 452           | 2               |
| Development loans at FVTPL (e)                               | 20 784           | 3               | 48 309           | 3               |
| <b>Financial assets</b>                                      | <b>5 369 821</b> |                 | <b>5 662 235</b> |                 |
| Derivative liabilities held for risk management purposes (a) | 476 741          | 2               | 612 920          | 2               |
| <b>Financial liabilities</b>                                 | <b>476 741</b>   |                 | <b>612 920</b>   |                 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

12.4 Valuation techniques (continued)

(a) Derivatives

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 rates and it is possible for the marketability and other discount rates for a particular instrument to be outside the guideline range.

(ii) Valuation techniques for third party managed private equity and management judgment regarding fair value hierarchy

Private equity funds are valued by fund managers periodically in accordance with international private equity and venture capital valuation guidelines. These guidelines have taken consideration of IFRS and set out recommendations that represent current best practice on the valuation of a private equity and venture capital investments. The guidelines also set out the valuation methodologies that may be considered for use in estimating the fair value of underlying businesses and unquoted instruments in a private equity fund, namely price of recent investment, earnings multiple, discounted cash flows or earnings (of underlying businesses), discounted cash flows (from the investment) and industry valuation benchmarks.

The above guidelines are applied by the Bank's fund managers who provide a calculated fair value estimates as inputs to the Bank's assessment. The Bank thereafter applies these guidelines which provide that in the case of unquoted equity investments, marketability and other discounts in the range 10% to 30% should be factored into the valuation. Different factors are considered in setting the marketability discounts and it is possible for the marketability discount for a particular instrument to be outside the guideline range.

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

(iii) Valuation techniques – Unlisted equities

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

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

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

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

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

| Level 1 inputs                        | Level 2 inputs                                                                                                                                                                                                                        | Level 3 inputs                                                            |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Quoted prices in active markets       | Quoted prices for similar assets or liabilities in active markets                                                                                                                                                                     | Marketability discounts not collaborated by observable market information |
| Unadjusted prices                     | Quoted prices for identical or similar assets or liabilities in markets that are not active                                                                                                                                           | Liquidity discounts                                                       |
| Accessible prices at measurement date | Inputs other than quoted prices that are observable for the assets or liability, for example: <ul style="list-style-type: none"><li>Interest rates;</li><li>Yield curves; and</li><li>Credit spreads and implied volatility</li></ul> | 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 increase in bid/ask spread                                 |
|                                       | Where there is a significant 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

12.4 Valuation techniques (continued)

(e) Development loans at FVTPL

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

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

The financial instruments are 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.

| in thousands of rands | 2024 | 2023 |
|-----------------------|------|------|
|-----------------------|------|------|

13. DEVELOPMENT BONDS AT AMORTISED COST

|                 |           |           |
|-----------------|-----------|-----------|
| Municipal bonds | 2 065 754 | 2 154 345 |
|-----------------|-----------|-----------|

13.1 Analysis of development bonds

|                                                             |           |           |
|-------------------------------------------------------------|-----------|-----------|
| Balance at the beginning of the year                        | 2 284 485 | 1 290 413 |
| Movements during the year (refer to note 13.2)              | (85 585)  | 994 072   |
| Gross development bonds                                     | 2 198 900 | 2 284 485 |
| Provision for ECL on development bonds (refer to note 13.3) | (133 146) | (130 140) |
| Net development bonds at end of the year                    | 2 065 754 | 2 154 345 |

13.2 Movements during the year

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Disbursement                        | -         | 1 000 000 |
| Repayments                          | (83 333)  | (41 667)  |
| Gross interest repayments           | (230 260) | (180 476) |
| Interest accrued (refer to note 26) | 228 008   | 216 215   |
| Net movements for the year          | (85 585)  | 994 072   |

13.3 Reconciliation of provision for ECLs on development bonds

|                                                                                  |         |         |
|----------------------------------------------------------------------------------|---------|---------|
| Balance at the beginning of the year                                             | 130 140 | 138 510 |
| Increase/(decrease) in provision for ECL on development bonds (refer to note 34) | 3 006   | (8 370) |
| Balance at end of the year                                                       | 133 146 | 130 140 |

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

13.4 Client classification of gross development bonds

|                  |           |           |
|------------------|-----------|-----------|
| Local government | 2 198 900 | 2 284 485 |
|------------------|-----------|-----------|

| in thousands of rands | 2024 | 2023 |
|-----------------------|------|------|
|-----------------------|------|------|

13.5 Regional analysis of gross development bonds

|              |           |           |
|--------------|-----------|-----------|
| South Africa | 2 198 900 | 2 284 485 |
|--------------|-----------|-----------|

13.6 Geographical analysis of gross development bonds

|                            |           |           |
|----------------------------|-----------|-----------|
| Gauteng                    | 1 290 855 | 1 290 607 |
| KwaZulu-Natal              | 908 045   | 993 878   |
| Balance at end of the year | 2 198 900 | 2 284 485 |

13.7 Sectorial analysis of gross development bonds

|                            |           |           |
|----------------------------|-----------|-----------|
| Energy                     | 1 290 855 | 1 290 607 |
| Social infrastructure      | 908 045   | 993 878   |
| Balance at end of the year | 2 198 900 | 2 284 485 |

13.8 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 expected credit losses

| in thousands of rands                                                          | Stage 1   | Stage 2   | Stage 3 | Total     |
|--------------------------------------------------------------------------------|-----------|-----------|---------|-----------|
| 31 March 2024                                                                  |           |           |         |           |
| Reconciliation of gross carrying amount                                        |           |           |         |           |
| Balance at the beginning of the year                                           | 993 877   | 1 290 608 | -       | 2 284 485 |
| Changes in interest accrual                                                    | 105 708   | 122 300   | -       | 228 008   |
| Disbursements                                                                  | -         | -         | -       | -         |
| Withdrawals                                                                    | -         | -         | -       | -         |
| Repayments                                                                     | (191 540) | (122 053) | -       | (313 593) |
| Balance at the end of the year                                                 | 908 045   | 1 290 855 | -       | 2 198 900 |
| Reconciliation of provision for ECL                                            |           |           |         |           |
| Balance at the beginning of the year                                           | 794       | 129 346   | -       | 130 140   |
| Bonds issued                                                                   | -         | -         | -       | -         |
| Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EAD) | (5)       | 3 011     | -       | 3 006     |
| Balance at the end of the year                                                 | 789       | 132 357   | -       | 133 146   |

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

13. DEVELOPMENT BONDS AT AMORTISED COST (continued)

13.8 Reconciliation of development bonds (continued)

| in thousands of rands                                                                                                                                  | Stage 1        | Stage 2          | Stage 3  | Total            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------|----------|------------------|
| <b>31 March 2023</b>                                                                                                                                   |                |                  |          |                  |
| <b>Reconciliation of gross carrying amount</b>                                                                                                         |                |                  |          |                  |
| 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        |
| Gross repayment interests                                                                                                                              | (58 617)       | (121 859)        | -        | (180 476)        |
| Repayments                                                                                                                                             | (41 667)       | -                | -        | (41 667)         |
| Transfer from stage 1 to 2                                                                                                                             | (517 865)      | 517 865          | -        | -                |
| <b>Balance at the end of the year</b>                                                                                                                  | <b>993 877</b> | <b>1 290 608</b> | <b>-</b> | <b>2 284 485</b> |
| <b>Reconciliation of provision for ECL</b>                                                                                                             |                |                  |          |                  |
| 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 EAD)                                                                         | -              | 4 200            | -        | 4 200            |
| <b>Balance at the end of the year</b>                                                                                                                  | <b>794</b>     | <b>129 346</b>   | <b>-</b> | <b>130 140</b>   |
| The decrease in ECL for the year was due to changes in stages together with changes in PDs, EADs and LGDs arising from use of new macro-economic data. |                |                  |          |                  |

13.9 Expected credit losses

| in thousands of rands                                                      | 2024         | 2023           |
|----------------------------------------------------------------------------|--------------|----------------|
| ECL recognised to the statement of comprehensive income (refer to note 34) | <b>3 006</b> | <b>(8 370)</b> |

13.10 Analysis of current and non-current portion of development bonds

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Current                                | 657 233          | 157 485          |
| Non-current                            | 1 541 667        | 2 127 000        |
| <b>Gross development bonds</b>         | <b>2 198 900</b> | <b>2 284 485</b> |
| Provision for ECL on development bonds | (133 146)        | (130 140)        |
| <b>Balance at the end of the year</b>  | <b>2 065 754</b> | <b>2 154 345</b> |

14. DEVELOPMENT LOANS AT AMORTISED COST

14.1 Analysis of development loans

|                                                             |                    |                    |
|-------------------------------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year                        | 105 854 034        | 95 876 051         |
| Movements during the year (refer to note 14.1.1)            | 7 176 049          | 9 977 983          |
| <b>Gross development loans</b>                              | <b>113 030 083</b> | <b>105 854 034</b> |
| Provision for ECL on development loans (refer to note 14.9) | (13 700 389)       | (12 174 945)       |
| <b>Net development loans at the end of the year</b>         | <b>99 329 694</b>  | <b>93 679 089</b>  |

| in thousands of rands                                             | 2024             | 2023             |
|-------------------------------------------------------------------|------------------|------------------|
| <b>14.1.1 Movements for the year</b>                              |                  |                  |
| Contractual interest on stage 3                                   | 194 035          | 858              |
| Development loans written off (refer to note 14.9)                | (1)              | (628 798)        |
| Effective interest income on development loans (refer to note 26) | 11 762 976       | 9 613 800        |
| Fees raised                                                       | 286 921          | 243 857          |
| Foreign exchange adjustment                                       | 1 652 990        | 5 472 503        |
| Gross loan repayments                                             | (23 017 038)     | (17 079 828)     |
| Loans de-recognised due to substantial modification               | (2 080 296)      | (2 133 904)      |
| Loans disbursed - current year                                    | 16 929 895       | 12 687 028       |
| Loss on derecognition                                             | (472)            | (4 596)          |
| Modification (loss)/gain                                          | (56 863)         | 81 702           |
| Movement in deferred fee                                          | (86 411)         | (83 721)         |
| New loans recognised after substantial modification               | 2 080 296        | 2 133 904        |
| Other administrative adjustments                                  | (841)            | (1 253)          |
| Proceeds from a sale of a financial asset                         | (497 108)        | (321 578)        |
| Transfer from provisions -development expenditure                 | -                | (49 550)         |
| Unrealised day one gains/losses on below market rate loans        | -                | 49 550           |
| Amortisation of below market interest rate loans                  | 7 966            | (1 991)          |
| <b>Movements for the year</b>                                     | <b>7 176 049</b> | <b>9 977 983</b> |

14.2 Maturity analysis of gross development loans

|                                                         |                    |                    |
|---------------------------------------------------------|--------------------|--------------------|
| <b>Long term development loans</b>                      |                    |                    |
| Due within 1 (one) year                                 | 19 454 938         | 14 043 070         |
| Due after 1 (one) year but within 2 (two) years         | 9 519 522          | 8 979 791          |
| Due after 2 (two) years but within 3 (three) years      | 10 029 912         | 8 276 224          |
| Due after 3 (three) years but within 4 (four) years     | 13 737 751         | 8 680 138          |
| Due after 4 years but within 5 years                    | 12 547 290         | 12 691 704         |
| Due after 4 (four) years but within 9 (nine) years      | 27 946 631         | 34 090 887         |
| Due after 9 (nine) years but within 14 (fourteen) years | 16 946 671         | 16 670 382         |
| Due after 14 (fourteen) years                           | 2 760 926          | 2 370 632          |
| <b>Total long term development loans</b>                | <b>112 943 641</b> | <b>105 802 828</b> |
| <b>Bridging finance development loans</b>               |                    |                    |
| Due within 1 (one) year                                 | 86 442             | 51 206             |
| <b>Total bridging finance development loans</b>         | <b>86 442</b>      | <b>51 206</b>      |
| <b>Total development loans</b>                          | <b>113 030 083</b> | <b>105 854 034</b> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                      |                                                 | 2024        | 2023 |
|--------------------------------------------|-------------------------------------------------|-------------|------|
| 14.                                        | DEVELOPMENT LOANS AT AMORTISED COST (continued) |             |      |
| 14.3                                       | Sectoral analysis of gross development loans    |             |      |
| Long term development loans                |                                                 |             |      |
| Commercial - fund                          | 673 673                                         | 279 556     |      |
| Commercial - manufacturing                 | 73 662                                          | 68 766      |      |
| Commercial - other                         | 264 999                                         | 225 598     |      |
| Commercial - tourism                       | -                                               | 89 409      |      |
| Communication and transport infrastructure | 23 567 907                                      | 21 597 345  |      |
| Energy - electricity                       | 46 905 410                                      | 47 585 755  |      |
| Energy - non-grid standalone               | 1 625 239                                       | 1 673 540   |      |
| Human resources development                | 2 266 936                                       | 2 150 097   |      |
| Oil and gas                                | 5 164 459                                       | 4 056 705   |      |
| Institutional infrastructure               | 8 515                                           | -           |      |
| Residential facilities                     | 2 185 470                                       | 2 236 164   |      |
| Roads and drainage                         | 16 301 123                                      | 17 404 933  |      |
| Sanitation                                 | 2 092 753                                       | 685 434     |      |
| Social infrastructure                      | 8 390 951                                       | 5 334 598   |      |
| Water                                      | 3 422 544                                       | 2 414 928   |      |
| Total long term development loans          | 112 943 641                                     | 105 802 828 |      |
| Bridging finance development loans         |                                                 |             |      |
| Human resource development                 | 70 208                                          | 44 309      |      |
| Social Infrastructure                      | 16 234                                          | 6 897       |      |
| Total bridging finance development loans   | 86 442                                          | 51 206      |      |
| Total development loans                    | 113 030 083                                     | 105 854 034 |      |

| in thousands of rands                                        |                                                  | 2024        | 2023      |
|--------------------------------------------------------------|--------------------------------------------------|-------------|-----------|
| 14.4                                                         | Geographical analysis of gross development loans |             |           |
| Long term development loans                                  |                                                  |             |           |
| Eastern Cape                                                 | 728 894                                          | 756 021     |           |
| Free State                                                   | 1 328 162                                        | 1 536 062   |           |
| Gauteng                                                      | 55 216 405                                       | 52 343 849  |           |
| KwaZulu-Natal                                                | 6 040 552                                        | 4 699 971   |           |
| Limpopo                                                      | 780 055                                          | 814 066     |           |
| Mpumalanga                                                   | 376 206                                          | 440 483     |           |
| North West                                                   | 687 617                                          | 717 465     |           |
| Northern Cape                                                | 8 883 777                                        | 8 564 992   |           |
| Western Cape                                                 | 6 414 144                                        | 5 323 485   |           |
| Rest of Africa                                               | 32 487 829                                       | 30 606 434  |           |
| Total long term development loans                            | 112 943 641                                      | 105 802 828 |           |
| Bridging finance development loans                           |                                                  |             |           |
| Gauteng                                                      | 8 587                                            | -           |           |
| KwaZulu-Natal                                                | 34 703                                           | 12 957      |           |
| North West                                                   | 24 513                                           | 7 145       |           |
| Free State                                                   | 15 222                                           | 19 442      |           |
| Eastern Cape                                                 | 448                                              | 11 662      |           |
| Limpopo                                                      | 2 969                                            | -           |           |
| Total bridging finance development loans                     | 86 442                                           | 51 206      |           |
| Total development loans                                      | 113 030 083                                      | 105 854 034 |           |
| Rest of Africa                                               |                                                  |             |           |
| Angola                                                       | 7 704 540                                        | 6 718 365   |           |
| Congo                                                        | 540 987                                          | 477 351     |           |
| Cote d'Ivoire                                                | 3 867 404                                        | 4 467 184   |           |
| Democratic Republic of Congo                                 | 192 860                                          | 193 232     |           |
| Eswatini                                                     | 20 927                                           | 28 523      |           |
| Ethiopia                                                     | 883 681                                          | 718 367     |           |
| Gabon                                                        | 47 980                                           | (11 448)    |           |
| Ghana                                                        | 4 732 165                                        | 5 025 915   |           |
| Kenya                                                        | 44 850                                           | 130 925     |           |
| Lesotho                                                      | 22 181                                           | 117 531     |           |
| Madagascar                                                   | 470 888                                          | 408 738     |           |
| Mauritius                                                    | (70)                                             | -           |           |
| Mozambique                                                   | 1 210 198                                        | 979 402     |           |
| Nigeria                                                      | 956 236                                          | 895 184     |           |
| Senegal                                                      | 800 162                                          | 654 593     |           |
| Tanzania                                                     | 2 594 289                                        | 1 006 838   |           |
| Uganda                                                       | 375 506                                          | 89          |           |
| Zambia                                                       | 6 680 743                                        | 6 738 786   |           |
| Zimbabwe                                                     | 1 342 302                                        | 2 056 859   |           |
| Total                                                        | 32 487 829                                       | 30 606 434  |           |
| Euro amount included in the Rest of Africa loans             |                                                  | 364 883     | 398 657   |
| US Dollar amounts included in the above Rest of Africa loans |                                                  | 1 337 882   | 1 327 667 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                                                                     |                                                             | 2024        | 2023        |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------|-------------|
| 14.                                                                                                                       | DEVELOPMENT LOANS AT AMORTISED COST (continued)             |             |             |
| 14.5                                                                                                                      | Client classification of gross development loans            |             |             |
| Long term development loans                                                                                               |                                                             |             |             |
| Educational institutions                                                                                                  |                                                             | 1 681 651   | 1 594 002   |
| Local government                                                                                                          |                                                             | 34 495 123  | 33 329 351  |
| National and provincial government                                                                                        |                                                             | 13 569 661  | 12 381 208  |
| Private sector intermediaries                                                                                             |                                                             | 29 089 139  | 25 935 412  |
| Public utilities                                                                                                          |                                                             | 34 108 067  | 32 562 855  |
| Total long term development loans                                                                                         |                                                             | 112 943 641 | 105 802 828 |
| Bridging finance development loans                                                                                        |                                                             |             |             |
| Private sector intermediaries                                                                                             |                                                             | 86 442      | 51 206      |
| Total development loans                                                                                                   |                                                             | 113 030 083 | 105 854 034 |
| 14.6                                                                                                                      | Fixed and variable interest rate gross development loans    |             |             |
| Long term development loans                                                                                               |                                                             |             |             |
| Fixed interest rate loans                                                                                                 |                                                             | 40 734 252  | 41 806 056  |
| Variable interest rate loans                                                                                              |                                                             | 72 209 389  | 63 996 772  |
| Total long term development loans                                                                                         |                                                             | 112 943 641 | 105 802 828 |
| Bridging finance development loans                                                                                        |                                                             |             |             |
| Variable                                                                                                                  |                                                             | 86 442      | 51 206      |
| Total development loans                                                                                                   |                                                             | 113 030 083 | 105 854 034 |
| Included in variable loans amount are semi-floating bridging loans amounting to R 36 million (31 March 2023:R26 million). |                                                             |             |             |
| 14.7                                                                                                                      | Credit impaired loans (included in total development loans) |             |             |
| 14.7.1                                                                                                                    | Sectoral analysis of gross credit impaired loans            |             |             |
| Non-performing loans (stage 3)                                                                                            |                                                             |             |             |
| Commercial - manufacturing                                                                                                |                                                             | 73 662      | 68 766      |
| Commercial - other                                                                                                        |                                                             | 237 426     | 199 675     |
| Commercial - tourism                                                                                                      |                                                             | -           | 89 409      |
| Communication and transport infrastructure                                                                                |                                                             | 2 672 155   | 969 845     |
| Energy                                                                                                                    |                                                             | 727 765     | 1 309 531   |
| Human resources development                                                                                               |                                                             | 13 628      | 1 027       |
| Residential facilities                                                                                                    |                                                             | 249 473     | 249 473     |
| Roads and drainage                                                                                                        |                                                             | 70 655      | 67 303      |
| Sanitation                                                                                                                |                                                             | 125 772     | 132 637     |
| Social infrastructure                                                                                                     |                                                             | 211 404     | 253 148     |
| Water                                                                                                                     |                                                             | 113 521     | 123 810     |
| Total non-performing loans                                                                                                |                                                             | 4 495 461   | 3 464 624   |
| Purchased or originated credit-impaired loans                                                                             |                                                             |             |             |
| Oil and gas                                                                                                               |                                                             | 540 987     | 477 351     |
| Social infrastructure                                                                                                     |                                                             | 45 722      | 59 737      |
| Water                                                                                                                     |                                                             | 60 591      | -           |
| Total purchased or originated credit-impaired loans                                                                       |                                                             | 647 300     | 537 088     |
| Total credit impaired loans                                                                                               |                                                             | 5 142 761   | 4 001 712   |

| in thousands of rands                                                                           |                                                      | 2024      | 2023      |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------|-----------|
| 14.7.2                                                                                          | Geographical analysis of gross credit-impaired loans |           |           |
| Non-performing loans (stage 3)                                                                  |                                                      |           |           |
| Free State                                                                                      |                                                      | 45 275    | 42 633    |
| Gauteng                                                                                         |                                                      | 373 294   | 351 853   |
| KwaZulu-Natal                                                                                   |                                                      | 9 270     | -         |
| Limpopo                                                                                         |                                                      | 314 219   | 306 879   |
| Mpumalanga                                                                                      |                                                      | 225 508   | 241 968   |
| North West                                                                                      |                                                      | 74 874    | 68 588    |
| Northern Cape                                                                                   |                                                      | 80 786    | 88 152    |
| Rest of Africa                                                                                  |                                                      | 3 372 235 | 2 364 551 |
| Total non-performing loans                                                                      |                                                      | 4 495 461 | 3 464 624 |
| Purchased or originated credit-impaired loans                                                   |                                                      |           |           |
| North West                                                                                      |                                                      | 60 591    | 59 737    |
| Northern Cape                                                                                   |                                                      | 45 722    | -         |
| Rest of Africa                                                                                  |                                                      | 540 987   | 477 351   |
| Total purchased or originated credit-impaired loans                                             |                                                      | 647 300   | 537 088   |
| Total credit-impaired loans                                                                     |                                                      | 5 142 761 | 4 001 712 |
| Rest of Africa                                                                                  |                                                      |           |           |
| Non-performing loans (stage 3)                                                                  |                                                      |           |           |
| Ethiopia                                                                                        |                                                      | 883 681   | -         |
| Ghana                                                                                           |                                                      | 1 334 509 | -         |
| Madagascar*                                                                                     |                                                      | 470 888   | 408 738   |
| Mauritius                                                                                       |                                                      | (70)      | -         |
| Mozambique                                                                                      |                                                      | 466 164   | 408 658   |
| Zambia                                                                                          |                                                      | -         | 1 367 867 |
| Zimbabwe                                                                                        |                                                      | 217 063   | 179 288   |
| Total non-performing loans (stage 3)                                                            |                                                      | 3 372 235 | 2 364 551 |
| Purchased or originated credit-impaired loans                                                   |                                                      |           |           |
| Congo                                                                                           |                                                      | 540 987   | 477 351   |
| Total                                                                                           |                                                      | 3 913 222 | 2 841 902 |
| * Subsequent to March 2024 year end, loan exposure in Madagascar was successfully restructured. |                                                      |           |           |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                       |                                                                         | 2024       | 2023 |
|-------------------------------------------------------------|-------------------------------------------------------------------------|------------|------|
| 14.                                                         | DEVELOPMENT LOANS AT AMORTISED COST (continued)                         |            |      |
| 14.7                                                        | Credit impaired loans (included in total development loans) (continued) |            |      |
| 14.7.3                                                      | Client classification on gross credit impaired                          |            |      |
| Non-performing loans (stage 3)                              |                                                                         |            |      |
| Educational institutions                                    | -                                                                       | 1 027      |      |
| Local government                                            | 309 021                                                                 | 343 719    |      |
| National government                                         | 676 525                                                                 | -          |      |
| Private sector intermediaries                               | 2 974 465                                                               | 1 678 472  |      |
| Public utilities                                            | 535 450                                                                 | 1 441 406  |      |
| Total non-performing loans                                  | 4 495 461                                                               | 3 464 624  |      |
| Purchased or originated credit impaired loans               |                                                                         |            |      |
| Local government                                            | 106 313                                                                 | 59 737     |      |
| Private sector intermediaries                               | 540 987                                                                 | 477 351    |      |
| Total purchased or originated credit-impaired loans         | 647 300                                                                 | 537 088    |      |
| Total credit-impaired loans                                 | 5 142 761                                                               | 4 001 712  |      |
| 14.8                                                        | Client concentration of gross development loans                         |            |      |
| One client as percentage of total loan portfolio (%)        | 12.8                                                                    | 14.1       |      |
| Top seven clients as percentage of total loan portfolio (%) | 50.1                                                                    | 51.9       |      |
| Top ten clients as percentage of total loan portfolio (%)   | 60.4                                                                    | 60.8       |      |
| 14.9                                                        | Provision for ECLs on development loans reconciliation                  |            |      |
| Balance at the beginning of the year                        | 12 174 945                                                              | 11 698 997 |      |
| Administrative corrections                                  | (841)                                                                   | (1 253)    |      |
| Sale of a financial asset                                   | (2 131)                                                                 | (1 225)    |      |
| ECLs (refer to note 34)                                     | 1 334 382                                                               | 1 106 366  |      |
| Credit impaired (POCI and stage 3)                          | 226 265                                                                 | (569 558)  |      |
| Stage 1 and 2                                               | 1 108 117                                                               | 1 675 924  |      |
| Impairment of current year interest (refer to note 14.1.1)  | 194 035                                                                 | 858        |      |
| Loans written off during the year (refer to note 14.1.1)    | (1)                                                                     | (628 798)  |      |
| Balance at the end of the year                              | 13 700 389                                                              | 12 174 945 |      |
| 14.10                                                       | Analysis of ECLs (refer to note 14.13)                                  |            |      |
| Credit impaired loans                                       |                                                                         |            |      |
| POCI                                                        | (158 370)                                                               | (350 224)  |      |
| Stage 3                                                     | 384 635                                                                 | (219 334)  |      |
| Stage 1 and 2 loans                                         |                                                                         |            |      |
| Stage 1                                                     | 207 273                                                                 | (430 453)  |      |
| Stage 2                                                     | 900 844                                                                 | 2 106 377  |      |
| Balance at end of the year                                  | 1 334 382                                                               | 1 106 366  |      |

14.11 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 for 31 March 2024:

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

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FOR THE YEAR ENDED 31 MARCH 2024

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

The table below shows the reconciliation of the opening balance to the closing balance of the net carrying amount of development loans for 31 March 2023:

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

14.12 Maximum exposure to loss

| in thousands of rands                                                                                       | 2024              | 2023              |
|-------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| The net carrying amount of development loans receivables and maximum credit exposure to loss is as follows: |                   |                   |
| <b>Development loans receivable net of ECLs</b>                                                             |                   |                   |
| Stage 1 loans                                                                                               | 55 730 046        | 56 445 204        |
| Stage 2 loans                                                                                               | 52 157 276        | 45 407 118        |
| Stage 3 loans                                                                                               | 4 495 461         | 3 464 624         |
| POCI                                                                                                        | 647 300           | 537 088           |
| Provision for ECLs                                                                                          | (13 700 389)      | (12 174 945)      |
| <b>Development loans receivable net of ECLs</b>                                                             | <b>99 329 694</b> | <b>93 679 089</b> |

14.13 Reconciliation of ECLs of development loans

The table below shows the reconciliation of provision for expected credit losses of development loans for 31 March 2024:

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

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

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

Broadly these risk factors have had an adverse impact on some of the DBSA's borrowers. During the year, the loans associated with Ethiopia and Ghana sovereign defaulted on the loan obligations to the DBSA. Further, there has been an increased risk in South Africa's municipal portfolio where DBSA has significant exposures. In response to credit risk factors identified at both the macro-economic and client level, the Bank has deemed it appropriate to recognise an additional R2.8 billion (31 March 2023: R2.5 billion) judgemental credit adjustment on the total development loan portfolio. The increase in the overlay from prior year amounted to about R300 million. The credit adjustment is based on management's best estimate relating to the anticipated trajectory of the economic recovery at the reporting date. These additional management adjustments have been subjected to the appropriate governance framework. Reversals of post model adjustments are based on demonstrable improvement in the credit risk supported by objective evidence.

\*\* The net carrying amount of development loans written off is R0.8 million (31 March 2023: R89 million). The total contractual amount outstanding on development loans with write-offs during the period and are still subject to enforcement activity is R Nil million (31 March 2023: R111 million). The write-offs had no material impact on net profit for the Bank because these loans had been fully provided for in terms of ECL allowances. All amounts written off comprised Stage 3 or non-performing development loans were subject to lifetime ECL allowances. The measurement of ECL and net amortised cost, the carrying amounts reflected management's best estimate of the present value of estimated future cash flows discounted by the effective interest rate. Accordingly, the carrying amounts of loans written off had been systematically reduced through the application of ECL impairments recorded in prior financial year ends. As such the write-off values recorded are limited to:

- the residual carrying amount, not yet impaired, for accounts fully written off; and
- the difference between the recalculated present value of estimated (revised) future cash flows and the existing carrying amount.

The total amount of undiscounted expected credit losses at initial recognition of purchased or originated credit-impaired assets at original recognition was R45 million (31 March 2023: R390 million).

\*\*\* During the current year the Bank sold a financial asset for R497 million (31 March 2023: R322 million), the proceeds of the sale are reflected in the gross loan repayments in the cash flow statement and separately in note 14.1.1.



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14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.13 Reconciliation of ECLs of development loans (continued)

The table below shows the reconciliation of provision for expected credit losses of development loans for 31 March 2023:

| in thousands of rands                                                         | Stage 1 –<br>12-month ECL | Stage 2 –<br>Lifetime ECL | Stage 3 –<br>Lifetime ECL | POCI           | Total             |
|-------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|----------------|-------------------|
| <b>Long term development loans</b>                                            |                           |                           |                           |                |                   |
| Balance at the beginning of the year                                          | 1 333 626                 | 6 249 674                 | 3 248 208                 | 867 489        | 11 698 997        |
| Disbursements                                                                 | 242 784                   | -                         | -                         | 39 914         | 282 698           |
| Foreign exchange movements                                                    | 7 236                     | 559 756                   | 421 038                   | -              | 988 030           |
| Sale of a financial asset                                                     | (1 225)                   | -                         | -                         | -              | (1 225)           |
| Other administrative adjustments                                              | -                         | -                         | (1 253)                   | -              | (1 253)           |
| Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)* | (522)                     | 1 729 672                 | (887 532)                 | (390 138)      | 451 480           |
| Substantial modification                                                      | -                         | -                         | -                         | -              | -                 |
| Suspended interest                                                            | -                         | -                         | 858                       | -              | 858               |
| 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)         |
| Write-offs**                                                                  | -                         | -                         | (628 798)                 | -              | (628 798)         |
| <b>Balance at end of the year</b>                                             | <b>901 948</b>            | <b>8 356 051</b>          | <b>2 399 681</b>          | <b>517 265</b> | <b>12 174 945</b> |

|                                                     |                  |                  |                  |                  |                  |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>ECL allowance recognised to income statement</b> | <b>(430 453)</b> | <b>2 106 377</b> | <b>(219 334)</b> | <b>(350 224)</b> | <b>1 106 366</b> |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|

| in thousands of rands                                                   | 2024             | 2023             |
|-------------------------------------------------------------------------|------------------|------------------|
| <b>Expected credit losses</b>                                           |                  |                  |
| ECL charged to the statement of comprehensive income (refer to note 34) | <b>1 334 382</b> | <b>1 106 366</b> |

14.14 Analysis of current and non-current portion of development loans

|                                                 |                    |                    |
|-------------------------------------------------|--------------------|--------------------|
| <b>Long term development loans</b>              |                    |                    |
| Current                                         | 19 454 938         | 14 043 070         |
| Non-current                                     | 93 488 703         | 91 759 758         |
| <b>Total long term development loans</b>        | <b>112 943 641</b> | <b>105 802 828</b> |
| <b>Bridging finance development loans</b>       |                    |                    |
| Current                                         | 86 442             | 51 206             |
| <b>Total bridging finance development loans</b> | <b>86 442</b>      | <b>51 206</b>      |
| <b>Gross loan book</b>                          | <b>113 030 083</b> | <b>105 854 034</b> |
| Provision for ECLs                              | (13 700 389)       | (12 174 945)       |
| <b>Amortised cost</b>                           | <b>99 329 694</b>  | <b>93 679 089</b>  |

14.15 Modification of financial assets measured at amortised cost:

| Gross loan book       |                                          |                                     |                                          |                                 |                                          |                                    |                                          |
|-----------------------|------------------------------------------|-------------------------------------|------------------------------------------|---------------------------------|------------------------------------------|------------------------------------|------------------------------------------|
| in thousands of rands | Stage 1                                  |                                     | Stage 2                                  |                                 | Stage 3                                  |                                    | Total net<br>Modification<br>gain/(loss) |
|                       | Amortised<br>cost before<br>modification | Net<br>modification<br>gain/ (loss) | Amortised<br>cost before<br>modification | Net modification<br>gain/(loss) | Amortised<br>cost before<br>modification | Net<br>modification<br>gain/(loss) |                                          |
|                       | 31 March 2024                            |                                     |                                          |                                 |                                          |                                    |                                          |
| Development loans     | 362 884                                  | (20 855)                            | 6 339 036                                | (36 008)                        | -                                        | -                                  | (56 863)                                 |

|                      |       |     |           |        |   |   |        |
|----------------------|-------|-----|-----------|--------|---|---|--------|
| <b>31 March 2023</b> |       |     |           |        |   |   |        |
| 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.

15. PROPERTY, EQUIPMENT AND RIGHT OF USE OF ASSETS

15.1 Balances as at 31 March 2024 and 31 March 2023

| in thousands of rands<br><b>Asset</b> | 2024                |                             |                   | 2023               |                             |                   |
|---------------------------------------|---------------------|-----------------------------|-------------------|--------------------|-----------------------------|-------------------|
|                                       | Cost /<br>Valuation | Accumulated<br>depreciation | Carrying<br>value | Cost/<br>Valuation | Accumulated<br>depreciation | Carrying<br>value |
| Land                                  | 92 300              | -                           | 92 300            | 92 300             | -                           | 92 300            |
| Buildings                             | 347 881             | (59 481)                    | 288 400           | 343 550            | (53 947)                    | 289 603           |
| Furniture and fittings                | 19 104              | (15 468)                    | 3 636             | 18 567             | (15 049)                    | 3 518             |
| Motor vehicles                        | 4 888               | (1 848)                     | 3 040             | 3 152              | (1 349)                     | 1 803             |
| Office equipment                      | 59 704              | (23 880)                    | 35 824            | 49 953             | (19 730)                    | 30 223            |
| Computer equipment                    | 106 640             | (88 290)                    | 18 350            | 96 753             | (85 112)                    | 11 641            |
| Leasehold improvements                | 770                 | (770)                       | -                 | 770                | (770)                       | -                 |
| Lease equipment                       | 10 503              | (7 452)                     | 3 051             | 10 503             | (4 800)                     | 5 703             |
| Leasehold property                    | 15 229              | (7 577)                     | 7 652             | 11 237             | (4 879)                     | 6 358             |
| Plant*                                | 3 807               | -                           | 3 807             | -                  | -                           | -                 |
| <b>Total</b>                          | <b>660 826</b>      | <b>(204 766)</b>            | <b>456 060</b>    | <b>626 785</b>     | <b>(185 636)</b>            | <b>441 149</b>    |

15.2 Reconciliation of property, equipment and right of use of assets as at 31 March 2024

| in thousands of rands  | Opening<br>balance | Additions     | Disposals   | Revaluations | Depreciation    | Closing<br>balance |
|------------------------|--------------------|---------------|-------------|--------------|-----------------|--------------------|
| Land                   | 92 300             | -             | -           | -            | -               | 92 300             |
| Buildings              | 289 603            | 4 332         | -           | -            | (5 535)         | 288 400            |
| Computer equipment     | 11 641             | 16 361        | (20)        | -            | (9 632)         | 18 350             |
| Furniture and fittings | 3 518              | 537           | -           | -            | (419)           | 3 636              |
| Lease equipment        | 5 703              | -             | -           | -            | (2 652)         | 3 051              |
| Lease property         | 6 357              | 3 992         | -           | -            | (2 697)         | 7 652              |
| Motor vehicles         | 1 804              | 1 736         | -           | -            | (500)           | 3 040              |
| Office equipment       | 30 223             | 9 750         | -           | -            | (4 149)         | 35 824             |
| Plant*                 | -                  | 3 807         | -           | -            | -               | 3 807              |
| <b>Total</b>           | <b>441 149</b>     | <b>40 515</b> | <b>(20)</b> | <b>-</b>     | <b>(25 584)</b> | <b>456 060</b>     |

\* The Bank acquired project assets which were previously held as collateral from a ceased project with the view of reselling to the market in order to maximise its returns. As such DBSA intends to sell the project assets within one year. The plant was fair valued to R7.5 million on 31 March 2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

15. PROPERTY, EQUIPMENT AND RIGHT OF USE OF ASSETS (continued)

15.3 Reconciliation of property, equipment and right of use of assets as at 31 March 2023

| in thousands of rands  | Opening balance | Additions | Disposals | Revaluations | Depreciation | Closing balance |
|------------------------|-----------------|-----------|-----------|--------------|--------------|-----------------|
| Land                   | 92 300          | -         | -         | -            | -            | 92 300          |
| Buildings              | 320 721         | 15 571    | -         | (43 934)     | (2 755)      | 289 603         |
| Computer equipment     | 8 426           | 8 312     | (57)      | -            | (5 040)      | 11 641          |
| Furniture and fittings | 1 304           | 2 490     | (28)      | -            | (248)        | 3 518           |
| Lease equipment        | -               | 6 992     | -         | -            | (1 289)      | 5 703           |
| Leasehold property     | 504             | 7 945     | -         | -            | (2 091)      | 6 358           |
| Motor vehicles         | 1 876           | -         | -         | -            | (73)         | 1 803           |
| Office equipment       | 19 716          | 13 337    | (7)       | -            | (2 823)      | 30 223          |
| Total                  | 444 847         | 54 647    | (92)      | (43 934)     | (14 319)     | 441 149         |

15.4 Land

Land constitutes Portion 465 (of Portion 442) of the Farm Randjesfontein 405 measuring 24 613 hectares donated by the South African Government in 1985. The land was fair valued by an independent valuator on 31 March 2023 to R92 million. No revaluations were performed in the current financial year.

15.5 Buildings

The existing buildings were erected in 1987 at a cost of R35.2 million. Improvements were carried out to the value of R4.3 million (31 March 2023: R16 million) on the buildings in the current financial year. The buildings were fair valued by an independent valuator on 31 March 2023 to R282 million. For 2023/24 financial year, revaluations were not performed.

The historical carrying value of the existing buildings is R248 million (31 March 2023: R262 million).

15.6 Collateral and restrictions

The Bank has no restrictions on its assets neither have the assets been placed as collateral for its liabilities.

16. INTANGIBLE ASSETS

16.1 Balances as at 31 March 2024 and 31 March 2023

| in thousands of rands | 2024    |                          |                | 2023    |                          |                |
|-----------------------|---------|--------------------------|----------------|---------|--------------------------|----------------|
|                       | Cost    | Accumulated amortisation | Carrying value | Cost    | Accumulated amortisation | Carrying value |
| Computer software     | 240 652 | (189 601)                | 51 051         | 232 240 | (172 614)                | 59 626         |

16.2 Reconciliation of intangible assets as at 31 March 2024

| in thousands of rands | Opening balance | Additions | Amortisation | Closing balance |
|-----------------------|-----------------|-----------|--------------|-----------------|
| Computer software     | 59 626          | 8 412     | (16 987)     | 51 051          |

16.3 Reconciliation of intangible assets as at 31 March 2023

| in thousands of rands | Opening balance | Additions | Amortisation | Closing balance |
|-----------------------|-----------------|-----------|--------------|-----------------|
| Computer software     | 63 423          | 13 441    | (17 238)     | 59 626          |

16.4 Restrictions and collateral

The Bank has no restrictions on its intangible assets neither have the assets been placed as collateral for its liabilities.

| in thousands of rands | 2024 | 2023 |
|-----------------------|------|------|
|-----------------------|------|------|

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

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

|                                                                  |           |           |
|------------------------------------------------------------------|-----------|-----------|
| <b>Financial liabilities at amortised cost</b>                   |           |           |
| Accrued interest (financial market liabilities - amortised cost) | 877 708   | 670 183   |
| Accrued interest - Repurchase agreements                         | 1 376     | -         |
| Interest received in advance                                     | 982       | -         |
| Current portion of lease liabilities                             | 5 707     | 4 158     |
| Trade payables                                                   | 208 855   | 210 285   |
| Balance at end of the year                                       | 1 094 628 | 884 626   |
| <b>Non-financial liabilities</b>                                 |           |           |
| Bonus provision                                                  | 202 626   | 185 922   |
| PAYE, VAT and Compensation Commissioner                          | 11 860    | 18 243    |
| Balance at end of the year                                       | 214 486   | 204 165   |
| Trade, other payables and accrued interest on debt funding       | 1 309 114 | 1 088 791 |

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

17.2 Trade payables comprises of: Agencies

|                                                     |         |         |
|-----------------------------------------------------|---------|---------|
| North West Department of Public Works               | 5 912   | -       |
| Municipal Financial Improvement Programme (NT MFIP) | 506     | 506     |
| Municipal Infrastructure Support Agency (MISA)      | 201     | 201     |
| National Rural Youth Service Corporation (NARYSEC)  | 115     | 115     |
| Balance at the end of the year                      | 6 734   | 822     |
| <b>Trade payables - other</b>                       |         |         |
| Accounts payable                                    | 66 051  | 64 896  |
| Accruals                                            | 136 053 | 144 549 |
| Payroll                                             | 17      | 18      |
| Balance at end of the year                          | 202 121 | 209 463 |
| Total trade payables                                | 208 855 | 210 285 |

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

|                 |           |           |
|-----------------|-----------|-----------|
| Current portion | 1 309 114 | 1 088 791 |
|-----------------|-----------|-----------|

17.4 Bonus provision reconciliation

Bonus provision is disclosed under non-financial liabilities and is reconciled below.

| in thousands of rands | Opening balance | Utilised during the year | Current year provision | Closing balance |
|-----------------------|-----------------|--------------------------|------------------------|-----------------|
| <b>31 March 2024</b>  |                 |                          |                        |                 |
| Bonus provision       | 185 922         | (185 922)                | 202 626                | 202 626         |
| <b>31 March 2023</b>  |                 |                          |                        |                 |
| Bonus provision       | 192 353         | (192 353)                | 185 922                | 185 922         |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

18. PROVISIONS AND LEASE LIABILITIES

18.1 Provisions

Reconciliation of provisions

The tables below show the reconciliation between the opening and closing balances of the Bank’s provisions.

| in thousands of rands                  | Opening<br>Balance | Current year<br>provision | Transferred/utilised/<br>reversed during the year | Closing<br>balance |
|----------------------------------------|--------------------|---------------------------|---------------------------------------------------|--------------------|
| 31 March 2024                          |                    |                           |                                                   |                    |
| Provision for ECLs on loan commitments | 36 943             | -                         | (857)                                             | 36 086             |
| Strategic initiatives - Flood relief   | 128 370            | -                         | (3 035)                                           | 125 335            |
| Total                                  | 165 313            | -                         | (3 892)                                           | 161 421            |
| 31 March 2023                          |                    |                           |                                                   |                    |
| Developmental 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.

18.2 Lease liabilities

The tables below show the reconciliation between the opening and closing balances of the Bank’s lease liabilities

| in thousands of rands | Opening<br>balance | Additions | Interest<br>accrued | Repayments | Current<br>portion | Total non-<br>current portion |
|-----------------------|--------------------|-----------|---------------------|------------|--------------------|-------------------------------|
| 31 March 2024         |                    |           |                     |            |                    |                               |
| Leases                | 12 703             | 3 992     | 1 259               | (6 120)    | (5 707)            | 6 127                         |
| 31 March 2023         |                    |           |                     |            |                    |                               |
| Leases                | 515                | 14 603    | 676                 | (3 091)    | (4 158)            | 8 545                         |

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

18.3 Total of provisions and lease liabilities

| in thousands of rands                  | 2024    | 2023    |
|----------------------------------------|---------|---------|
| Provisions                             | 161 421 | 165 313 |
| Lease liabilities                      | 6 127   | 8 545   |
| Total provisions and lease liabilities | 167 548 | 173 858 |

19. LIABILITY FOR FUNERAL AND POST-EMPLOYMENT MEDICAL BENEFITS

19.1 Liability for funeral benefits

19.1.1 Funeral benefit

This benefit covers all current and retired employees of the Bank. In respect of these employees, a gross amount of R20 000 (31 March 2023: R 20 000) is paid to the family upon the death of an employee or retired employee. The obligation was valued by Alexander Forbes on 31 March 2024.

19.1.2 Movements in liability for funeral benefit

The amount recognised in the statement of financial position in respect of the Bank’s liability for funeral benefits is detailed below

|                                  |       |       |
|----------------------------------|-------|-------|
| Balance at beginning of the year | 2 646 | 2 651 |
| Increase/(decrease) in liability | 61    | (5)   |
| Balance at the end of the year   | 2 707 | 2 646 |

Gain in change in economic assumptions of R0.072 million (31 March 2023: Gain of R0.073 million), gain in demographic assumptions of R0.176 (31 March 2023: Gain of R0.211 million).

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| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |               | 2024          | 2023 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|------|
| <b>19. LIABILITY FOR FUNERAL AND POST-EMPLOYMENT MEDICAL BENEFITS (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |               |               |      |
| <b>19.2 Liability for post-employment medical benefits</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |               |               |      |
| <b>19.2.1 Unfunded defined benefit plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |               |               |      |
| The Bank operates an unfunded defined benefit plan for qualifying employees. In terms of the plan, the Bank pays 100% of the medical aid contributions of qualifying pensioners and one active member from its current bank account monthly.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |               |               |      |
| Pensioners include retired employees and their dependants. The liability is in respect of pensioners who continue to belong to the medical aid after retirement and one active member currently employed by the Bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |               |               |      |
| <b>19.2.2 Present value obligation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |               |               |      |
| The amount recognised in the statement of financial position in respect of the Bank's post-employment medical benefit is detailed below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |               |               |      |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 42 121        | 45 878        |      |
| Interest cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 4 568         | 4 666         |      |
| Current service cost (includes interest to year-end)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 68            | 69            |      |
| Benefits paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (4 523)       | (4 361)       |      |
| Actuarial loss/(gain) for the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 3 043         | (4 131)       |      |
| <b>Balance at the end of the year</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>45 277</b> | <b>42 121</b> |      |
| Loss for the year were due to changes in experience adjustments of R3.050 million (31 March 2023: Loss of R0.324 million) and gain in financial assumptions of R0.007 million (31 March 2023:Gain of R4.455 million).                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |               |               |      |
| The duration of the liability as at 31 March 2024 is 8.30 years (31 March 2023: 8.47 years). The forecasted expected contributions to the plan for the next reporting period 31 March 2024 is R5.1 million (31 March 2023: R4.5 million).                                                                                                                                                                                                                                                                                                                                                                                                                                                         |               |               |      |
| IFRS 9: Amendments: Interest Rate Benchmark Reform does not affect the rates used to discount the post-employment benefit obligations. According to IAS19, the rate used to discount post-employment benefit obligations should be determined with reference to market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. South Africa does not have a deep market in high quality corporate bonds and as such the recommended assumptions have been set with reference to the Nominal Bond Curve, as compiled by the Johannesburg Stock Exchange of South Africa. This is a risk free rate. |               |               |      |
| <b>19.2.3 Total funeral and post-retirement medical benefits</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |               |               |      |
| Liability for funeral benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2 707         | 2 646         |      |
| Liability for post-employment medical benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 45 277        | 42 121        |      |
| <b>Balance at the end of the year</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>47 984</b> | <b>44 767</b> |      |
| <b>19.2.4 Analysis of current and non-current portion of funeral and post-employment medical benefits liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |               |               |      |
| Current portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 5 232         | 4 651         |      |
| Non-current portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 42 752        | 40 116        |      |
| <b>Balance at the end of the year</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>47 984</b> | <b>44 767</b> |      |

| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                           |                    | 2024             | 2023             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|------------------|
| <b>19.2.5 The amount recognised as an expense in the statement of comprehensive income in respect of the defined benefit plan</b>                                                                                                                                                                                                                                                                                               |                    |                  |                  |
| <b>Personnel expenses</b>                                                                                                                                                                                                                                                                                                                                                                                                       |                    |                  |                  |
| Interest cost                                                                                                                                                                                                                                                                                                                                                                                                                   | 4 568              | 4 666            |                  |
| Current service cost                                                                                                                                                                                                                                                                                                                                                                                                            | 68                 | 69               |                  |
| <b>Total charge for the year (included in personnel expenses in the statement of comprehensive income - refer note 35)</b>                                                                                                                                                                                                                                                                                                      | <b>4 636</b>       | <b>4 735</b>     |                  |
| <b>Gain and losses</b>                                                                                                                                                                                                                                                                                                                                                                                                          |                    |                  |                  |
| Actuarial loss/(gain) for the year                                                                                                                                                                                                                                                                                                                                                                                              | 3 043              | (4 131)          |                  |
| <b>19.2.6 Principal assumption in determining the post-employment medical benefit</b>                                                                                                                                                                                                                                                                                                                                           |                    |                  |                  |
| The principal assumptions in determining the post-employment medical benefits obligation are as follows:                                                                                                                                                                                                                                                                                                                        |                    |                  |                  |
| Discount rate before taxation (%)                                                                                                                                                                                                                                                                                                                                                                                               | 11.3               | 11.5             |                  |
| Medical aid inflation rate (%)                                                                                                                                                                                                                                                                                                                                                                                                  | 7.3                | 7.5              |                  |
| <b>19.2.7 Sensitivity analysis</b>                                                                                                                                                                                                                                                                                                                                                                                              |                    |                  |                  |
| The valuation results set out above are based on a number of assumptions. The value of the liability could be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.                                                                                                                                                                                               |                    |                  |                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                 | Central assumption | % point decrease | % point increase |
| <b>Sensitivity results from current valuations</b>                                                                                                                                                                                                                                                                                                                                                                              |                    |                  |                  |
| <b>Medical aid inflation rate (%)</b>                                                                                                                                                                                                                                                                                                                                                                                           | <b>7.3</b>         | <b>(1)</b>       | <b>1</b>         |
| Accrued liability 31 March 2024 (R'000)                                                                                                                                                                                                                                                                                                                                                                                         | 45 277             | 42 191           | 48 812           |
| % change                                                                                                                                                                                                                                                                                                                                                                                                                        | -                  | (6.8)            | 7.8              |
| Current service cost + interest cost 2024/25 (R'000)                                                                                                                                                                                                                                                                                                                                                                            | 4 824              | 4 475            | 5 225            |
| % change                                                                                                                                                                                                                                                                                                                                                                                                                        | -                  | (7.2)            | 8.3              |
| <b>Sensitivity results from previous valuation</b>                                                                                                                                                                                                                                                                                                                                                                              |                    |                  |                  |
| <b>Medical aid inflation rate (%)</b>                                                                                                                                                                                                                                                                                                                                                                                           | <b>7.5</b>         | <b>(1)</b>       | <b>1</b>         |
| Current service cost + interest cost 2023/24 (R'000)                                                                                                                                                                                                                                                                                                                                                                            | 4 636              | 4 292            | 5 030            |
| % change                                                                                                                                                                                                                                                                                                                                                                                                                        | -                  | (7.4)            | 8.5              |
| <b>19.2.8 The obligation for the three years prior to 31 March 2023 is as follows:</b>                                                                                                                                                                                                                                                                                                                                          |                    |                  |                  |
| 31 March 2022                                                                                                                                                                                                                                                                                                                                                                                                                   |                    |                  | 45 878           |
| 31 March 2021                                                                                                                                                                                                                                                                                                                                                                                                                   |                    |                  | 45 445           |
| 31 March 2020                                                                                                                                                                                                                                                                                                                                                                                                                   |                    |                  | 40 644           |
| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                           |                    | 2024             | 2023             |
| <b>19.3 Defined contribution plan</b>                                                                                                                                                                                                                                                                                                                                                                                           |                    |                  |                  |
| The total amount expensed during the period (including group life assurance and income continuity benefits)                                                                                                                                                                                                                                                                                                                     | 96 380             | 83 369           |                  |
| The Development Bank of Southern Africa Provident Fund (The Fund) was established on 1 June 1994. As a condition of employment, all eligible employees are required to join as members. The Fund, which is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956), is a defined contribution plan for the employees of the Bank. The number of employees covered by the plan for March 2024 was 643 (31 March 2023: 589). |                    |                  |                  |

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| in thousands of rands                                                                          | 2024              | 2023              |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>20. DEBT FUNDING HELD AT AMORTISED COST</b>                                                 |                   |                   |
| <b>20.1 Analysis of debt funding held at amortised cost</b>                                    |                   |                   |
| Debt securities                                                                                | 27 604 409        | 31 241 067        |
| Lines of credit                                                                                | 34 895 287        | 27 228 313        |
| <b>Balance per statement of financial position</b>                                             | <b>62 499 696</b> | <b>58 469 380</b> |
| Accrued interest (refer to note 17)                                                            | 877 708           | 670 183           |
| <b>Balance at end of the year including accrued interest</b>                                   | <b>63 377 404</b> | <b>59 139 563</b> |
| <b>20.2 Reconciliation of debt funding held at amortised cost</b>                              |                   |                   |
| Balance at beginning of the year                                                               | 58 469 380        | 55 535 353        |
| Capital raised                                                                                 | 12 172 599        | 10 855 540        |
| Capital repaid                                                                                 | (10 364 080)      | (13 079 836)      |
| Amortisation of discounts , premiums & transaction costs                                       | 479 544           | 460 626           |
| Foreign exchange adjustments on lines of credit                                                | 1 742 253         | 4 697 697         |
| Accrued interest (refer to note 17)                                                            | 877 708           | 670 183           |
| <b>Balance at end of the year</b>                                                              | <b>63 377 404</b> | <b>59 139 563</b> |
| EUR amount included in debt funding held at amortised cost                                     | <b>415 081</b>    | <b>367 928</b>    |
| USD Dollar amount included in debt funding held at amortised cost                              | <b>1 346 017</b>  | <b>1 064 713</b>  |
| <b>20.3 Analysis of current and non-current portion of debt funding held at amortised cost</b> |                   |                   |
| Current portion                                                                                | 10 938 834        | 11 342 404        |
| Non-current portion                                                                            | 51 560 862        | 47 126 976        |
| <b>Balance at end of the year</b>                                                              | <b>62 499 696</b> | <b>58 469 380</b> |

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 31 March 2024 R14.6 billion (31 March 2023: R17 billion).

The Financial Sector Conduct Authority published on 31 July 2020 the approval of the amendments to the JSE Debt Listings Requirements (the Debt Requirements) in the Government Gazette through Board Notice 89 of 2020 No. 43571, with an initial effective date of 31 August 2020 but later changed to 30 September 2020. The amendments are aimed at ensuring a fair, efficient and transparent debt capital market in South Africa. In terms of the new JSE Debt Listings Requirements, the Bank appointed Mr. E. Dietrich as the Debt Officer. The mandatory requirements of the JSE Debt Listings Requirements have been disclosed in the integrated report.

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 years ended 31 March 2024 and 31 March 2023.

The total carrying amount of funding debt securities held at amortised cost inclusive of accrued interest amount of R382 million is R27.99 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R496 million is R35.39 billion.

| in thousands of rands                                                                                                                                                                                                                                                      | 2024              | 2023              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>20.4 JSE DMTN Programme reconciliation</b>                                                                                                                                                                                                                              |                   |                   |
| The table below shows the reconciliation for the JSE DMTN Programme                                                                                                                                                                                                        |                   |                   |
| JSE DMTN programme amount                                                                                                                                                                                                                                                  | 80 000 000        | 80 000 000        |
| Bonds in issue                                                                                                                                                                                                                                                             | (14 600 000)      | (17 293 000)      |
| <b>Bond amount available for issuance</b>                                                                                                                                                                                                                                  | <b>65 400 000</b> | <b>62 707 000</b> |
| R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 31 March 2024 R14.6 billion (31 March 2023: R17 billion).                                                                                           |                   |                   |
| <b>20.5 Floating rate notes – nominal values</b>                                                                                                                                                                                                                           |                   |                   |
| Floating rate notes - Medium term notes                                                                                                                                                                                                                                    | <b>13 510 000</b> | <b>14 110 000</b> |
| The Bank also issued several floating medium term notes under instrument codes DVF. These are floating rate notes instruments with a maturity of two to ten years held at amortised cost.                                                                                  |                   |                   |
| <b>20.6 Repurchase agreements at amortised cost</b>                                                                                                                                                                                                                        |                   |                   |
| Balance at the beginning of the year                                                                                                                                                                                                                                       | -                 | -                 |
| Capital raised                                                                                                                                                                                                                                                             | 1 194 651         | -                 |
| <b>Balance per the statement of financial position</b>                                                                                                                                                                                                                     | <b>1 194 651</b>  | -                 |
| Accrued interest ( refer to note 17)                                                                                                                                                                                                                                       | 1 376             | -                 |
| <b>Balance at the end of the year</b>                                                                                                                                                                                                                                      | <b>1 196 027</b>  | -                 |
| Repurchase agreements were entered into during the current financial year. Development bonds with a nominal value of R1.38 billion were pledged to a financial institution. The repurchase agreements are due for settlement within 3 months after the financial year end. |                   |                   |
| <b>20.7 Analysis of current and non-current portion of repurchase agreements at amortised cost</b>                                                                                                                                                                         |                   |                   |
| Current portion                                                                                                                                                                                                                                                            | <b>1 194 651</b>  | -                 |
| <b>21. DEFERRED INCOME</b>                                                                                                                                                                                                                                                 |                   |                   |
| Balance at beginning of the year                                                                                                                                                                                                                                           | 542 819           | 515 667           |
| Current movements                                                                                                                                                                                                                                                          | 43 102            | 28 168            |
| Interest income and recoveries on loans                                                                                                                                                                                                                                    | 1 651             | 1 532             |
| Deferred income recognised during the year                                                                                                                                                                                                                                 | (9 077)           | (2 548)           |
| <b>Balance at end of the year</b>                                                                                                                                                                                                                                          | <b>578 495</b>    | <b>542 819</b>    |



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| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           | 2024       | 2023       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|------------|
| 22. SHARE CAPITAL                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |            |            |
| <b>Authorised</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |            |            |
| 2 020 000 ordinary shares (31 March 2023: 2 020 000) at a par value of R10 000 each                                                                                                                                                                                                                                                                                                                                                                                     |           | 20 200 000 | 20 200 000 |
| The Board may, with the approval of the shareholder, increase the issued share capital of the Bank by the creation and issue of ordinary and preference shares.                                                                                                                                                                                                                                                                                                         |           |            |            |
| The DBSA Act was amended in 2014 to increase the authorised share capital to R20.2 billion, divided into 2 020 000 ordinary shares. In terms of Section 13 (2A) of the amended Act, the Minister of Finance may, after consultation with the Board and notice in the Gazette, adjust the amount of the authorised share capital of the Bank and number of ordinary shares.                                                                                              |           |            |            |
| <b>Issued capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |            |            |
| 20 000 ordinary shares (31 March 2023: 20 000) at a par value of R10 000 each                                                                                                                                                                                                                                                                                                                                                                                           |           | 200 000    | 200 000    |
| All issued capital is fully paid for.                                                                                                                                                                                                                                                                                                                                                                                                                                   |           |            |            |
| 23. PERMANENT GOVERNMENT FUNDING                                                                                                                                                                                                                                                                                                                                                                                                                                        |           |            |            |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                                                                                    |           | 11 692 344 | 11 692 344 |
| This represents capital provided by the South African government and remains part of the permanent capital of the Bank. There are no repayment terms and this funding is interest-free. The total amount received equates to equity.                                                                                                                                                                                                                                    |           |            |            |
| 24. OTHER RESERVES                                                                                                                                                                                                                                                                                                                                                                                                                                                      |           |            |            |
| 24.1 Revaluation reserve on land and buildings                                                                                                                                                                                                                                                                                                                                                                                                                          |           |            |            |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                                                                                    | 138 500   | 182 434    |            |
| Loss on revaluation of land and buildings (refer to note 15)                                                                                                                                                                                                                                                                                                                                                                                                            | -         | (43 934)   |            |
| Balance at end of the year                                                                                                                                                                                                                                                                                                                                                                                                                                              | 138 500   | 138 500    |            |
| This reserve represents the fair value adjustments recognised on the revaluation of the land and buildings. There is no restrictions on the distribution of the balance of the reserve to the shareholder.                                                                                                                                                                                                                                                              |           |            |            |
| 24.2 Cash flow hedge reserve                                                                                                                                                                                                                                                                                                                                                                                                                                            |           |            |            |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                                                                                    | (350 086) | 99 353     |            |
| Foreign exchange rate risk                                                                                                                                                                                                                                                                                                                                                                                                                                              | 67 804    | (167 157)  |            |
| Unrealised (loss)/gain on cash flow hedges                                                                                                                                                                                                                                                                                                                                                                                                                              | (251 019) | 106 953    |            |
| Loss(gain) reclassified to profit or loss                                                                                                                                                                                                                                                                                                                                                                                                                               | 318 823   | (274 110)  |            |
| Interest rate risk                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (305 207) | (282 282)  |            |
| Unrealised loss on cash flow hedges                                                                                                                                                                                                                                                                                                                                                                                                                                     | (304 816) | (274 633)  |            |
| Gain reclassified to profit or loss                                                                                                                                                                                                                                                                                                                                                                                                                                     | (391)     | (7 649)    |            |
| Balance at the end of the year                                                                                                                                                                                                                                                                                                                                                                                                                                          | (587 489) | (350 086)  |            |
| The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments designated as cash flow hedges. The cumulative gains and losses arising on changes in fair value of the hedging instruments was reclassified to profit or loss when the hedged transaction affects the profit or loss or when it is determined that a hedged forecast transaction is no longer expected to occur. |           |            |            |

| in thousands of rands                                                                                                                                                                                                                                                                                                                                                                                    |            | 2024       | 2023 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------|
| 24.3 Own credit risk reserve                                                                                                                                                                                                                                                                                                                                                                             |            |            |      |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                     | -          | 13         |      |
| Movements in own credit risk for funding held at FVTPL                                                                                                                                                                                                                                                                                                                                                   | -          | (13)       |      |
| Balance at end of the year                                                                                                                                                                                                                                                                                                                                                                               | -          | -          |      |
| The own credit risk reserve shows the change in fair value attributable to changes in credit risk on debt securities in issue. It is calculated using the credit spread observed for recent issuances of similar debt, adjusted for subsequent changes in the credit spread observed on NCDs.                                                                                                            |            |            |      |
| 24.4 Total of other reserves                                                                                                                                                                                                                                                                                                                                                                             |            |            |      |
| Revaluation reserve on land and buildings                                                                                                                                                                                                                                                                                                                                                                | 138 500    | 138 500    |      |
| Cash flow hedge reserve                                                                                                                                                                                                                                                                                                                                                                                  | (587 489)  | (350 086)  |      |
| Own credit risk reserve                                                                                                                                                                                                                                                                                                                                                                                  | -          | -          |      |
| Total other reserves                                                                                                                                                                                                                                                                                                                                                                                     | (448 989)  | (211 586)  |      |
| Total other reserves on land and buildings, cash flow hedge reserve and own credit risk reserve have been combined and presented as other reserves in the statement of financial position.                                                                                                                                                                                                               |            |            |      |
| 25. RESERVE FOR GENERAL LOAN RISK                                                                                                                                                                                                                                                                                                                                                                        |            |            |      |
| Balance at the beginning of the year                                                                                                                                                                                                                                                                                                                                                                     | 2 792 383  | 1 855 171  |      |
| Transfer (from)/to general loan reserve                                                                                                                                                                                                                                                                                                                                                                  | (60 593)   | 937 212    |      |
| Balance at the end of the year                                                                                                                                                                                                                                                                                                                                                                           | 2 731 790  | 2 792 383  |      |
| The reserve is maintained for capital management purposes and is based on the risk grading of the borrowers and movements are recognised directly between the reserve for general loan risk and retained earnings. The general loan reserve is a non-distributable reserve representing a transfer from/(to) retained earnings. The reserve is separate from ECL reserves calculated in terms of IFRS 9. |            |            |      |
| 26. INTEREST INCOME                                                                                                                                                                                                                                                                                                                                                                                      |            |            |      |
| Interest income calculated using the effective interest rate                                                                                                                                                                                                                                                                                                                                             |            |            |      |
| Cash and cash equivalents                                                                                                                                                                                                                                                                                                                                                                                | 782 791    | 592 320    |      |
| Development bonds (refer to note 13.2)                                                                                                                                                                                                                                                                                                                                                                   | 228 008    | 216 215    |      |
| Effective interest income on development loans (refer to note 14.1.1)                                                                                                                                                                                                                                                                                                                                    | 11 762 976 | 9 613 800  |      |
| Total interest income calculated using the effective interest rate                                                                                                                                                                                                                                                                                                                                       | 12 773 775 | 10 422 335 |      |
| Other interest income                                                                                                                                                                                                                                                                                                                                                                                    |            |            |      |
| Interest received on financial assets held at FVTPL                                                                                                                                                                                                                                                                                                                                                      |            |            |      |
| Derivatives hedging assets                                                                                                                                                                                                                                                                                                                                                                               | 2 879      | 12 060     |      |
| Development loans at FVTPL (refer to note 10.1.1)                                                                                                                                                                                                                                                                                                                                                        | 43 501     | 29 367     |      |
| Equity investments- interest received from mezzanine instruments                                                                                                                                                                                                                                                                                                                                         | 92 386     | 175 678    |      |
| Investment securities                                                                                                                                                                                                                                                                                                                                                                                    | 40 108     | 41 007     |      |
| Total other interest income                                                                                                                                                                                                                                                                                                                                                                              | 178 874    | 258 112    |      |
| Total interest income                                                                                                                                                                                                                                                                                                                                                                                    | 12 952 649 | 10 680 447 |      |

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FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands |                                                                          | 2024       | 2023      |
|-----------------------|--------------------------------------------------------------------------|------------|-----------|
| 26.                   | INTEREST INCOME (continued)                                              |            |           |
| 26.1                  | Interest income on development loans per staging                         |            |           |
|                       | Stage 1 loans                                                            | 5 313 347  | 4 919 465 |
|                       | Stage 2 loans                                                            | 6 142 293  | 4 286 180 |
|                       | Stage 3 loans                                                            | 260 374    | 297 140   |
|                       | POCI                                                                     | 46 962     | 111 015   |
|                       | Total interest income at effective interest rate                         | 11 762 976 | 9 613 800 |
| 26.2                  | Effective interest income on development loans per client classification |            |           |
|                       | Educational institutions                                                 | 177 850    | 140 297   |
|                       | Local government                                                         | 3 691 671  | 3 310 306 |
|                       | National and provincial government                                       | 1 200 110  | 831 837   |
|                       | Private sector intermediaries                                            | 3 050 745  | 2 555 960 |
|                       | Public utilities                                                         | 3 642 600  | 2 775 400 |
|                       | Total interest income on effective interest rate                         | 11 762 976 | 9 613 800 |
| 27.                   | INTEREST EXPENSE                                                         |            |           |
|                       | Interest expense calculated using the effective interest rate            |            |           |
|                       | Bank and other payables                                                  | 53 155     | 22 418    |
|                       | Debt funding held at amortised cost                                      | 5 186 548  | 4 136 657 |
|                       | Total interest expense calculated using the effective interest rate      | 5 239 703  | 4 159 075 |
|                       | Other interest expense                                                   |            |           |
|                       | Interest expense on financial liabilities held at FVTPL                  |            |           |
|                       | Derivatives hedging liabilities                                          | -          | 3 147     |
|                       | Funding: debt securities at FVTPL                                        | -          | 48        |
|                       | Total other interest expense                                             | -          | 3 195     |
|                       | Total interest expense                                                   | 5 239 703  | 4 162 270 |
|                       | Net interest income (Note 26 less Note 27)                               | 7 712 946  | 6 518 177 |
| 28.                   | NET FEE INCOME                                                           |            |           |
| 28.1                  | Analysis of net fee income                                               |            |           |
|                       | Gross fee income                                                         |            |           |
|                       | Lending fees                                                             | 154 707    | 115 527   |
|                       | Management fees                                                          | 255 994    | 275 013   |
|                       | Non-lending fees                                                         | 46         | 182       |
|                       | Total fee income                                                         | 410 747    | 390 722   |
|                       | Gross fee expense                                                        |            |           |
|                       | Fees on funding                                                          | 10 835     | 25 638    |
|                       | Guarantee fees                                                           | 23 433     | 28 926    |
|                       | Other fees                                                               | 460        | 1 467     |
|                       | Total fee expense                                                        | 34 728     | 56 031    |
|                       | Net fee income                                                           | 376 019    | 334 691   |

| in thousands of rands |                                                                                                                                                                                                                                                                            | 2024      | 2023     |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------|
| 28.2                  | Disaggregation of gross fee income                                                                                                                                                                                                                                         |           |          |
|                       | Lending fees                                                                                                                                                                                                                                                               |           |          |
|                       | Rest of Africa                                                                                                                                                                                                                                                             | 74 245    | 71 062   |
|                       | RSA Economic and Social                                                                                                                                                                                                                                                    | 79 882    | 44 160   |
|                       | RSA Municipalities                                                                                                                                                                                                                                                         | 580       | 305      |
|                       | Total lending fees                                                                                                                                                                                                                                                         | 154 707   | 115 527  |
|                       | Management fees                                                                                                                                                                                                                                                            |           |          |
|                       | Infrastructure Delivery Division                                                                                                                                                                                                                                           | 216 074   | 244 078  |
|                       | Other divisions                                                                                                                                                                                                                                                            | 33 611    | 29 376   |
|                       | Rest of Africa                                                                                                                                                                                                                                                             | 296       | 232      |
|                       | RSA Economic and Social                                                                                                                                                                                                                                                    | 5 656     | 1 254    |
|                       | RSA Municipalities                                                                                                                                                                                                                                                         | 357       | 73       |
|                       | Total management fees                                                                                                                                                                                                                                                      | 255 994   | 275 013  |
|                       | Non-lending fees                                                                                                                                                                                                                                                           |           |          |
|                       | Other divisions                                                                                                                                                                                                                                                            | 46        | 182      |
|                       | 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.                                                                                                                                                 |           |          |
| 28.3                  | Fee receivables                                                                                                                                                                                                                                                            |           |          |
|                       | As at 31 March 2024 the Bank had R81 million (31 March 2023: R145 million) in fee receivable assets relating to management fees and lending fees. As at 31 March 2024 the Bank had no trade payables as a result of contracts with customers.                              |           |          |
|                       | Reconciliation of fee receivables                                                                                                                                                                                                                                          |           |          |
|                       | Balance at the beginning of the year                                                                                                                                                                                                                                       | 144 539   | 65 854   |
|                       | Raised and not paid during the year                                                                                                                                                                                                                                        | 67 793    | 133 690  |
|                       | Repayments during the year                                                                                                                                                                                                                                                 | (131 556) | (55 005) |
|                       | Balance at the end of the year                                                                                                                                                                                                                                             | 80 776    | 144 539  |
|                       | Impairment on fee receivables and contract assets                                                                                                                                                                                                                          |           |          |
|                       | During financial year 2024, there were no material impairments recognised in relation to fees receivable and contract assets from management fees. Impairments relating to lending fees were recognised under development loans.                                           |           |          |
|                       | Remaining performance obligations                                                                                                                                                                                                                                          |           |          |
|                       | As at 31 March 2024, the Bank had no outstanding obligations emanating from contracts with customers for which a contract liability had 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 year.                                                                                                                                                                          |           |          |

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| in thousands of rands                                                                   | 2024    | 2023    |
|-----------------------------------------------------------------------------------------|---------|---------|
| 28. NET FEE INCOME (continued)                                                          |         |         |
| 28.4 Management fees comprises:                                                         |         |         |
| African World Heritage Fund (AWHF)                                                      | 1 426   | 1 426   |
| Climate Finance Facility Trust                                                          | 7 445   | 1 460   |
| District Development Model                                                              | 357     | 2 006   |
| Eastern Cape Department of Education                                                    | 2 824   | 5 616   |
| Free State Department of Education                                                      | 6 017   | 25 343  |
| Gauteng Department of Agriculture                                                       | 741     | 768     |
| Gauteng Department of Education                                                         | 3 821   | 1 559   |
| Gauteng Department of Health                                                            | 1 763   | 975     |
| Gauteng Growth and Development                                                          | 6 759   | 11 236  |
| Infrastructure Delivery Management System (IDMS)                                        | 2 358   | 2 059   |
| Infrastructure Investment Programme for South Africa (IIPSA)                            | 11 128  |         |
| KFW Development Bank                                                                    | 1 772   | -       |
| KFW SADC Water Fund                                                                     | 3 807   | 1 084   |
| KwaZulu-Natal Department of Education                                                   | 14 843  | 26 775  |
| Limpopo Department of Economic Development                                              | 898     | 2 971   |
| Limpopo Department of Education                                                         | 4 049   | 19 073  |
| Limpopo Department of Health                                                            | 298     | -       |
| Limpopo Department of Public Works                                                      | 1 672   | 2 524   |
| Mpumalanga Department of Education                                                      | 7 389   | 1 785   |
| National Department of Basic Education for Accelerated Infrastructure Schools Programme | 31 470  | 57 818  |
| National Department of Correctional Services                                            | 2 045   | 1 933   |
| National Department of Defence                                                          | 2 359   | 798     |
| National Department of Energy - Independent Power Producer Office                       | 6 574   | 6 261   |
| National Department of Health                                                           | 31 031  | 34 850  |
| National Department of Public Works                                                     | 16 110  | 15 733  |
| National Department of Water and Sanitation                                             | 1 184   | -       |
| National Department of Trade and Industry                                               | 3 226   | 1 139   |
| National Department of Tourism                                                          | 19 263  | 7 146   |
| National Treasury Cities Support Programme (NTCSP)                                      | 2 066   | 1 438   |
| National Treasury Project Preparation Fund                                              | -       | 3 000   |
| National Water Partnership Programme                                                    | 5 306   | 2 429   |
| North West Department of Education                                                      | 18 492  | 6 395   |
| North West Department of Public Works                                                   | 13 631  | 6 891   |
| Other entities                                                                          | 3 225   | 11 480  |
| Free State Department of Human Settlement                                               | 14 614  | -       |
| Parliament of the Republic of South Africa                                              | 6 031   | -       |
| Student Housing Infrastructure Programme (SHIPMO)                                       | -       | 4 000   |
| South African Road Agency                                                               | -       | 7 042   |
| Total management fees                                                                   | 255 994 | 275 013 |

| in thousands of rands                                                                        | 2024        | 2023        |
|----------------------------------------------------------------------------------------------|-------------|-------------|
| 29. NET FOREIGN EXCHANGE GAIN                                                                |             |             |
| Unrealised – financial assets/liabilities at amortised cost                                  |             |             |
| Cash and cash equivalents: gain                                                              | 212 782     | 300 091     |
| Development loans: gain                                                                      | 1 039 432   | 4 497 735   |
| Funding lines of credit: loss                                                                | (1 346 748) | (4 019 333) |
| Unrealised – financial assets/liabilities at FVTPL                                           |             |             |
| Equity investments: gain (refer to note 11.1)                                                | 45 776      | 492 095     |
| Hedging derivatives - funding: gain/(loss)                                                   | 309 280     | (643 239)   |
| Hedging derivatives development loans: (loss)/gain                                           | (33 020)    | 12 363      |
| Total unrealised foreign exchange (loss)/gain                                                | 227 502     | 639 712     |
| Realised- financial assets/liabilities at amortised cost                                     |             |             |
| Development loans: gain                                                                      | 799 338     | 953 116     |
| Realised – financial assets/liabilities at FVTPL                                             |             |             |
| Equity investments: gain(refer to note 11.1)                                                 | 151 603     | 87 228      |
| Funding loss                                                                                 | (482 912)   | (765 905)   |
| Hedging derivatives: loss                                                                    | (567 034)   | (53 946)    |
| Total realised foreign exchange gain                                                         | (99 005)    | 220 493     |
| Net foreign exchange gain                                                                    | 128 497     | 860 205     |
| 30. NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES                          |             |             |
| Net gain/(loss) on derivatives held for risk management at FVTPL other than held for trading |             |             |
| Interest rate derivatives                                                                    |             |             |
| Realised                                                                                     | (25 151)    | (11 698)    |
| Unrealised                                                                                   | 33 864      | 111 546     |
| Net gain from interest rate derivatives                                                      | 8 713       | 99 848      |
| Foreign exchange derivatives                                                                 |             |             |
| Realised                                                                                     | -           | 62 138      |
| Unrealised                                                                                   | 5 580       | (11 260)    |
| Net gain from foreign exchange derivatives                                                   | 5 580       | 50 878      |
| Investment securities at FVTPL – unrealised                                                  |             |             |
| Investment in segregated funds                                                               | 18          | 754         |
| Municipal bonds                                                                              | (249)       | (6 246)     |
| State-owned entities bonds                                                                   | -           | (1 569)     |
| Net loss from investment securities at FVTPL                                                 | (231)       | (7 061)     |
| Debt securities                                                                              |             |             |
| At amortised cost - realised                                                                 | -           | (6 225)     |
| Designated at FVTPL – realised                                                               | -           | (4)         |
| Designated at FVTPL – unrealised                                                             | -           | 33          |
| Net loss from debt securities                                                                | -           | (6 196)     |
| Equity investments                                                                           |             |             |
| Held at FVTPL - unrealised (refer to note 11.1)                                              | (464 346)   | (31 887)    |
| Development loans                                                                            |             |             |
| Held at FVTPL (refer to note 10.1.2)                                                         | (55 984)    | (16 219)    |
| Other financial asset                                                                        |             |             |
| Held at FVTPL – unrealised                                                                   | (2 918)     | (2 618)     |
| Net (loss)/gain from financial assets and liabilities                                        | (509 186)   | 86 745      |

Included in the net gain/(loss) on derivatives held for risk management at fair value through profit or loss is a CVA adjustment gain of R 867 thousands (31 March 2023: gain of R21 million) and a DVA adjustment of R35 million (31 March 2023: R 77 million).

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| in thousands of rands                                                                                                    |                                                                             | 2024      | 2023      |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------|-----------|
| 30.                                                                                                                      | NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued) |           |           |
| 30.1                                                                                                                     | Unrealised losses from fair value level 3 positions                         |           |           |
| The total unrealised losses for the year related to level 3 positions held at year end are set in the table below        |                                                                             |           |           |
| Equity investments at FVTPL (refer to note 12.3.1)                                                                       |                                                                             | (239 642) | (4 204)   |
| Development loans at FVTPL (refer to note 12.3.2)                                                                        |                                                                             | (55 984)  | (16 219)  |
| Total unrealised losses for the year related to fair value level 3 positions held at year end                            |                                                                             | (295 626) | (20 423)  |
| 31.                                                                                                                      | INVESTMENT AND OTHER INCOME                                                 |           |           |
| Investment income                                                                                                        |                                                                             |           |           |
| Dividend income                                                                                                          |                                                                             | 54 138    | 24 756    |
| Realised gain on equity investments (refer to note 11.1)                                                                 |                                                                             | -         | 36 580    |
| Non-investment income                                                                                                    |                                                                             |           |           |
| Gain/(loss) on disposal of property and equipment                                                                        |                                                                             | 329       | (80)      |
| Sundry income*                                                                                                           |                                                                             | 31 671    | 36 608    |
| Total                                                                                                                    |                                                                             | 86 138    | 97 864    |
| * Sundry income comprises mostly bad debt recovered and recoveries.                                                      |                                                                             |           |           |
| 32.                                                                                                                      | PROJECT PREPARATION EXPENDITURE                                             |           |           |
| Expenditure incurred on the planning, project definition, pre-feasibility, feasibility and structuring phase of projects |                                                                             | 8 922     | 14 306    |
| 33.                                                                                                                      | DEVELOPMENT EXPENDITURE                                                     |           |           |
| In support of secondary and under-resourced municipalities                                                               |                                                                             | 91 664    | 68 824    |
| Strategic initiatives                                                                                                    |                                                                             | 101 992   | 205 499   |
| Total                                                                                                                    |                                                                             | 193 656   | 274 323   |
| 34.                                                                                                                      | IMPAIRMENT LOSSES                                                           |           |           |
| Development bonds (refer to note 13.3)                                                                                   |                                                                             | 3 006     | (8 370)   |
| Development loans (refer to note 14.9)                                                                                   |                                                                             | 1 334 382 | 1 106 366 |
| Loan commitments (refer to note 45)                                                                                      |                                                                             | (857)     | 34 513    |
| Modification loss on financial assets                                                                                    |                                                                             | 56 863    | (81 702)  |
| Trade receivables and other assets (refer to note 6)                                                                     |                                                                             | 34 917    | 3 271     |
| Total charge to profit or loss                                                                                           |                                                                             | 1 428 311 | 1 054 078 |
| 35.                                                                                                                      | PERSONNEL EXPENSES                                                          |           |           |
| Post-retirement medical benefits liability movement (refer note 19.2.5)                                                  |                                                                             | 4 636     | 4 735     |
| Personnel expenses                                                                                                       |                                                                             | 992 041   | 909 673   |
| Total                                                                                                                    |                                                                             | 996 677   | 914 408   |
| Included in other personnel expenses are the following:                                                                  |                                                                             |           |           |
| Chief Executive Officer and Chief Financial Officer remuneration (refer to note 41.1)                                    |                                                                             | 24 319    | 29 896    |
| Executive members' remuneration (refer to note 41.1)                                                                     |                                                                             | 44 072    | 46 397    |
| Total executive remuneration                                                                                             |                                                                             | 68 391    | 76 293    |

| in thousands of rands                                                                                         |                                                      | 2024           | 2023 |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------|------|
| 36.                                                                                                           | OTHER OPERATING EXPENSES                             |                |      |
| Auditor's remuneration                                                                                        | 16 750                                               | 16 121         |      |
| Communication costs                                                                                           | 9 435                                                | 9 209          |      |
| Consulting fees                                                                                               | 74 350                                               | 54 444         |      |
| Information technology costs                                                                                  | 63 203                                               | 61 444         |      |
| Legal expenses                                                                                                | 30 546                                               | 27 958         |      |
| Low value assets                                                                                              | 3 314                                                | 6 785          |      |
| Non-executive directors' fees paid (refer to note 41.2)                                                       | 11 995                                               | 9 022          |      |
| Other expenses*                                                                                               | 80 353                                               | 93 137         |      |
| Public relations activities                                                                                   | 45 286                                               | 25 623         |      |
| Publications and journals**                                                                                   | 16 575                                               | -              |      |
| Membership fees**                                                                                             | 14 246                                               | -              |      |
| Subsistence and travel                                                                                        | 83 797                                               | 62 556         |      |
| <b>Total</b>                                                                                                  | <b>449 850</b>                                       | <b>366 299</b> |      |
| * Other expenses include business development, repairs and maintenance and training.                          |                                                      |                |      |
| ** In the prior year, membership fees and publications and journals were disclosed as part of other expenses. |                                                      |                |      |
| 37.                                                                                                           | DEPRECIATION AND AMORTISATION (REFER NOTE 15 AND 16) |                |      |
| Buildings                                                                                                     | 5 535                                                | 2 755          |      |
| Computer equipment                                                                                            | 9 632                                                | 5 040          |      |
| Furniture and fittings                                                                                        | 419                                                  | 248            |      |
| Intangible assets                                                                                             | 16 987                                               | 17 238         |      |
| Lease equipment                                                                                               | 2 652                                                | 1 289          |      |
| Leasehold property                                                                                            | 2 697                                                | 2 091          |      |
| Motor vehicles                                                                                                | 500                                                  | 73             |      |
| Office equipment                                                                                              | 4 149                                                | 2 823          |      |
| <b>Total</b>                                                                                                  | <b>42 571</b>                                        | <b>31 557</b>  |      |
| 38.                                                                                                           | GRANTS PAID                                          |                |      |
| Early Childhood Development                                                                                   | 19 760                                               | 28 008         |      |
| Education Grant                                                                                               | -                                                    | 46             |      |
| Emfuleni School Sanitation                                                                                    | 44                                                   | 419            |      |
| Health Awareness                                                                                              | 972                                                  | -              |      |
| Inclusivity and Disability Programmes                                                                         | 700                                                  | -              |      |
| KZN Social Cohesion Programmes                                                                                | -                                                    | 2 869          |      |
| KZN Social Cohesion Programmes                                                                                | 55                                                   | -              |      |
| Mother and Child Programme                                                                                    | 550                                                  | -              |      |
| Non-profit organisation COVID relief                                                                          | -                                                    | 100            |      |
| Plastic Recycling Drive                                                                                       | -                                                    | 42             |      |
| Poultry Project                                                                                               | -                                                    | 821            |      |
| Rise against Hunger                                                                                           | 500                                                  | -              |      |
| School Technology, AI and Robotics                                                                            | 2 800                                                | -              |      |
| The Human Face of Business                                                                                    | 28                                                   | -              |      |
| Umhlanjana River Pedestrian Bridge                                                                            | 219                                                  | 415            |      |
| <b>Total</b>                                                                                                  | <b>25 628</b>                                        | <b>32 720</b>  |      |
| These are discretionary grants and recognised as an expense when incurred.                                    |                                                      |                |      |

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FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                        | 2024        | 2023        |
|------------------------------------------------------------------------------|-------------|-------------|
| 39. NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED    |             |             |
| Net profit for the year                                                      | 4 648 799   | 5 209 991   |
| Dividends received (refer to note 31)                                        | (54 138)    | (24 756)    |
| Management fees - segregated funds                                           | 460         | 108         |
| Depreciation and amortisation (refer to note 37)                             | 42 571      | 31 557      |
| (Gain)/loss on disposal of property and equipment (refer to note 31)         | (329)       | 80          |
| Realised (gain)/loss on sale of financial asset                              | (2 131)     | 3 371       |
| Grants, development expenditure and project preparation expenditure paid     | 228 206     | 321 349     |
| Net movements from financial assets and liabilities                          | (57 849)    | (79 143)    |
| Fees received                                                                | 263 675     | 233 996     |
| Fees accrued                                                                 | (201 710)   | (115 527)   |
| Debt guarantee fee raised                                                    | 22 213      | 27 767      |
| Net foreign exchange gain (refer to note 29)                                 | (128 497)   | (860 205)   |
| Capital gain on equity investments (refer to note 31)                        | -           | (36 580)    |
| Impairment losses (refer to note 34)                                         | 1 428 311   | 1 054 078   |
| Change in liability for funeral benefits and post retirement medical benefit | 3 217       | (3 762)     |
| Net interest income (refer to note 27)                                       | (7 712 946) | (6 518 177) |
| Movements in provisions and lease liabilities                                | (9 155)     | (69 422)    |
| Decrease/ (Increase) in trade receivables and other assets                   | 8 862       | (6 845)     |
| Decrease in trade, other payables and accrued interest on debt funding       | (89 241)    | (73 290)    |
| Net profit adjusted for non-cash items and items separately disclosed        | (1 609 682) | (905 410)   |

40. RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES

|                                           |              |              |
|-------------------------------------------|--------------|--------------|
| Balance at the beginning of the year      | 59 139 563   | 55 985 624   |
| Fair value movements                      | -            | 7            |
| Financial market liabilities repaid       | (10 364 080) | (13 080 501) |
| Financial market liabilities raised       | 13 367 250   | 10 855 540   |
| Foreign exchange rate movement            | 1 751 624    | 4 726 773    |
| Interest accrual                          | 4 718 744    | 3 655 913    |
| Interest repayment                        | (4 519 214)  | (3 464 422)  |
| Premiums, discounts and transaction costs | 479 544      | 460 629      |
| Balance at the end of the year            | 64 573 431   | 59 139 563   |

41. SCHEDULE OF DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

41.1 Executive members' remuneration and prescribed officers

|                             | Basic salaries and fees | Medical aid, group life and provident fund contributions | Sub-sistence and travel | Cell phone allowance | Performance bonus | Retention bonus | Total 2024 | Total 2023 |
|-----------------------------|-------------------------|----------------------------------------------------------|-------------------------|----------------------|-------------------|-----------------|------------|------------|
| Executive directors         |                         |                                                          |                         |                      |                   |                 |            |            |
| Ms B Mosako <sup>1</sup>    | 6 605 564               | 1142 767                                                 | 132 053                 | -                    | 1 005 976         | 1 616 747       | 10 503 107 | 6 288 724  |
| Ms N P Mbele <sup>2</sup>   | 3 266 212               | 665 753                                                  | 49 191                  | 26 400               | 861 801           | 1 457 934       | 6 327 291  | 5 607 988  |
| Mr P K Dlamini <sup>3</sup> | -                       | -                                                        | -                       | -                    | 7 489 025         | -               | 7 489 025  | 23 607 767 |
| Executive managers          |                         |                                                          |                         |                      |                   |                 |            |            |
| Mr E Dietrich               | 3 667 361               | 416 504                                                  | 5 467                   | 66 000               | 937 634           | 1 545 551       | 6 638 517  | 6 108 630  |
| Mr M Hillary                | 2 806 743               | 686 066                                                  | 22 840                  | 26 400               | 915 499           | 1 471 338       | 5 928 886  | 5 594 429  |
| Mr M Kubelo                 | 3 020 169               | 375 374                                                  | 54 105                  | 26 400               | 835 524           | 1 377 238       | 5 688 810  | 5 477 452  |
| Mr M Mokwele <sup>4</sup>   | 1 104 024               | 145 976                                                  | 16 727                  | 13 750               | -                 | -               | 1 280 477  | -          |
| Ms M S Motsepe              | 2 668 560               | 808 392                                                  | 11 831                  | 26 400               | 877 578           | 1 410 394       | 5 803 155  | 5 559 464  |
| Mr C Ramphela               | 2 973 096               | 297 220                                                  | 52 737                  | 26 400               | 856 948           | 1 377 238       | 5 583 639  | 5 380 057  |
| Ms C Koffman                | 2 837 313               | 385 624                                                  | 94 299                  | 33 000               | 844 480           | 1 357 200       | 5 551 916  | 5 352 409  |
| Mr M Vivekanandan           | 3 536 610               | 915 749                                                  | 119 481                 | 39 600               | 1 127 195         | 1 858 014       | 7 596 649  | 7 316 145  |
| Total                       | 32 485 652              | 5 839 425                                                | 558 731                 | 284 350              | 15 751 660        | 13 471 654      | 68 391 472 | 76 293 065 |

1. Appointed CEO of the Bank effective 1 April 2023.  
2. Appointed CFO of the Bank effective 3 July 2023.  
3. Mr Patrick Dlamini's contract came to an end on 31 March 2023. The remuneration relates to a performance bonus for the 2022/23 financial year.  
4. Appointed group executive for Transacting division effective 1 November 2023.

41.2 Remuneration of non-executive Directors and co-opted members of the Board

|                                | Fees for services as Directors | Subsistence and travel | Total 2024 | Total 2023 |
|--------------------------------|--------------------------------|------------------------|------------|------------|
| Mr E Rasool                    | 1 117 392                      | -                      | 1 117 392  | 131 502    |
| Ms M Janse Van Rensburg        | 1 398 233                      | -                      | 1 398 233  | 1 235 408  |
| Mr K Brown                     | 824 865                        | 3 888                  | 828 753    | 110 265    |
| Prof M Swilling <sup>1</sup>   | 857 249                        | -                      | 857 249    | 1 492 755  |
| Mr B Hore <sup>2</sup>         | 304 552                        | 1 728                  | 306 280    | -          |
| Adv M Kganedi                  | -                              | -                      | -          | 19 596     |
| Ms D Lerutla                   | 915 838                        | 648                    | 916 486    | 145 456    |
| Dr G Magomola                  | 595 027                        | 2 160                  | 597 187    | 815 811    |
| Mr M Matji                     | 1 088 356                      | 1 760                  | 1 090 116  | 809 518    |
| Ms D Moephuli <sup>2</sup>     | 414 015                        | 1 728                  | 415 743    | -          |
| Mr B Mudavanhu <sup>1</sup>    | 365 680                        | 432                    | 366 112    | 836 056    |
| Mr J Muthige <sup>2</sup>      | 252 324                        | 432                    | 252 756    | -          |
| Dr C Naidoo <sup>2</sup>       | 418 317                        | 1 728                  | 420 045    | -          |
| Mr J Netshitenzhe <sup>2</sup> | 338 065                        | 620                    | 338 685    | -          |
| Ms P Nqeto                     | 1 117 165                      | 3 024                  | 1 120 189  | 1 236 301  |
| Mr B Nqwababa                  | 1 122 254                      | 3 831                  | 1 126 085  | 980 917    |
| Ms A Sing <sup>1</sup>         | 613 353                        | 1 080                  | 614 433    | 1 208 614  |
| Prof E Pieterse <sup>2</sup>   | 229 216                        | -                      | 229 216    | -          |
| Total                          | 11 971 901                     | 23 059                 | 11 994 960 | 9 022 199  |

Director's fees include 15% VAT payable however, only a portion of the VAT is claimable by the Bank in accordance with Section 17 of the VAT Act, No. 89 of 1991.

1. Term of office ended.  
2. Appointed to the Board effective 2 October 2023 until 1 October 2026.



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42. RISK MANAGEMENT

42.1 Market risk

42.1.1 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 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 relative to policy parameters and is supported in these functions by the Group Risk Assurance (GRA) division.

42.1.2 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.

42.1.2.1 Management of interest rate risk

The Treasury, under oversight of the Asset and Liability Management Committee (ALCO) and Board Audit and Risk Committee, 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 31 March 2024 is encapsulated in the table below. As reflected in the 12-month cumulative re-pricing 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 R118.86 million (31 March 2023: R128.08 million).

42.1.2.2 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 31 March 2024 the Bank had a interest rate swap portfolio with a total notional amount of R20.3 billion (31 March 2023: R15.61 billion). The Bank classifies interest rate swaps as cash flow hedges and states them at fair value (refer to note 8). The net fair value of cashflow hedges as at 31 March 2024 was R467.2 million (31 March 2023: R274.7 million), comprising of assets of R9.54 million (31 March 2023: R13.8 million) and liabilities of R476.7 million (31 March 2023: R288.5 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.1 Market risk (continued)

42.1.2 Interest rate risk (continued)

42.1.2.3 Contractual repricing gap

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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42. RISK MANAGEMENT (continued)

42.1 Market risk (continued)

42.1.2 Interest rate risk (continued)

42.1.2.3 Contractual repricing gap (continued)

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

| in millions of rands                                                                 |     | <1M     | 1-3M     | 3-12M    | 1-2 Yrs | 2-3 Yrs | 3-4Yrs | 4-5Yrs  | >5Yrs  | Total    |
|--------------------------------------------------------------------------------------|-----|---------|----------|----------|---------|---------|--------|---------|--------|----------|
| Cash and cash equivalents                                                            | EUR | 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   |
| Derivative assets held for risk management purposes- interest rate swaps             | ZAR | -       | 75       | 171      | 567     | 567     | 567    | 567     | 8 688  | 11 202   |
|                                                                                      | EUR | -       | 115      | 222      | 547     | 547     | 547    | 2 166   | 261    | 4 405    |
| Derivative assets held for risk management purposes- forward 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 cost - funding bonds                                       | ZAR | (3 336) | (10 774) | (2 093)  | (2 933) | -       | (500)  | (5 069) | (590)  | (25 295) |
|                                                                                      | EUR | -       | -        | -        | -       | -       | -      | (3 854) | -      | (3 854)  |
|                                                                                      | EUR | (1 195) | (1 064)  | (449)    | (122)   | (79)    | (79)   | (79)    | (169)  | (3 236)  |
| Debt funding at amortised cost - funding lines of credit                             | USD | -       | (4 815)  | (13 692) | (100)   | (103)   | (78)   | (51)    | (91)   | (18 930) |
|                                                                                      | ZAR | (3 860) | (1 240)  | (21)     | -       | -       | -      | -       | -      | (5 121)  |
| Derivative liabilities held for risk management purposes- interest rate swaps        | EUR | -       | (115)    | (4 290)  | -       | -       | -      | -       | -      | (4 405)  |
|                                                                                      | ZAR | -       | (11 200) | -        | -       | -       | -      | -       | -      | (11 200) |
| Debt funding at amortised cost - money market debt                                   | ZAR | -       | (600)    | (1 500)  | -       | -       | -      | -       | -      | (2 100)  |
| Derivative liabilities held for risk management purposes- forward 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 is based on performing assets only. Variable interest rate instruments are included in the maturity bucket in which they re-price. Fixed rate instruments, although not technically subject to re-pricing risk, are included in the maturity bucket in which they mature, due to the assumption that it will be rolled at maturity or that it will be held as cash.

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FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.1 Market risk (continued)

42.1.3 Foreign exchange risk

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

42.1.3.1 Currency risk

Currency risk in the Bank arises primarily as a result of foreign currency denominated borrowings, foreign currency lending, equity investments, foreign currency net interest income, expenditure and dividends.

The Bank’s primary currency risk management objective is to protect its net earnings against the impact of adverse exchange rate movements. Hedging of currency exposures is effected either naturally through offsetting assets and liabilities of substantially similar size, maturities, currency, and re-pricing bases, or to adjust residual risk exposures to within acceptable parameters, through the use of approved derivative instruments transacted with approved financial institutions.

42.1.3.2 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 31 March 2024, the Bank had cross-currency swaps with a notional amount of R Nil (31 March 2023: RNil) and forward exchange contracts with nominal amount of RNil (31 March 2023 R1.57 billion). and the Bank held foreign exchange option hedges to an aggregate notional amount of R Nil (31 March 2023: R15.15 billion). The notional amounts indicate the volume of currency hedges outstanding at the balance sheet date and do not represent the amount at risk.

42.1.3.3 Foreign currency sensitivity analysis

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

| in thousands                     | 2024      |             | 2023      |             |
|----------------------------------|-----------|-------------|-----------|-------------|
|                                  | EUR       | USD         | EUR       | USD         |
| Assets                           |           |             |           |             |
| Cash and cash equivalents        | 31 061    | 32 784      | 49 508    | 41 628      |
| Development loans*               | 364 883   | 1 347 882   | 398 657   | 1 336 708   |
| Equity investments               | 35 624    | 126 488     | 37 005    | 140 266     |
| Total assets                     | 431 568   | 1 507 154   | 485 170   | 1 518 602   |
| Liabilities                      |           |             |           |             |
| Debt funding and lines of credit | (415 081) | (1 346 017) | (367 928) | (1 064 713) |
| Total liabilities                | (415 081) | (1 346 017) | (367 928) | (1 064 713) |
| Net open position before hedging | 16 487    | 161 137     | 117 242   | 453 889     |
| Currency options                 | -         | -           | -         | (330 165)   |
| Foreign exchange contracts       | -         | -           | (80 000)  | -           |
| Net open position after hedging  | 16 487    | 161 137     | 37 242    | 123 724     |

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

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

Foreign currency exchange rate (FX) sensitivity analysis

| Sensitivity %           | EUR/ZAR | EUR potential impact | USD/ZAR | USD potential impact | FX Sensitivity combined |
|-------------------------|---------|----------------------|---------|----------------------|-------------------------|
| (15)                    | 17.3043 | (50 346)             | 16.0832 | (457 339)            | (507 685)               |
| (10)                    | 18.3222 | (33 564)             | 17.0293 | (304 887)            | (338 451)               |
| (5)                     | 19.3401 | (16 782)             | 17.9753 | (152 452)            | (169 234)               |
| -                       | 20.3580 | -                    | 18.9214 | -                    | -                       |
| 5                       | 21.3759 | 16 782               | 19.8675 | 152 452              | 169 234                 |
| 10                      | 22.3938 | 33 564               | 20.8135 | 304 887              | 338 451                 |
| 15                      | 23.4117 | 50 346               | 21.7596 | 457 339              | 507 685                 |
| Spot exchange rate used | 20.3580 |                      | 18.9214 |                      |                         |

42.1.4 Equity and development loans at FVTPL

42.1.4.1 Equity investments

(a) Definition of equity investment risk

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

(b) Approach to management of equity investment risk

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

(i) Unlisted equity investments

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

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

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

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

(ii) Listed equity investments

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.1 Market risk (continued)

42.1.4 Equity and development loans at FVTPL (continued)

(c) Portfolio level sensitivity analysis - change in fair value due to general macro-economic stress

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

The impact of the top-down approach that uses fair value adjustment is disclosed in the table below. From the table below a 10% increase on the fair value adjustment will have a R511 million increase in the equity values as at 31 March 2024, and a 10% decrease in fair value adjustment will result in a R418 million decrease in the equity values as at 31 March 2024.

| in thousands of rands | 10% decrease<br>in fair value | Fair value<br>adjustments | 10% increase<br>in fair value |
|-----------------------|-------------------------------|---------------------------|-------------------------------|
| 31 March 2024         |                               |                           |                               |
| Equity instruments    | 417 911                       | 464 346                   | 510 781                       |
| Unlisted              | 417 911                       | 464 346                   | 510 781                       |
| 31 March 2023         |                               |                           |                               |
| Equity instruments    | 28 698                        | 31 887                    | 35 076                        |
| Unlisted              | 28 698                        | 31 887                    | 35 076                        |

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

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

| in thousands of rands   | Fair value gain | Variance | Valuation | Variance % |
|-------------------------|-----------------|----------|-----------|------------|
| 31 March 2024           |                 |          |           |            |
| Actual                  | 235 705         | -        | 2 415 445 | -          |
| Stressed - adverse case | 23 571          | (23 571) | 2 391 874 | (0.99)     |
| Stressed- positive case | 23 571          | 23 571   | 2 439 016 | 0.99       |
| 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       |

(e) Sensitivity analysis - Marketability discounts

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

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

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

| in thousands of rands  | Base value | 15% increase in<br>marketability<br>discount | Fair value-<br>actual | 15% decrease in<br>marketability<br>discount |
|------------------------|------------|----------------------------------------------|-----------------------|----------------------------------------------|
| 31 March 2023          |            |                                              |                       |                                              |
| 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.1 Market risk (continued)

42.1.4 Equity and development loans at FVTPL (continued)

(f) Sensitivity analysis - Currency exchange rates

The reported fair value of certain equity investments are highly sensitive to currency exchange rates, based on the nature and structure of the noted investments. In terms of the fair value hierarchy approach outlined in IFRS 13, the DBSA has determined currency exchange rate to be the single most significant lowest level input driving the fair values of the noted investments. Accordingly the DBSA calculates the sensitivity of the portfolio to changes in key exchange rates, in order to determine the impact of such changes on the fair value of the portfolio. For the current year the applied range is determined by calculating the difference between the year end exchange rate and the three (3) average year-end exchange rate for the preceding three (3) financial year ends. For 6% movement in foreign exchange rate the fair value change on the equity portfolio was +/-4.09%. The exchange rates used at measurement date are USD/ZAR at R18.9214 and EUR/ZAR at R20.3580.

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

Currency exchange rate (which is observable) is the single significant lowest level input that drives the fair value of the investments in its entirety and across the DBSA portfolio. 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 USD/ZAR R17.7803 and EUR/ZAR R19.2721.

| in thousands of rands  | 22% decrease in exchange rate | Fair value actual | 22% increase in exchange rate |
|------------------------|-------------------------------|-------------------|-------------------------------|
| 31 March 2023          |                               |                   |                               |
| 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                         |

(g) Marketability discount rates applied

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

| in thousands of rands | Level 1 | Level 2   | Level 3   | Total     |
|-----------------------|---------|-----------|-----------|-----------|
| Discount rate applied |         |           |           |           |
| 31 March 2024         |         |           |           |           |
| 0% -12.5%             | -       | -         | 10 434    | 10 434    |
| 12.5%-15.0%           | -       | -         | 31 178    | 31 178    |
| 15.0%-16.5%           | -       | 2 393 338 | 2 373 833 | 4 767 171 |
| 16.5% - 20.0%         | -       | -         | -         | -         |
| 20.0%-22.5%           | -       | -         | -         | -         |
| 22.5%-25.0%           | -       | -         | -         | -         |
| Total                 | -       | 2 393 338 | 2 415 445 | 4 808 783 |

|               |   |           |           |           |
|---------------|---|-----------|-----------|-----------|
| 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 |
| 16.5% - 20.0% | - | -         | -         | -         |
| 20.0%-22.5%   | - | -         | -         | -         |
| 22.5%-25.0%   | - | -         | -         | -         |
| Total         | - | 2 493 963 | 2 655 087 | 5 149 050 |

42.1.4.2 Development loans held at FVTPL

The most significant inputs affecting the fair value of development loans are USD/ZAR swap rates, USD/ZAR 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 |
|-----------------------|------------|--------------------------------------|---------------------|--------------------------------------|
| 31 March 2024         |            |                                      |                     |                                      |
| Level 3               | 189 213    | 19 724                               | 20 784              | 21 923                               |
| % of change           |            | (5.10)                               |                     | 5.48                                 |

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

| in thousands of rands | Base value | 10% increase in risk discount factor | Fair value - actual | 10% decrease in risk discount factor |
|-----------------------|------------|--------------------------------------|---------------------|--------------------------------------|
| 31 March 2023         |            |                                      |                     |                                      |
| Level 3               | 160 754    | 42 850                               | 48 309              | 53 770                               |
| % of change           |            | (11.30)                              |                     | 11.30                                |

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-11%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.2 Liquidity risk

42.2.1 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 Bank, this risk specifically would arise from an inability to honour obligations with respect to commitments to borrowers, lenders and investors, and operational expenditure.

42.2.2 Management of liquidity risk

In order to shield the Bank against the risk of a 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 parameters.

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 31 March 2024 was R11.1 billion (31 March 2023: R6.3 billion). This includes cash and cash equivalents of R10.8 billion (31 March 2023: R6.1 billion), segregated money market funds of R305 million (31 March 2023: R36 million) and municipal bonds of R Nil million (31 March 2023: R130 million).

42.2.3 Available liquidity

| in thousands of rands                                      | 2024       | 2023      |
|------------------------------------------------------------|------------|-----------|
| The table below shows the available liquidity of the Bank. |            |           |
| High quality liquid assets                                 |            |           |
| Cash and cash equivalents                                  | 10 803 772 | 6 166 069 |
| Other less liquid assets                                   |            |           |
| Investment in segregated funds                             | 304 966    | 36 332    |
| Municipal bonds - nominal value                            | -          | 130 000   |
| Total available liquidity                                  | 11 108 738 | 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 R7.2 billion (31 March 2023: R4.27 billion).

42.2.4 Contractual liquidity gap

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by ALCO on a quarterly basis. The 12-month cumulative liquidity gap as at 31 March 2024 was R14.52 billion (31 March 2023: R6.86 billion).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.2 Liquidity risk (continued)

42.2.4 Contractual liquidity gap (continued)

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

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

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

As per the table above the Bank has a positive cumulative liquidity gap where the contractual inflows exceed outflows across all time buckets. This profile is anticipated due to the nature of the business where the Bank has raised long dated stable funding and generated short term amortising assets.

There are no behavioural assumptions made on the liquidity gap and all assets and liabilities are disclosed with the underlying contractual maturity as determined by the cash flow profile for each record.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)  
42.2 Liquidity risk (continued)  
42.2.4 Contractual liquidity gap (continued)

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

| in millions of rands                                                                  |     | <1M     | 1-3M    | 3-12M   | 1-2 Yrs  | 2-3 Yrs  | 3-4Yrs  | 4-5Yrs   | >5Yrs   | Total    |
|---------------------------------------------------------------------------------------|-----|---------|---------|---------|----------|----------|---------|----------|---------|----------|
| Cash and cash equivalents                                                             | ZAR | 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   |
| Derivative assets held for risk management purposes - forward exchange contracts      | ZAR | 1 575   | -       | -       | -        | -        | -       | -        | -       | 1 575    |
| Total financial market assets                                                         |     | 8 005   | 4 162   | 7 582   | 9 684    | 8 294    | 8 683   | 12 665   | 53 975  | 113 050  |
| Debt funding at amortised cost and FVTPL - 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 cost - money market debt                                    | ZAR | -       | (600)   | (1 500) | -        | -        | -       | -        | -       | (2 100)  |
| Derivative liabilities held for risk management purposes - forward exchange contracts | EUR | (1 542) | -       | -       | -        | -        | -       | -        | -       | (1 542)  |
| Total financial market liabilities                                                    |     | (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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.2 Liquidity risk (continued)

42.2.5 Concentration of debt funding

|                                                        | 2024<br>% | 2023<br>% |
|--------------------------------------------------------|-----------|-----------|
| Concentration of debt funding as per source of funding |           |           |
| Domestic bond markets                                  | 23        | 30        |
| Domestic money markets                                 | 11        | 12        |
| European bond markets                                  | 9         | 9         |
| International Development Finance Institution          | 38        | 34        |
| International money markets                            | 14        | 10        |
| International unlisted bonds                           | 5         | 5         |
| Total                                                  | 100       | 100       |
| Concentration of debt funding per currency             |           |           |
| USD                                                    | 40        | 32        |
| EUR                                                    | 13        | 12        |
| ZAR                                                    | 47        | 56        |
| Total                                                  | 100       | 100       |

42.3 Credit risk

42.3.1 Overview

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

42.3.2 Management of credit risk

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

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

42.3.3 Credit risk oversight, governance and assurance

**Credit risk oversight:** The Board of Directors, as part of their oversight duties, sets the tone for the management of risk and defines the level of risk that the Bank is willing to assume, as well as considers the granting of large credits and reviews the overall performance in the management of risk through its subcommittees. A risk appetite statement, that details the level of risk that the Bank is willing to take in order to achieve its objectives and mandate, is approved annually by the Board of Directors.

**Credit risk governance:** The ongoing governance of the Bank’s risk taking activities is devolved to management. For credit risk management, the Bank has in place Board and corporate level credit committees mandated to maintain credit policies and standards, review and approve credits under delegated authority, as well as monitor and report the overall level of exposures to credit risk and performance in the management of these exposures. Portfolio reports are presented to the corporate credit committee on a quarterly basis and Board valuations committee on a semi-annual basis. The Board also reviews and approves the Bank’s risk appetite statement on an annual basis.

**Credit risk assurance:** The quality of credit risk management is assured through a three-way approach. Firstly, the Credit Analysts report into the Financing Operations Division having been deployed as a first line of defense to provide an objective view of the quality of individual credits under consideration and work closely with the frontline to monitor the performance of assets post approval, on an ongoing basis. Secondly, the Credit Lab that runs the models forms part of the Financing Operations Division with an independent reporting line to the Investment Technical Committee to validate its models. Finally, the Group Risk Assurance Division is responsible for the development of policies and monitoring thereof to support an efficient and effective Credit Risk Management throughout the Bank.

42.3.4 Credit risk ratings

**Obligor credit risk ratings:** The Bank is not regulated by the SARB under the Banks Act, but rather by the DBSA Act, and as such is not formally obligated to comply with the Basel II requirements. However, as a leveraged financial institution, prudence requires it to maintain adequate levels of capital to cover expected losses, for this reason the Bank complies with Basel standards in the development of risk models as industry best practice, more than for regulatory purposes. The key variables in the Bank’s quantitative assessment of expected loss and by implication in setting risk-adjusted pricing are:

- **Probability of default (PD)**, which determines the likelihood that the client will not be able to meet its debt repayments based on creditworthiness.
- **Exposure at default (EAD)**, which calculates the size of exposure and thus potential loss at the point of default.
- **Loss given default (LGD)**, which estimates the portion of exposure that is expected not to be recovered in the event of default.

The Bank developed a number of internal credit risk rating models for all of its major asset classes to calculate credit risk ratings as a basis for assigning a probability of default. All credit ratings are confirmed through the credit committee process to ensure consistency and effective challenge. The credit risk rating models are all subjected to validation and review before implementation.

The models are subjected to performance monitoring and validation by a technical committee as a part of governance requirements every three years. The principal objective for this is to ensure that assumptions used in model development are still appropriate and to ensure that any deficiencies are identified early and that the models produce the most accurate quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. As part of model reviews, these models are calibrated to performance along with functional improvements to cater appropriately for the asset classes being measured.

A key element of DBSA’s internal risk rating and pricing model is the PD master rating scale as shown below. This scale was developed to distinguish meaningful differences in the probability of default risk throughout the risk range. The banding estimates are derived from internal data which is based on the performance of the Bank’s loan book. The master-scale is comparable and has been approximately benchmarked to rating agencies as well as similar financial institutions.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.4 Credit risk ratings (continued)

| Rating Grade | Mid joint PD (%) | Lower bound PD (%) | Upper bound PD (%) | Mapping to S&P | Mapping to Moody's |
|--------------|------------------|--------------------|--------------------|----------------|--------------------|
| MS 1         | 0,01 %           | - %                | 0,02 %             | AAA            | Aaa                |
| MS 2         | 0,02 %           | 0,02 %             | 0,03 %             | AA+            | Aa1                |
| MS 3         | 0,03 %           | 0,03 %             | 0,04 %             | AA             | Aa2                |
| MS 4         | 0,04 %           | 0,04 %             | 0,05 %             | AA-            | Aa3                |
| MS 5         | 0,05 %           | 0,05 %             | 0,06 %             | A+             | A1                 |
| MS 6         | 0,06 %           | 0,06 %             | 0,08 %             | A              | A2                 |
| MS 7         | 0,10 %           | 0,08 %             | 0,14 %             | A-             | A3                 |
| MS 8         | 0,17 %           | 0,14 %             | 0,24 %             | BBB+           | Baa1               |
| MS 9         | 0,30 %           | 0,24 %             | 0,40 %             | BBB            | Baa2               |
| MS 10        | 0,50 %           | 0,40 %             | 0,68 %             | BBB-           | Baa3               |
| MS 11        | 0,85 %           | 0,68 %             | 1,13 %             | BB+            | Ba1                |
| MS 12        | 1,40 %           | 1,13 %             | 1,90 %             | BB             | Ba2                |
| MS 13        | 2,40 %           | 1,90 %             | 3,20 %             | BB-            | Ba3                |
| MS 14        | 4,00 %           | 3,20 %             | 5,50 %             | B+             | B1                 |
| MS 15        | 7,00 %           | 5,50 %             | 9,50 %             | B              | B2                 |
| MS 16        | 12,00 %          | 9,50 %             | 16,00 %            | B-             | B3                 |
| MS 17.1      | 17,20 %          | 16,00 %            | 22,10 %            | CCC            | Caa                |
| MS 17.2      | 28,51 %          | 22,10 %            | 36,80 %            | CCC            | Caa                |
| MS 17.3      | 47,40 %          | 36,80 %            | 61,10 %            | CCC            | Caa                |
| MS 17.4      | 78,70 %          | 61,10 %            | 99,99 %            | CCC            | Caa                |
| Default      | 100,00 %         | 99,99 %            | 100,00 %           | Default        | D                  |

42.3.5 Pricing of loans

The pricing of loans has been stable and consistent through the use of a standardised pricing model applied since January 2013. The model was developed to take into account risk capital and deliver an accurate risk adjusted return on capital (RAROC), net present value (NPV) and sustainability profit on an economic basis.

The pricing model has been updated annually to take into account changes to cost structure and budget as well as credit risk performance. The risk ratings from credit risk models approved by the investment committee are used for both the calculation of expected loss in the cash-flow of the model as well as the influence on risk capital held at the cost of capital and the hurdle rate of return required on the risk capital.

42.3.6 Credit risk models

The credit risk models (PD, LGD, and EAD) for all major portfolios of the Bank's loan book (Municipal, Balance Sheet Lending, Project Finance and Higher Education) were subjected to review. The results using the IFRS 9 compliant models for the calculation of ECL are included in the impairment of the loan book for the year.

This is required to be carried out on a three-year cycle for governance purposes and approved by the Risk Models Technical Committee which is a sub-committee of Investment Committee.

The models were recalibrated to current performance of the Bank's loan book and larger benchmark portfolios. The new versions of the credit risk models were successfully approved by the Technical Committee for implementation. Performance of these models are tracked as part of governance requirements. Further enhancements to the outputs of credit risk models for the purposes of IFRS 9 compliance will be subject to the review process which governs the credit risk models. 12-month PDs and LGDs were transformed to lifetime measures in order to consider the term structure of loans and enable the calculation of lifetime Expected Credit Loss(ECL) applicable to stage 2 classification loans contributing to the portfolio impairment. The results using the IFRS 9 compliant models for the calculation of ECL are included in the impairment of the loan book.

42.3.7 Country risk ratings

The Bank has implemented an internal country risk rating model which uses external rating agency ratings as well as economic data from various sources such as IMF and the World Bank combined with in country visits by the Country Risk team. The Investment Committee reviews the country ratings on an annual basis or more frequently if adverse events take place.

The country risk rating methodology considers solvency, liquidity, economic and political issues to risk rate countries and generate probability of default. The model inputs are continuously updated to reflect economic and political changes in individual countries. The Bank's country risk limits are calculated using sovereign risk ratings in conjunction with debt absorption capacity of countries as measured by the gross domestic product. The limits therefore consider the economic strength of countries ensuring that country exposures are related to the degrees of perceived risk as well as the country's debt absorption capacity. Using PD and LGD in the calculation of the risk limits per country, the limits set are also subject to the availability of capital and the number of simultaneous defaults that can be absorbed by that capital. All limits are set in line with the approved risk appetite.

42.3.8 Credit risk mitigation

In addition to pricing for risk, the Bank uses collateral and guarantees to enhance the quality of credit and/or reduce the expected losses in its lending portfolio. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. The main types of collateral taken comprise mortgage bond over commercial and industrial properties, bonds over plant and equipment, and the underlying moveable assets financed. The Bank use various forms of specialised legal agreements such as guarantees and similar legal contracts in support of credit extension, where necessary.

42.3.9 Credit risk monitoring, measurement and reporting

The Bank dedicates considerable resources to monitor the quality of credit throughout the life time of assets and measure the exposure and performance of assets across portfolios.

At individual counterparty level:

- Performance of credit is monitored and reported in terms of adherence to terms and conditions;
- Credit risk ratings are reviewed and updated on an annual basis;
- Potential problem loans are identified based on early indications of distress and placed on a credit watch list;
- Non-performing accounts are transferred for independent workout and recovery;
- Financial covenants are an important tool for credit mitigation within the Bank in monitoring the quality and performance of counterparties; and
- A watch list process is in place where clients that are in stress, or where there are signs of possible future stress due to a changing operating environment are monitored closely and strategies are put in place to minimise the possibility of default.

At portfolio level:

- Limits are established within the Bank's risk appetite to monitor and control the aggregate amount of risk that the Bank is taking on; and
- Overall performance of portfolios is measured and reported on a quarterly basis in terms of standard KPIs.

42.3.10 Risk rating in relation IFRS 9 staging

Prior to IFRS 9 adoption and as part of the established credit risk management practices, the Bank classifies development loans as either High risk (MS14 – MS17.4), Medium risk (MS8-MS13) and Low risk (MS1-MS7) categories. This means a development loan can be originated at High risk category and be classified as stage 1 IFRS 9 purposes should there be no demonstrable significant increase in credit risk from initial recognition to reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure

42.3.11.1 Maximum exposure

The Bank prepares monthly financial results as well as quarterly financial reports. These results are crucial for internal decision making. Consequently, it is imperative that the asset portfolio be comprehensively reviewed and significant risk indicators impacting the valuations and impairments be reflected timeously and adequately in the financial results. As a result, quarterly reviews are conducted on the loans and equities portfolio. The Bank reviews the accounting implications of credit risk and investment specific factors within the portfolio on a monthly basis. This ensures that the effect of the changes reported in the monthly financial results and quarterly financial statements are on a proactive and timely basis.

These reviews are conducted as part of and in complementing the Investment Committee process. The following factors are reviewed:

- global and local economic factors;
- observable and unobservable market factors;
- asset specific factors affecting portfolio impairment levels; and
- fair values and discount rates with the objective of ensuring that risk in the asset portfolio is adequately, fairly and timely reflected in the Bank’s results.

The reviews include assessment of the impairment triggers and reversals within the asset portfolio, review of performance of the equity portfolio on a regular basis with the asset managers. In addition, watch list meetings are held monthly.

The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9’s impairment model to credit risk as well as the impact of collateral and other credit enhancements on credit risk.

(a) Credit exposure per class of financial instruments

| in thousands of rands               | Maximum exposure to credit risk | Provision for ECLs  | Collateral held as security |
|-------------------------------------|---------------------------------|---------------------|-----------------------------|
| <b>31 March 2024</b>                |                                 |                     |                             |
| Cash and cash equivalents           | 10 803 772                      | -                   | -                           |
| Development bonds at amortised cost | 2 198 900                       | (133 146)           | -                           |
| Development loans at amortised cost | 113 030 083                     | (13 700 389)        | 490 817                     |
| Development loans at FVTPL          | 20 784                          | -                   | -                           |
| Loan commitments                    | 15 900 863                      | (36 086)            | -                           |
| Trade receivables and other assets  | 239 165                         | (56 648)            | -                           |
| <b>Total</b>                        | <b>142 193 567</b>              | <b>(13 926 269)</b> | <b>490 817</b>              |
| <b>31 March 2023</b>                |                                 |                     |                             |
| Cash and cash equivalents           | 6 166 069                       | -                   | -                           |
| Development bonds at amortised cost | 2 284 485                       | (130 140)           | -                           |
| Development loans at amortised cost | 105 854 034                     | (12 174 945)        | 493 979                     |
| Development loans at FVTPL          | 48 309                          | -                   | -                           |
| Loan commitments                    | 10 869 873                      | (36 943)            | -                           |
| Trade receivables and other assets  | 348 827                         | (21 731)            | -                           |
| <b>Total</b>                        | <b>125 571 597</b>              | <b>(12 363 759)</b> | <b>493 979</b>              |

(b) Credit exposure of municipal book

The table below provides a breakdown of the municipal loan book of the Bank.

| in thousands of rands | Market 1*         | Market 2**       | Market 3***    | Total 2024        | Market 1*         | Market 2**       | Market 3***    | Total 2023        |
|-----------------------|-------------------|------------------|----------------|-------------------|-------------------|------------------|----------------|-------------------|
| Low risk              | -                 | 610 338          | 81 608         | 691 946           | -                 | 1 350 034        | 145 544        | 1 495 578         |
| Medium risk           | 24 834 031        | 2 155 936        | 173 597        | 27 163 564        | 23 310 291        | 1 263 626        | 240 454        | 24 814 371        |
| High risk             | 5 119 257         | 1 282 324        | 238 032        | 6 639 613         | 5 213 689         | 1 595 752        | 209 962        | 7 019 403         |
| <b>Total</b>          | <b>29 953 288</b> | <b>4 048 598</b> | <b>493 237</b> | <b>34 495 123</b> | <b>28 523 980</b> | <b>4 209 412</b> | <b>595 960</b> | <b>33 329 352</b> |

\* Metropolitan municipalities

\*\* Secondary municipalities

\*\*\* Under-resourced municipalities.

The risk assignment for low, medium and high risk is explained in the table below.

42.3.11.2 Credit quality analysis

(a) Risk composition of gross loan book

The following table sets out risk composition of the gross loan book.

| in thousands of rands |                           | 2024               | 2023               |
|-----------------------|---------------------------|--------------------|--------------------|
| Internal rate grade   | Internal rate description |                    |                    |
| MS1                   | Low risk                  | -                  | -                  |
| MS2                   | Low risk                  | -                  | -                  |
| MS3                   | Low risk                  | 3 327 256          | 144 206            |
| MS4                   | Low risk                  | -                  | -                  |
| MS5                   | Low risk                  | 366 647            | 156 969            |
| MS6                   | Low risk                  | 294 186            | 73 147             |
| MS7                   | Low risk                  | 6 315 658          | 5 947 446          |
| MS8                   | Medium risk               | 3 812 618          | 5 011 744          |
| MS9                   | Medium risk               | 886 793            | 1 088 391          |
| MS10                  | Medium risk               | 8 188 300          | 6 400 487          |
| MS11                  | Medium risk               | 18 475 950         | 18 158 660         |
| MS12                  | Medium risk               | 30 225 391         | 41 402 215         |
| MS13                  | Medium risk               | 10 011 993         | 4 686 773          |
| MS14                  | High risk                 | 10 176 942         | 2 770 704          |
| MS15                  | High risk                 | 3 205 330          | 3 288 623          |
| MS16                  | High risk                 | 438 162            | 5 614 043          |
| MS17.1                | High risk                 | 12 687 162         | 366 241            |
| MS17.2                | High risk                 | 9 081              | 6 742 673          |
| MS17.3                | High risk                 | 7 575              | -                  |
| MS17.4                | High risk                 | 105 578            | 537 088            |
| Default               | Default                   | 4 495 461          | 3 464 624          |
| <b>Total</b>          |                           | <b>113 030 083</b> | <b>105 854 034</b> |

(b) Credit quality of financial assets measured at amortised cost

The following tables set out information about the credit quality of financial assets measured at amortised cost unless, specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The total carrying amounts represent the maximum gross exposure to credit risk before collateral, expected credit losses and other securities at the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

(i) Development loans

| in thousands of rands               | Stage 1           | Stage 2           | Stage 3          | POCI           | 2024 Total         | 2023 Total         |
|-------------------------------------|-------------------|-------------------|------------------|----------------|--------------------|--------------------|
| <b>Stage 3</b>                      |                   |                   |                  |                |                    |                    |
| Municipalities                      | -                 | -                 | 309 022          | 106 313        | 415 335            | 403 457            |
| Other                               | -                 | -                 | 4 186 439        | 540 987        | 4 727 426          | 3 598 255          |
| <b>Less provision for ECLs</b>      |                   |                   |                  |                |                    |                    |
| Municipalities                      | -                 | -                 | (101 360)        | (57 227)       | (158 587)          | (151 982)          |
| Other                               | -                 | -                 | (2 876 149)      | (301 668)      | (3 177 817)        | (2 764 964)        |
| <b>Net carrying amount</b>          | <b>-</b>          | <b>-</b>          | <b>1 517 952</b> | <b>288 405</b> | <b>1 806 357</b>   | <b>1 084 766</b>   |
| Net carrying amount: Municipalities | -                 | -                 | 207 662          | 49 086         | 256 748            | 251 475            |
| Net carrying amount: Other          | -                 | -                 | 1 310 290        | 239 319        | 1 549 609          | 833 291            |
| <b>Net carrying amount</b>          | <b>-</b>          | <b>-</b>          | <b>1 517 952</b> | <b>288 405</b> | <b>1 806 357</b>   | <b>1 084 766</b>   |
| <b>Low risk (MS1-MS7)</b>           |                   |                   |                  |                |                    |                    |
| Municipalities                      | 691 946           | -                 | -                | -              | 691 946            | 1 495 578          |
| Other                               | 9 611 801         | -                 | -                | -              | 9 611 801          | 4 826 189          |
| <b>Less provision for ECLs</b>      |                   |                   |                  |                |                    |                    |
| Municipalities                      | (109)             | -                 | -                | -              | (109)              | (44 867)           |
| Other                               | (30 975)          | -                 | -                | -              | (30 975)           | (16 265)           |
| <b>Net carrying amount</b>          | <b>10 272 663</b> | <b>-</b>          | <b>-</b>         | <b>-</b>       | <b>10 272 663</b>  | <b>6 260 635</b>   |
| Net carrying amount: Municipalities | 691 837           | -                 | -                | -              | 691 837            | 1 450 711          |
| Net carrying amount: Other          | 9 580 826         | -                 | -                | -              | 9 580 826          | 4 809 924          |
| <b>Net carrying amount</b>          | <b>10 272 663</b> | <b>-</b>          | <b>-</b>         | <b>-</b>       | <b>10 272 663</b>  | <b>6 260 635</b>   |
| <b>Medium risk (MS8-MS13)</b>       |                   |                   |                  |                |                    |                    |
| Municipalities                      | 11 872 414        | 15 291 150        | -                | -              | 27 163 564         | 24 814 371         |
| Other                               | 31 077 022        | 13 360 459        | -                | -              | 44 437 481         | 51 933 899         |
| <b>Less allowance for ECLs</b>      |                   |                   |                  |                |                    |                    |
| Municipalities                      | (16 002)          | (195 173)         | -                | -              | (211 175)          | (276 062)          |
| Other                               | (995 371)         | (1 733 369)       | -                | -              | (2 728 740)        | (2 531 629)        |
| <b>Net carrying amount</b>          | <b>41 938 063</b> | <b>26 723 067</b> | <b>-</b>         | <b>-</b>       | <b>68 661 130</b>  | <b>73 940 579</b>  |
| Net carrying amount: Municipalities | 11 856 412        | 15 095 977        | -                | -              | 26 952 389         | 24 538 309         |
| Net carrying amount: Other          | 30 081 651        | 11 627 090        | -                | -              | 41 708 741         | 49 402 270         |
| <b>Net carrying amount</b>          | <b>41 938 063</b> | <b>26 723 067</b> | <b>-</b>         | <b>-</b>       | <b>68 661 130</b>  | <b>73 940 579</b>  |
| <b>High risk (MS14-MS17.4)</b>      |                   |                   |                  |                |                    |                    |
| Municipalities                      | 117 613           | 6 106 665         | -                | -              | 6 224 278          | 6 615 946          |
| Other                               | 2 359 250         | 17 399 002        | -                | -              | 19 758 252         | 12 166 339         |
| <b>Less provision for ECLs</b>      |                   |                   |                  |                |                    |                    |
| Municipalities                      | (1 867)           | (903 139)         | -                | -              | (905 006)          | (900 292)          |
| Other                               | (62 766)          | (6 425 214)       | -                | -              | (6 487 980)        | (5 488 884)        |
| <b>Net carrying amount</b>          | <b>2 412 230</b>  | <b>16 177 314</b> | <b>-</b>         | <b>-</b>       | <b>18 589 544</b>  | <b>12 393 109</b>  |
| Net carrying amount: Municipalities | 115 746           | 5 203 526         | -                | -              | 5 319 272          | 5 715 654          |
| Net carrying amount: Other          | 2 296 484         | 10 973 788        | -                | -              | 13 270 272         | 6 677 455          |
| <b>Net carrying amount</b>          | <b>2 412 230</b>  | <b>16 177 314</b> | <b>-</b>         | <b>-</b>       | <b>18 589 544</b>  | <b>12 393 109</b>  |
| <b>Gross carrying amount</b>        | <b>55 730 046</b> | <b>52 157 276</b> | <b>4 495 461</b> | <b>647 300</b> | <b>113 030 083</b> | <b>105 854 034</b> |
| Provision for ECLs                  | (1 107 090)       | (9 256 895)       | (2 977 509)      | (358 895)      | (13 700 389)       | (12 174 945)       |
| <b>Net carrying amount</b>          | <b>54 622 956</b> | <b>42 900 381</b> | <b>1 517 952</b> | <b>288 405</b> | <b>99 329 694</b>  | <b>93 679 089</b>  |

(ii) Development bonds at amortised cost

| in thousands of rands         | Stage 1        | Stage 2          | Stage 3  | POCI     | 2024 Total       | 2023 Total       |
|-------------------------------|----------------|------------------|----------|----------|------------------|------------------|
| <b>Medium risk (MS8-MS13)</b> |                |                  |          |          |                  |                  |
| Municipalities                | 908 045        | 517 918          | -        | -        | 1 425 963        | 1 766 620        |
| Less provision for ECLs       | (789)          | (262)            | -        | -        | (1 051)          | (2 490)          |
| <b>Net carrying amount</b>    | <b>907 256</b> | <b>517 656</b>   | <b>-</b> | <b>-</b> | <b>1 424 912</b> | <b>1 764 130</b> |
| <b>High risk (MS14-MS17)</b>  |                |                  |          |          |                  |                  |
| Municipalities                | -              | 772 937          | -        | -        | 772 937          | 517 865          |
| Less provision for ECLs       | -              | (132 095)        | -        | -        | (132 095)        | (127 650)        |
| <b>Net carrying amount</b>    | <b>-</b>       | <b>640 842</b>   | <b>-</b> | <b>-</b> | <b>640 842</b>   | <b>390 215</b>   |
| <b>Gross carrying amount</b>  | <b>908 045</b> | <b>1 290 855</b> | <b>-</b> | <b>-</b> | <b>2 198 900</b> | <b>2 284 485</b> |
| Less provision for ECLs       | (789)          | (132 357)        | -        | -        | (133 146)        | (130 140)        |
| <b>Net carrying amount</b>    | <b>907 256</b> | <b>1 158 498</b> | <b>-</b> | <b>-</b> | <b>2 065 754</b> | <b>2 154 345</b> |

(iii) Loan commitments

| in thousands of rands            | Stage 1           | Stage 2        | Stage 3  | POCI     | 2024 Total        | 2023 Total        |
|----------------------------------|-------------------|----------------|----------|----------|-------------------|-------------------|
| <b>Stage 3</b>                   |                   |                |          |          |                   |                   |
| Other                            | -                 | -              | -        | -        | -                 | -                 |
| <b>Low risk (MS1-MS7)</b>        |                   |                |          |          |                   |                   |
| Other                            | 4 784 564         | -              | -        | -        | 4 784 564         | 4 484 564         |
| <b>Medium risk (MS8-MS13)</b>    |                   |                |          |          |                   |                   |
| Municipalities                   | 200 000           | 29 924         | -        | -        | 229 924           | 37 900            |
| Other                            | 10 260 243        | 378 428        | -        | -        | 10 638 671        | 5 835 867         |
| <b>Gross carrying amount</b>     | <b>10 460 243</b> | <b>408 352</b> | <b>-</b> | <b>-</b> | <b>10 868 595</b> | <b>5 873 767</b>  |
| <b>High risk (MS14-MS17.4)**</b> |                   |                |          |          |                   |                   |
| Municipalities                   | 234 316           | -              | -        | -        | 234 316           | -                 |
| Other                            | 13 388            | -              | -        | -        | 13 388            | 511 374           |
| <b>Gross carrying amount</b>     | <b>247 704</b>    | <b>-</b>       | <b>-</b> | <b>-</b> | <b>247 704</b>    | <b>511 374</b>    |
| <b>Gross carrying amount</b>     | <b>15 492 511</b> | <b>408 352</b> | <b>-</b> | <b>-</b> | <b>15 900 863</b> | <b>10 869 705</b> |
| Provision for ECLs               | (9 833)           | (26 253)       | -        | -        | (36 086)          | (36 943)          |
| <b>Net carrying amount</b>       | <b>15 482 678</b> | <b>382 099</b> | <b>-</b> | <b>-</b> | <b>15 864 777</b> | <b>10 832 762</b> |

\*\* Refer to page 144 for risk rating in relation to IFRS 9 staging.

(c) Cash and cash equivalents

The Bank held cash and cash equivalents of R11 billion at 31 March 2024 (31 March 2023: R7 billion). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA+ and AA, based on a national scale credit rating.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.3 Collateral held and other credit enhancements

The Bank holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collaterals are determined with reference to the realisable value of security under forced-sale conditions. Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored closely.

The following types of collateral are held in respect of the above loans: guarantees, cession of debtors, cession of income streams, mortgages, investments, notarial bonds, sinking fund investments, promissory notes, insurance policies and treaty obligations.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 March 2024, the gross carrying amount of credit-impaired loans amounted to R5 billion (31 March 2023: R4 billion) and the fair value of identifiable collateral held against those loans amounted to R87 million (31 March 2023: R86 million). The carrying amount of collateral taken in possession during the year is R Nil (31 March 2023: R Nil).

(a) Principles types of collateral held against different types of financial assets

The following table sets out the principal types of collateral held against different types of financial assets.

| in thousands of rands | Nature of the collateral held | % of exposure that is subject to collateral requirements | 2024    | 2023    |
|-----------------------|-------------------------------|----------------------------------------------------------|---------|---------|
| Development loans     | Bank account                  | 79                                                       | 388 239 | 389 626 |
| Development loans     | Guarantee                     | 11                                                       | 54 442  | 54 442  |
| Development loans     | Mortgage bond                 | 10                                                       | 48 136  | 49 911  |
| Total                 |                               |                                                          | 490 817 | 493 979 |

For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments and insurance policies. The Bank also holds collateral in the form of assignment agreements, bank accounts, bank guarantees, debentures, escrow accounts, floating charges, guarantees, income streams, letters of comfort/ intent, shares, subordination agreements, sureties and undertakings.

(b) Collateral held for financial assets that are credit impaired - Stage 3 and POCI

Financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below.

| in thousands of rands | Gross exposure | Provision for ECL | Carrying amount | Fair value of collateral held |
|-----------------------|----------------|-------------------|-----------------|-------------------------------|
| 31 March 2024         |                |                   |                 |                               |
| Development loans     | 5 142 761      | (3 336 404)       | 1 806 357       | 86 549                        |
| 31 March 2023         |                |                   |                 |                               |
| Development loans     | 4 001 712      | (2 916 946)       | 1 084 766       | 86 497                        |

42.3.11.4 Expected credit losses (ECL)

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive.

Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

(a) Assessments of clients

The Bank assesses credit risk on loans on an individual basis using all relevant information about the loan and the borrower. The Bank individually assesses significantly large exposures. There are no amounts that have been written off for which enforcement activity is still being enforced. Further, any recoveries post write-off are accounted for in the income statement as bad debts recovered.

(b) 12-month expected credit losses

Represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(c) Lifetime expected credit losses

Lifetime Expected Credit Losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected life is estimated by considering cash flows taking into account all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options).

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term (Maturity) of the financial instrument.

A collective assessment of impairment takes into account data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.

(d) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information, credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.4 Expected credit losses (ECL) (continued)

The Bank uses the table below to determine significant increase in credit risk.

| Grade at origination date | Notch movement | Grade at reporting date | Stage   |
|---------------------------|----------------|-------------------------|---------|
| MS 1                      | 6              | MS 7                    | Stage 2 |
| MS 2                      | 6              | MS 8                    | Stage 2 |
| MS 3                      | 6              | MS 9                    | Stage 2 |
| MS 4                      | 6              | MS 10                   | Stage 2 |
| MS 5                      | 6              | MS 11                   | Stage 2 |
| MS 6                      | 5              | MS 11                   | Stage 2 |
| MS 7                      | 4              | MS 11                   | Stage 2 |
| MS 8                      | 4              | MS 12                   | Stage 2 |
| MS 9                      | 3              | MS 12                   | Stage 2 |
| MS 10                     | 3              | MS 13                   | Stage 2 |
| MS 11                     | 2              | MS 13                   | Stage 2 |
| MS 12                     | 2              | MS 14                   | Stage 2 |
| MS 13                     | 2              | MS 15                   | Stage 2 |
| MS 14                     | 2              | MS 16                   | Stage 2 |
| MS 15                     | 2              | MS 17.1                 | Stage 2 |
| MS 16                     | 1              | MS 17.1                 | Stage 2 |
| MS17.1                    | 1              | MS 17.2                 | Stage 2 |
| MS17.2                    | 1              | MS 17.3                 | Stage 2 |
| MS17.3                    | 1              | MS 17.4                 | Stage 2 |
| MS17.4                    | Default        | Default                 | Stage 3 |

(e) Origination date and contractual life of loans

The Bank’s development loans are mostly non-revolving credit facilities. The Bank defines the loan origination date as the date of initial recognition when the Bank becomes party to an irrevocable commitment. Where applicable this could be the date of signing of the lending agreement if conditions precedent are met or the date on which all remaining conditions precedent for disbursement are met and the Bank is irrevocably bound to the lending agreement.

The tenor used in assessing significant increase in credit risk is the contractual tenor of the loan. The Bank assesses significant increase in credit risk from the origination date to date of transition and after transition date, assessments are done from origination date to date of reporting.

The Bank lends long tenors sometimes extending up to 30 years and for some development loans that were very old at IFRS 9 transition date, the Bank has assumed that the origination date is the first loan disbursement date and where applicable the Bank has used reasonable and supportable information without undue effort and costs in assessing origination date of some loans.

The Bank currently has one revolving credit facility, the Bank has used the maximum contractual period, and the Bank has not applied the exception of using a shorter period for estimating ECLs.

The Bank use the number of days past due (DPD) to determine significant increase in credit risk. The Bank assigns each facility a credit rating at initial recognition based on available information about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD. The Bank uses a series of quantitative, qualitative and backstop criteria to determine if a loan has experienced significant increase in

credit risk. The assessment of whether there has been SICR is to be based on both of the following:

- A significant downgrade of a loan through the Bank’s internal credit rating system where downgrade is not influenced by changes in the model but influenced by actual deterioration of a borrower’s/project’s credit risk. This will be measured by the increase in a loan’s lifetime forward-looking PD at origination rating date compared to the remaining lifetime PD at reporting rating date; and
- Qualitative factors that are not captured through the Bank’s internal credit rating process. The qualitative criteria include the observation of specific adverse events in the economy/industry/market the borrower is operating in, which events may have an adverse impact on the ability of the borrower to fulfil its obligations. A backstop will be applied, whereby a loan is considered to have experienced SICR when a borrower is more than 30 days-past-due (DPD) on its contractual payments. The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular review.

Key factors considered in assessing whether there is significant increase in credit risk:

- Negative changes in credit risk pricing;
- Terms, which would change if a loan, were granted again at reporting date;
- Market indicators;
- External ratings;
- Internal ratings;
- Business/economic conditions;
- Operating results of the borrower;
- Risk on other lending products extended to the borrower;
- Regulatory, technical or other economic changes;
- Reduced value of collateral;
- Deterioration in the quality of guarantees;
- Financial support;
- Expected breach of terms;
- Performance of behaviour; and
- Changes in lender credit.

(f) Low credit risk assessment at reporting date

At reporting date, the Bank has assessed whether there has been significant increase in credit risk for all financial assets at amortised cost. The Bank has not made an election to assume that some financial instruments have low credit risk thereby requiring no assessment of significant increase in credit risk.

(g) Lifetime PD

Lifetime PD is the probability of a default event when assessed over the lifetime of a financial asset.

There is no single method for estimating a lifetime PD measure as it applies to a very large variety of financial assets. The following dimensions are useful for classification:

- Referencing an individual entity versus collective assessment for pools;
- Model estimation based on market data or historical default data; and
- Credit process assumptions based on hazard rate models, markov chains and structural default models, etc.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.4 Expected credit losses (ECL) (continued)

Categories of risks are detailed in the table below.

| Development loans                             | Company definition of category                                                                                                                                                                               | Basis for recognition of ECL provision                                                                                                          |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Stage 1                                       | Customers have a low risk of default and a strong capacity to meet contractual cash flows                                                                                                                    | 12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its Expected lifetime |
| Stage 2                                       | Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due except certain circumstances | Lifetime expected losses                                                                                                                        |
| Stage 3                                       | Interest and/or principal repayments are 90 days past due                                                                                                                                                    | Lifetime expected losses                                                                                                                        |
| Write-off                                     | Interest and/or principal repayments where there is no reasonable expectation of recovery                                                                                                                    | Asset is written off                                                                                                                            |
| Purchased or originated credit impaired loans | Loans that are credit impaired on initial recognition                                                                                                                                                        | Lifetime expected credit losses                                                                                                                 |

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files such as audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings; and
- Significant actual and expected changes in the political, regulatory and technological environment of the borrower or in its business activities

(h) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on recommendation from the Financial Planning Working Group and Investment Committee, economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

(i) Modified financial assets

Generally, loan restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of a restructure may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the financial asset has been cured, as per the rehabilitation process in the Business Support and Recovery Unit (BSRU) policy of the Bank, the Bank measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date if its stage 1. In terms of the policy, a financial instrument will be transferred back from Stage 2 to Stage 1, when the specified quantitative threshold, qualitative measures or backstop criteria are no longer met. This is when there is a significant improvement in credit risk. This is approved through the governance process of the Bank i.e. approved by the Investment Committee or Portfolio Committee, as mandated. The BSRU Unit monitors defaulted clients until curing process is successfully completed. BSRU does regular loan risk reviews; review reports are submitted to Bank governance committees for approval. When clients when successfully rehabilitated, they are monitored for a period of time until the clients are moved to performing loan book where there are monitored by Loan Management and Credit Risk Units.

(j) Credit impaired

For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provisions for doubtful debt) rather than the gross carrying amount. Unrecognised interest when a credit-impaired (stage 3) financial asset is subsequently paid in full or is no longer credit-impaired (cures) is recognised as a reversal of impairment losses.

(k) Definition of default and credit impaired assets

In order to determine whether financial assets are credit-impaired the Bank considers:

- 90 days past due;
- Any bad debt write-off;
- Distressed restructuring of credit obligations;
- Obligor's bankruptcy or similar protection such as business rescue; and
- The borrower is insolvent.

A financial contract (loan, other credit product, derivative etc.) is past due when a counterparty has failed to make a payment when that payment was contractually due.

The missed payment concerns any amount due under the contract (interest, principal, fee or other amount) that has not been paid in full at the date when it was due. An exposure should be considered past due from the first day of missed payment, even when the amount of the exposure or the past-due amount, as applicable, is not considered material. The default definition has been applied consistently to model of PD, EAD and LGD throughout the bank's ECL calculations.

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

(l) Incorporation of forward- looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning, budgeting and capital management. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.4 Expected credit losses (ECL) (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each financial instrument and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used included the following ranges of key indicators for South Africa for the years ending 31 March 2024 and 2023.

The key indicators are:

- South African CPI;
- Sub-Saharan nominal GDP;
- Crude oil;
- Three-month Libor/Jibar; and
- USD/ZAR exchange rate.

In estimating the expected credit losses, the Bank considers a range of possible outcomes with the respective risks of default as weights. The Bank does not rely on one economic scenario. The Bank uses at least three scenarios for the purposes of incorporating forward-looking information and the various inputs to the scenarios are relevant and appropriate to the classes of financial assets and off balance sheet items across the various geographies in which the Bank operates. In incorporating forward-looking information as well estimating the expected credit loss assessment, the Bank uses reasonable and supportable information available without undue effort and costs.

In estimating the expected credit losses, the Bank considers the probability of default on a loan level over the lifetime of the assets, forward looking information, which has an impact on the loan book and weightings for each of the scenarios based on the likelihood of each scenario. For the purposes of incorporating forward-looking information in the calculation of ECL, the Bank uses three macro-economic scenarios. The Bank has considered the base-case scenario, which simulates the most expected economic conditions for the Bank's loan portfolio given current economic state i.e. conditions similar to what is known at year-end. The best-case scenario represents the most favourable economic conditions for the performance of Bank's loan book. The adverse-case scenario represents unfavourable economic conditions for the performance of the Bank's loan book. The Bank considers several factors such as interest rates, GDP growth rates, exchange rate and inflation as macro-economic drivers.

The expected credit losses are an estimate and therefore there is an inherent degree of subjectivity and that the current estimate of the expected credit losses may not perfectly predict the actual outcome in future. The Bank has applied the principles of unbiased probability weighted average, time value of money and has used reasonable and supportable information without undue effort and costs in the estimation process. In estimating the expected credit losses, the Bank has considered the base-case scenario, which simulates the most expected economic conditions for the Bank's loan portfolio given current economic state i.e. conditions similar to what is known at year-end. The best-case scenario represents the most favourable economic conditions for the performance of Bank's loan book. The adverse-case scenario represents unfavourable economic conditions for the performance of the Bank's loan book. The Bank considers several factors such interest rates such as GDP growth rates, exchange rate and inflation.

The Bank conducts back testing of macro-economic forecasts. Further, the Bank has a Financial Planning Working Group, which reports to ALCO and Investment Committee comprising of various specialists within the Bank. The Working Group reviews various sources of economic data (both internal and external) and formulates a house view of key macro-economic variables for use in all models within the bank. These scenarios are relevant and appropriate to the classes of financial assets and off balance sheet items across the various geographies in which the Bank operates. The Bank has applied regression analysis of the macro-economic variables against the observed default rates. The Credit Lab performs a regression analysis at least annually and where applicable marginal adjustments are made to the PD curves to incorporate future looking information. The PD and LGD used for the ECL calculation are produced from benchmarked credit risk models which are reviewed and calibrated to performance. A regression analysis of PD against the forecasts of macro variables informs the forecast change in PDs given the forecast of macro variables. The outcome of the regression analysis is updated annually and where applicable marginal adjustments are made to the PD curves to incorporate future looking information. During the year DBSA independently benchmarked the future looking information and results from the benchmarking exercise didnt not identify any significant deviations from the benchmarks.

The Bank has applied the principles of unbiased probability weighted average, time value of money and has used reasonable and supportable information without undue effort and costs in the estimation process. Where applicable overlays are applied depending on various factors and considerations including the directionally relationship between changes in expected credit loss and results of observable data. The overlays are subject to strict governance and approval process by the Bank's Investment Committee and Board Audit and Risk Committees.

(m) Most significant period-end assumptions

The most significant period-end assumptions used in the ECL calculation are set out below:

| Economic Variable              | 2024  | 2025  | 2026  | 2027  |
|--------------------------------|-------|-------|-------|-------|
| <b>South African CPI</b>       |       |       |       |       |
| Mild case                      | 5.50  | 5.40  | 5.30  | 5.40  |
| Base case                      | 5.20  | 4.80  | 4.60  | 4.70  |
| Best case                      | 5.30  | 5.00  | 5.00  | 5.10  |
| <b>Sub-Saharan nominal GDP</b> |       |       |       |       |
| Mild case                      | 3.10  | 3.40  | 3.30  | 3.50  |
| Base case                      | 3.80  | 4.10  | 4.10  | 4.30  |
| Best case                      | 4.30  | 4.50  | 4.40  | 4.70  |
| <b>Crude oil</b>               |       |       |       |       |
| Mild case                      | 74.80 | 71.20 | 68.70 | 66.90 |
| Base case                      | 82.90 | 82.70 | 80.90 | 79.90 |
| Best case                      | 91.00 | 96.20 | 95.20 | 94.90 |
| <b>Three-month SOFR</b>        |       |       |       |       |
| Mild case                      | 4.80  | 3.60  | 3.10  | 3.00  |
| Base case                      | 4.90  | 3.70  | 3.20  | 3.10  |
| Best case                      | 5.10  | 3.90  | 3.40  | 3.30  |
| <b>ZAR USD exchange rate</b>   |       |       |       |       |
| Mild case                      | 19.80 | 20.30 | 20.00 | 20.20 |
| Base case                      | 18.80 | 18.60 | 18.70 | 18.90 |
| Best case                      | 17.90 | 17.20 | 17.00 | 17.30 |

The forward looking information is incorporated into the PD curves used for the lifetime ECL calculation. Multivariate non-linear regression analysis is conducted to take into account economic forecasts of variables which affect the assets in the loan portfolio, and their effect on our prediction of PD forward looking. This analysis is an accurate prediction for the shape of the PD curves for the following four (4) years. Following the first four years, the shape of the PD curves uses the TTC (through the cycle) PD of the DBSA loan portfolio. Each loan's PD will however be at the level of PD as determined by its MS rating. The ECL is calculated over the full life of the loan for stage 2 assets.

(n) Weightings of best, base and adverse case:

|                | Best case | Base case | Adverse case |
|----------------|-----------|-----------|--------------|
| Weightings (%) | 5         | 60        | 35           |

(o) Macro-economic factors

IFRS 9 requires the use of macro-economic factors when calculating ECL. To the extent that it is relevant and practical the Bank has used macro-economic factors in the ECL methodology. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed quarterly by the investment committee and semi-annually by Board ARC.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.4 Expected credit losses (ECL) (continued)

(p) Measurement of expected credit losses

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

In the current year, changes were made to the probability weightings applied to the base case and adverse case scenarios in determining the ECLs.

|              | 2024 |          | 2023 |          | 2022 |
|--------------|------|----------|------|----------|------|
|              | %    | % change | %    | % change | %    |
| Best case    | 5    | -        | 5    | -        | 5    |
| Base case    | 60   | 5        | 55   | 5        | 50   |
| Adverse case | 35   | -5       | 40   | 5        | 45   |
| Total %      | 100  | -        | 100  | -        | 100  |

In the current year, there have been changes in the assumptions used however, there have been no changes in the estimation techniques used to measure the expected credit losses except the changes due to COVID-19 where multivariate approach was used. In the current year the estimation technique methods continue to be appropriate and have gone through the necessary governance processes.

| Methods used to determine                                                   | Method                                                                                                                                                                                                                         | Inputs                                                                                                | Assumptions                                                                                                                                                                                                                                                                                                                                                                    | Estimation techniques                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12-month and lifetime expected credit losses                                | Expected loss methods based on PD, LGD and EAD; expected credit losses are discounted to the reporting date using the effective interest rate.                                                                                 | PD, LGD and EAD over current PDs survival rate and expected credit losses                             | Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on survival rate, seasoning and cyclicity effects.<br><br>The current LGD is the output of the LGD model; analyses showed that the subsequent LGDs are the same as the first year's LGD.<br><br>Lifetime is the contractual tenor of the loan; no prepayments assumed. | PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclically.<br><br>LGD: LGD model calibrated with own data history.<br><br>EAD: Inclusion of repayment schedules. |
| Whether a credit risk has increased significantly since initial recognition | According to the Stage 2 definition; different Bank specific identifiers including the minimum 30 days past due criteria (after relevant exclusion rules have been applied) have been selected for the identification of SICR. | Information on single loan level, such as Loans management risk indicators, arrears information, etc. | While each loan is firstly considered on its own, the final classification is assessed at an individual loan level.                                                                                                                                                                                                                                                            | Stage classification is fact based using current flags and information available the Bank's data base.                                                                                                                                               |
| Whether a financial asset is a credit-impaired financial asset              | Definition; in general,unlikeliest to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of The Bank's identifier e.g. for specific cases of unlikeliest to pay             | Information on single loan level, such as Loans management risk indicators, arrears information, etc. | While each loan is firstly considered on its own, the final classification is performed on a client level,i.e. if one loan is considered to be credit impaired (stage 3) then all loans of the same clients are considered to be so as well.                                                                                                                                   | Stage classification is fact based using current flags and information available in the Bank's data base. Maximum stage across all loans per client rule applies.                                                                                    |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.4 Expected credit losses (ECL) (continued)

(q) Sensitivity analysis

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

The most significant assumptions affecting ECL are GDP, crude oil prices, interest rate and USD/ZAR 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.

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

31 March 2023

|                                    |    |    |      |            |            |     |
|------------------------------------|----|----|------|------------|------------|-----|
| Adverse case                       | 40 | 50 | 10   | 2 885 904  | 3 601 974  | 25  |
| Best case                          | 5  | 5  | -    | 322 824    | 322 824    | 0   |
| Base case                          | 55 | 45 | (10) | 6 049 271  | 5 924 702  | (2) |
| Weighted ECL - Stage 1 and Stage 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 |

(ii) Probability weightings of the above three scenarios

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

|               | Weight % | Unweighted ECL (R'000) | Difference to weighted ECL (R'000) | Difference to weighted ECL % |
|---------------|----------|------------------------|------------------------------------|------------------------------|
| 31 March 2024 |          |                        |                                    |                              |
| Base case     | 100      | 14 162 160             | 461 771                            | 3.3                          |
| Adverse case  | 100      | 13 692 793             | (7 596)                            | (0.1)                        |
| Best case     | 100      | 13 049 909             | (650 480)                          | (5.0)                        |
| 31 March 2023 |          |                        |                                    |                              |
| Base case     | 100      | 12 705 851             | 530 906                            | 4.2                          |
| Adverse case  | 100      | 12 980 523             | 805 578                            | 6.2                          |
| Best case     | 100      | 11 955 033             | (219 912)                          | (1.8)                        |

(iii) Sensitivity analysis - single name impairments

In defining the recoverable amounts attributed to distressed/defaulted borrowers, management considers a range of factors attributable to the economy at large as 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.

Development loans

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

|                                            | 10% decrease in management value | Actual    | 10% increase in management value |
|--------------------------------------------|----------------------------------|-----------|----------------------------------|
|                                            | R'000                            | R'000     | R'000                            |
| 31 March 2024                              |                                  |           |                                  |
| Credit impaired ECL (Stage 3 NPL and POCI) | 3 493 521                        | 3 336 404 | 3 176 815                        |
| % change                                   | 4.71                             |           | (4.78)                           |
| 31 March 2023                              |                                  |           |                                  |
| Credit impaired ECL (Stage 3 NPL and POCI) | 2 993 393                        | 2 916 946 | 2 822 805                        |
| % change                                   | 2.62                             |           | (3.23)                           |

42.3.11.5 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector, region and by geographic location. An analysis of concentrations of credit risk from development loans, development bonds, trade and other receivables, loan commitments and financial guarantees.

(a) Development loans and loan commitments

|                                             | Development loans |             | Loan commitments |            |
|---------------------------------------------|-------------------|-------------|------------------|------------|
|                                             | 2024              | 2023        | 2024             | 2023       |
| Concentration of risk                       |                   |             |                  |            |
| Gross carrying amount/amount committed      | 113 030 083       | 105 854 034 | 15 900 863       | 10 869 873 |
| Concentration by Sector: Energy %           | 41.53             | 44.98       | 46.08            | 28.48      |
| Concentration by Country: South Africa %    | 71.26             | 71.09       | 71.78            | 65.61      |
| Concentration by location: Currency (ZAR) % | 71.26             | 71.09       | 71.78            | 65.61      |

Concentration by location for development loans, loan commitments and financial guarantees is based on the customers country of domicile.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.5 Concentration of credit risk (continued)

(b) Geographical analysis of development loans at amortised cost

| in thousands of rands                  | Stage 1            | Stage 2            | Stage 3            | POCI             | Total 2024          | Total 2023         |
|----------------------------------------|--------------------|--------------------|--------------------|------------------|---------------------|--------------------|
| <b>Stage 3</b>                         |                    |                    |                    |                  |                     |                    |
| South Africa                           | -                  | -                  | 1 123 227          | 106 313          | 1 229 540           | 1 159 810          |
| Rest of Africa                         | -                  | -                  | 3 372 234          | 540 987          | 3 913 221           | 2 841 902          |
| <b>Total</b>                           | <b>-</b>           | <b>-</b>           | <b>4 495 461</b>   | <b>647 300</b>   | <b>5 142 761</b>    | <b>4 001 712</b>   |
| <b>Provision for ECL</b>               |                    |                    |                    |                  |                     |                    |
| South Africa                           | -                  | -                  | (861 729)          | (57 227)         | (918 956)           | (867 380)          |
| Rest of Africa                         | -                  | -                  | (2 115 780)        | (301 668)        | (2 417 448)         | (2 049 566)        |
| <b>Total</b>                           | <b>-</b>           | <b>-</b>           | <b>(2 977 509)</b> | <b>(358 895)</b> | <b>(3 336 404)</b>  | <b>(2 916 946)</b> |
| Carrying amount: South Africa          | -                  | -                  | 261 498            | 49 086           | 310 584             | 292 430            |
| Carrying amount: Rest of Africa        | -                  | -                  | 1 256 454          | 239 319          | 1 495 773           | 792 336            |
| <b>Carrying amount - Stage 3</b>       | <b>-</b>           | <b>-</b>           | <b>1 517 952</b>   | <b>288 405</b>   | <b>1 806 357</b>    | <b>1 084 766</b>   |
| <b>Stage 1 and 2</b>                   |                    |                    |                    |                  |                     |                    |
| South Africa                           | 35 890 333         | 43 422 381         | -                  | -                | 79 312 714          | 74 087 790         |
| Rest of Africa                         | 19 839 713         | 8 734 895          | -                  | -                | 28 574 608          | 27 764 532         |
| <b>Total</b>                           | <b>55 730 046</b>  | <b>52 157 276</b>  | <b>-</b>           | <b>-</b>         | <b>107 887 322</b>  | <b>101 852 322</b> |
| <b>Provision for ECL</b>               |                    |                    |                    |                  |                     |                    |
| South Africa                           | (715 863)          | (4 258 155)        | -                  | -                | (4 974 018)         | (3 801 488)        |
| Rest of Africa                         | (391 227)          | (4 998 740)        | -                  | -                | (5 389 967)         | (5 456 511)        |
| <b>Total</b>                           | <b>(1 107 090)</b> | <b>(9 256 895)</b> | <b>-</b>           | <b>-</b>         | <b>(10 363 985)</b> | <b>(9 257 999)</b> |
| Carrying amount: South Africa          | 35 174 470         | 39 164 226         | -                  | -                | 74 338 696          | 70 286 302         |
| Carrying amount: Rest of Africa        | 19 448 486         | 3 736 155          | -                  | -                | 23 184 641          | 22 308 021         |
| <b>Carrying amount - Stage 1 and 2</b> | <b>54 622 956</b>  | <b>42 900 381</b>  | <b>-</b>           | <b>-</b>         | <b>97 523 337</b>   | <b>92 594 323</b>  |
| Gross carrying amount                  | 55 730 046         | 52 157 276         | 4 495 461          | 647 300          | 113 030 083         | 105 854 034        |
| Provision for ECL                      | (1 107 090)        | (9 256 895)        | (2 977 509)        | (358 895)        | (13 700 389)        | (12 174 945)       |
| <b>Net carrying amount</b>             | <b>54 622 956</b>  | <b>42 900 381</b>  | <b>1 517 952</b>   | <b>288 405</b>   | <b>99 329 694</b>   | <b>93 679 089</b>  |

ECL

| in thousands of rands             | 2024              | 2023              |
|-----------------------------------|-------------------|-------------------|
| 12-month ECL                      | 1 107 090         | 901 948           |
| Lifetime ECL- not credit impaired | 9 256 895         | 8 356 051         |
| Lifetime ECL- credit impaired     | 2 472 522         | 2 094 262         |
| Purchased - credit impaired       | 358 895           | 517 265           |
| <b>Total</b>                      | <b>13 195 402</b> | <b>11 869 526</b> |

ECL statement of financial position amount above excludes interest in suspense of R505 million (31 March 2023: R305 million).

(c) Development bonds

|                            | 12-month ECL   | Lifetime ECL<br>- not credit<br>impaired | Total 2024       | Total 2023       |
|----------------------------|----------------|------------------------------------------|------------------|------------------|
| in thousands of rands      |                |                                          |                  |                  |
| <b>Performing</b>          |                |                                          |                  |                  |
| Municipal                  | 908 045        | 1 290 855                                | 2 198 900        | 2 284 485        |
| Provision for ECL          | (789)          | (132 357)                                | (133 146)        | (130 140)        |
| <b>Net carrying amount</b> | <b>907 256</b> | <b>1 158 498</b>                         | <b>2 065 754</b> | <b>2 154 345</b> |

The maximum exposure relating to development bond is R2.1 billion (31 March 2023: R2.2 billion).

(d) Trade receivable and other assets

|                                                 | Default rate   | Default rate  | Default rate | Total          | Total          |
|-------------------------------------------------|----------------|---------------|--------------|----------------|----------------|
| in thousands of rands                           | 0%             | 17% and 100%  | 100%         | 2024           | 2023           |
| <b>Trade receivables</b>                        |                |               |              |                |                |
| Trade debtors                                   | 166 787        | 70 445        | 1 933        | 239 165        | 348 827        |
| Provision for ECL                               | -              | (54 715)      | (1 933)      | (56 648)       | (21 731)       |
| <b>Net carrying amount of trade receivables</b> | <b>166 787</b> | <b>15 730</b> | <b>-</b>     | <b>182 517</b> | <b>327 096</b> |
| <b>Financial and other assets</b>               |                |               |              |                |                |
| Accrued interest                                |                |               |              | 1 079          | 1 254          |
| Deposits                                        |                |               |              | 4              | 4              |
| Payroll expenses receivable                     |                |               |              | 20             | 27             |
| Prepayments                                     |                |               |              | 51 063         | 71 447         |
| Staff loans                                     |                |               |              | 50             | 83             |
| Subsistence and travel                          |                |               |              | 1 117          | 566            |
| VAT receivable                                  |                |               |              | 2 873          | 1 589          |
| <b>Total of financial and other assets</b>      |                |               |              | <b>56 206</b>  | <b>74 970</b>  |
| <b>Balance at end of the year</b>               |                |               |              | <b>238 723</b> | <b>402 066</b> |

(e) Commitments (loans signed, but not yet fully disbursed)

| in thousands of rands        | 2024              | 2023              |
|------------------------------|-------------------|-------------------|
| Low risk - Other             | 4 784 564         | 4 484 564         |
| Medium risk - Municipal      | 229 924           | 37 900            |
| - Other                      | 10 638 671        | 5 835 867         |
| High risk - Municipal        | 234 316           | -                 |
| - Other                      | 13 388            | 511 542           |
| <b>Gross carrying amount</b> | <b>15 900 863</b> | <b>10 869 873</b> |
| Provision for ECL            | (36 086)          | (36 943)          |
| <b>Net carrying amount</b>   | <b>15 864 777</b> | <b>10 832 930</b> |



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.3 Credit risk (continued)

42.3.11 Credit risk exposure (continued)

42.3.11.5 Concentration of credit risk (continued)

(f) Loans that are past due not individually impaired

| in thousands of rands | 2024      |            |             |             |           | 2023      |            |             |             |            |
|-----------------------|-----------|------------|-------------|-------------|-----------|-----------|------------|-------------|-------------|------------|
|                       | <3 months | 3-6 months | 6-12 months | > 12 months | Total     | <3 months | 3-6 months | 6-12 months | > 12 months | Total      |
| Overdue amounts       | 127 789   | 15 017     | 17 217      | 35 029      | 195 052   | 619 415   | 24 601     | 5 654       | 67          | 649 737    |
| Not yet due           | -         | -          | -           | -           | 7 083 276 | -         | -          | -           | -           | 19 405 292 |
| Total                 | 127 789   | 15 017     | 17 217      | 35 029      | 7 278 328 | 619 415   | 24 601     | 5 654       | 67          | 20 055 029 |

An amount of R87 million (31 March 2023: R213 million) was received after the reporting date but before the authorisation of the Annual Financial Statements.

The fair value of collateral amounted to R491 million (31 March 2023: R494 million). For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

(g) Financial counterparty exposure

| in thousands of rands     | 2024       | 2023      |
|---------------------------|------------|-----------|
| Bonds                     | 181 000    | 311 000   |
| Cash and cash equivalents | 10 803 772 | 6 166 069 |
| Derivatives               | (579 448)  | (624 277) |
| Segregated funds          | 304 966    | 36 332    |
| Total                     | 10 710 290 | 5 889 124 |

42.4 Capital management

The Bank objectives when managing capital are:

- To safeguard the Bank’s ability to continue as a going concern, through ensuring a sufficient cushion against unexpected losses, and to provide for an acceptable growth rate in the Bank’s development finance activities.
- To maintain an adequate credit rating to ensure that the Bank continued access to fund at optimal rates in support of its mission to provide affordable development finance solution.
- To align the returns on the Bank’s assets to its associated risks.

The Bank monitors and manages its capital adequacy within the regulatory leverage constraint and in line with the capital adequacy framework approved by the Board. Whereas the Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, the overarching regulatory capital requirement applicable to the institution is derived from the debt-equity maximum of 250%. Implicit in this is a minimum unweighted capital requirement of 28.6%.

The leverage ratio is calculated as total debt divided by shareholders’ capital, where total debt comprises total liabilities excluding other creditors (as shown on the statement of financial position). Capital comprises share capital, permanent government funding, retained earnings, and reserves. As at 31 March 2024, the debt to equity ratio stood at 123% (31 March 2023: 124%), and the debt to equity ratio including callable capital stood at 89% (31 March 2023: 87%). The capital ratio is calculated as shareholders’ capital divided by unweighted assets, where unweighted assets comprise total assets (as shown on the statement of financial position). Shareholders capital comprises share capital, permanent government funding, retained earnings, general provisions and the fair value reserve. As at 31 March 2024, the capital ratio stood at 44% (31 March 2023: 44%).

42.5 Impact of macro-economic shock events on the Bank

42.5.1 Assets portfolio

42.5.1.1 Credit models

In March 2023, the base credit models were re-calibrated during the year under review following the completion of the independent credit model review. The new base models were applied to the loan book and with the exception of the Top 20 loans, the base models applied in finalising ECLs for the year remained consistent with the prior year. There were no other changes made to the base credit models during the year under review in response macro-economic shock events such as the Russia-Ukraine conflict or inflation or the South Africa’s subdued economic recovery that lingers post the COVID-19.

42.5.1.2 Forward looking information models

IFRS 9 requires the assessment of credit risk to incorporate forward-looking information. Credit models should recognise ECL considering all reasonable and supportable information, including that which is forward-looking. The model methodology was reassessed to determine applicability given current market conditions. During the initial advent of the pandemic in early 2020 in South Africa, the DBSA revised the forward-looking model based on linear regression methodology because the linear regression model provided results that were less reliable 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 approved for use as a good option given the shape of the development data.

The Generalised Additive Model (GAM), a form of non-parametric regression was utilized to model the effects of macro-economic factors on the DBSA PD’s in order to appropriately determine ECL at year end. The full extent of factors such as elevated consumer inflation driven by the Russia-Ukraine conflict, sovereign debt situation and impact on performance risk continue to remain unknown and evolving at year 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.

The GAM model has been consistently applied during the year under review.

42.5.1.3 Staging impact

The Bank did not offer blanket payment holidays in response to macro-economic shock events. Accordingly, there was no change in automatic IFRS 9 staging triggers. The Bank continued to apply the banking guidance 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

42.5.1.4 Consideration of post balance sheet information

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 applied this practice in the prior year and in the current year, the Bank used forward looking information for March 2023 obtained in April 2023.

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 March 2022 was reviewed (in a manner consistent with the 2021 year). However, for March 2023, the Bank used FLI information obtained at year end (in April 2023 for March 2023).

42.5.1.5 Changes in weighting in response to macro-economic shock

During the 2020 financial year, the DBSA increased the assigned weighting for its defined Adverse case ECL estimation scenario to 50% in anticipation of an RSA sovereign credit rating downgrade (which subsequently materialised). Additionally, due to the higher probability assigned to the Adverse case scenario, the Adverse case scenario became the Bank’s Base case scenario. Since the Bank’s initial adoption of IFRS 9, there has been, and continues to be, an overall continuing negative trend on most key macro-economic factors, this excludes the limited initial recovery in numerous high-frequency indicators following the roll back of mobility restrictions in most jurisdictions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)  
42.5 Impact of macro-economic shock events on the Bank (continued)  
42.5.1 Assets portfolio (continued)

42.5.1.5 Changes in weighting in response to macro-economic shock (continued)

Notwithstanding the fact that Bank had proactively increased the weighing assigned to negative scenarios, the Bank continues to perform various scenario analyses and stress testing of the ECL, with the summary below showing limited results from stress testing and changes in weightings:

- Increase in Adverse case by 5% causes ECL to increase by approximately 0.3%
- Increase in Adverse case by 10% causes ECL to increase by approximately 0.6%
- Increase in Adverse case by 15% causes ECL to increase by approximately 0.9%.

During the period under review the Bank considered the economic outlook and changed the weights by increasing the base case (Adverse case) 60% from 55% and reducing the Adverse case from 40% to 35%. In the prior year the bank has changed the naming conventions of the scenarios and renamed the Worst Case the Adverse Case and the new naming convention did not affect how the Adverse case is determined.

42.5.1.6 IFRS 9 post-implementation plan

Following the successful embedment of IFRS 9 in the last five (5) years, DBSA reviewed the various IFRS 9 policies and procedures as part of the IFRS 9 Post Implementation Review. The review is a phased review with some parts or workstreams completed during year under review and other workstreams are ongoing. The delineation of the project into corresponding workstreams has allowed specific focus on key areas within IFRS 9 implementation. As part of the review, the Bank seeks to continue compliance with best practice in a manner commensurate with its internal risk and governance approach. Any required changes or updates to internal policies and and/or processes are subject to approval under the Bank’s applicable governance framework.

The two critical workstreams that were completed are the following:

(a) Review of Significant Increase in Credit Risk

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

(b) Review of discounts rates used in equities valuations

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

42.5.2 Liabilities portfolio

42.5.2.1 Liquidity risk management

The Bank primarily sources funding from lines of credit, debt capital market and repurchase agreements. There has been no default or breaches relating to the borrowings recognised during and at interim reporting date. The Bank undertakes rigorous cashflow forecasting and liquidity management techniques. The Bank’s foreign currency borrowing limit was approved and this enables the Bank, to also raise funding in the international markets.

42.5.2.2 Hedge accounting

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

42.6 Risks and uncertainties associated with macro-economic and other shock events

The ongoing hostility in eastern Europe continues to be driver of risk and uncertainty across the globe. Disruption to international supply chains increases risk of food insecurity, notably in countries dependent on Ukrainian agricultural exports. In the prior year, the fuel shortages driven by the initial loss of the Russian supply contribution resulted in elevated global fuel costs, driving rapid inflation

in both developed and developing countries, outside policymakers’ desired target ranges. Inflation continues to be a driver of risk and uncertainty and policy responses have seen a rapid unwinding of pandemic era monetary policy support measures, increased cost of borrowing while simultaneously buffeting nearly all exchange rates against the US Dollar.

While oil producing countries continue to benefit from relatively elevated price levels, energy importing economies have seen significant increases in imported inflation due to relatively high fuel and gas prices, contributing the headline inflation that remains very high. The Bank’s portfolio includes both oil importers and oil exporters and with the full impact and anticipated duration of the war still in doubt, the economic uncertainty caused by the conflict will continue to affect the Bank’s clients across the continent.

42.7 Reference rate reform

42.7.1 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 which extends beyond 31 March 2024. The Bank’s Reference Rate Reform Project comprises 2 main phases. Phase 1 deals with reform of the LIBOR related exposures and Phase 2 deals with JIBAR related exposures. The Phase 1 of the project has been substantially completed with most of the loan agreements having been transitioned to new reference rates (ie SOFR and Term SOFR). Phase 2 of the project is still in the early phases since the SARB reform of JIBAR is lagging behind LIBOR Reform. The Bank established various workstreams comprising of various skills sets and professionals drawn across the Bank to work on reference rate reform transition. In addition, training sessions were held.

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

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

(a) IBOR reform update

The Financial Stability Board initiated a reform of the major interest reference rates to new alternative reference rates which are more reliable and robust. The ICE Benchmark Administration (IBA, administrator of LIBOR) issued a publication in March 2021 regarding the replacement of reference interbank rates and their cessation dates. The LIBOR rates which the Bank is exposed ceased to be published on 30 June 2023. As at 31 March 2024, 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 pending the finalisation of the loan agreements. The contracts size that has not transitioned has been disclosed in note 42.7.3 below. The work to finalise the few remaining contract amendments is ongoing with targeted completion date of 30 September 2024. Overall Phase 1 of the project has been substantially completed.

(b) JIBAR reform update

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

(c) Judgements and assumptions

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

(d) Project Management

The Bank has established various workstreams that are cross functional and led by different heads to ensure effective risk management, ownership, accountability, and smooth transition to alternative reference rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.7 Reference rate reform (continued)

42.7.2 Updates on key developments on interest rate reform

The updates on key developments on interest rate reform are detailed below:

42.7.2.1 Contract reviews and amendments

The Bank has successfully transitioned or repapered R13.6 billion (71%) of affected loan assets as at 31 March 2024. The remaining R5.6 billion (29%) of the LIBOR based financial instrument are expected to be fully transitioned by 30 September 2024. For financial liabilities, R15.2 billion (89%) has successfully transitioned and the remaining R1.9 billion (11%) is expected to be fully transitioned by 30 September 2024. The Bank no longer enters into new loan agreements based on synthetic Libor and the contracts remaining are mostly legacy loans.

42.7.2.2 ICT Systems and models

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

42.7.2.3 Risk management

Effective risk management remains critical to the success of the project. The project is structured in a manner that allows effective risk management. Below is a summary of the key remaining risks (given the stage of Reference Rate Reform project) that the Bank is exposed to as a result of the IBOR reform:

(a) Model risk

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

Risk mitigation

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

(b) Legal risk

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

Risk mitigation

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

(c) Operational risk

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

Risk Mitigation

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

(d) Compliance/regulatory risk

Risk that the Bank is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

Risk Mitigation

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

(e) Reputational risk

The risk to the Bank's reputation from failing to adequately prepare for the transition.

Risk mitigation

The Bank has established various workstreams that are cross functional and led by different heads to ensure effective risk management, ownership, accountability, and smooth transition to alternative reference rates. Phase 1 of the project has been substantially completed. Phase 2 of the project is dependent on the formal communication from SARB with respect to final JIBAR cessation dates.

(f) Conduct risk

Risk of client dissatisfaction with the new rates negotiated for the transition.

Risk Mitigation

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

42.7.3 Exposures of significant IBORs subject to interest rate reform

The Bank predominately has USD and EUR exposure to financial instruments and the table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end.

(a) IBOR exposure in ZAR currency amount

The table below shows IBOR exposure in ZAR currency amount:

|                       | Non-derivative<br>financial assets -<br>carrying value | Non-derivative<br>financial liabilities<br>- carrying value | Loan<br>commitments | Derivatives<br>Nominal amount |
|-----------------------|--------------------------------------------------------|-------------------------------------------------------------|---------------------|-------------------------------|
| in thousands of rands |                                                        |                                                             |                     |                               |
| 31 March 2024         |                                                        |                                                             |                     |                               |
| LIBOR tenors          |                                                        |                                                             |                     |                               |
| USD LIBOR (1 month)   | -                                                      | -                                                           | -                   | -                             |
| USD LIBOR (3 months)  | 1 197 052                                              | -                                                           | -                   | -                             |
| USD LIBOR (6 months)  | 4 437 665                                              | 1 916 506                                                   | 746 557             | -                             |
| Total                 | 5 634 717                                              | 1 916 506                                                   | 746 557             | -                             |
| 31 March 2023         |                                                        |                                                             |                     |                               |
| LIBOR tenors          |                                                        |                                                             |                     |                               |
| 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           | -                             |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

42. RISK MANAGEMENT (continued)

42.7 Reference rate reform (continued)

42.7.3 Exposures of significant IBORs subject to interest rate reform (continued)

(b) IBOR exposure in USD currency amount

The table below shows IBOR exposure in USD currency amount:

| in thousands         | Non-derivative<br>financial assets -<br>carrying value | Non-derivative<br>financial liabilities<br>– carrying value | Loan<br>commitments | Derivatives<br>Nominal amount |
|----------------------|--------------------------------------------------------|-------------------------------------------------------------|---------------------|-------------------------------|
| 31 March 2024        |                                                        |                                                             |                     |                               |
| LIBOR tenors         |                                                        |                                                             |                     |                               |
| USD LIBOR (1 month)  | -                                                      | -                                                           | -                   | -                             |
| USD LIBOR (3 months) | 63 264                                                 | -                                                           | -                   | -                             |
| USD LIBOR (6 months) | 234 532                                                | 101 288                                                     | 39 456              | -                             |
| Total                | 297 796                                                | 101 288                                                     | 39 456              | -                             |
| 31 March 2023        |                                                        |                                                             |                     |                               |
| LIBOR tenors         |                                                        |                                                             |                     |                               |
| 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             | -                             |

43. RELATED PARTIES

43.1 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.

43.2 Transactions with related parties

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

43.2.1 National public entities

The total book debt of loans extended to national public entities amounts to R25 billion (31 March 2023: R23.2 billion). None of these loans are non-performing. Of the loan commitments disclosed in note 45, R4.7 billion (31 March 2023: R5.0 billion) relates to national public entities.

43.2.2 National mandates

The net amount outstanding at year end amounted to R223 million (31 March 2023: R331 million) (refer notes 6 and 17).

44. CONTINGENCIES

44.1 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.

45. COMMITMENTS

| in thousands of rands                                          | 2024       | 2023       |
|----------------------------------------------------------------|------------|------------|
| At the reporting date, the Bank had the following commitments: |            |            |
| Capital commitments                                            | 150 081    | 150 081    |
| Development expenditure                                        | 69 000     | 69 000     |
| Development loan commitments                                   | 15 900 863 | 10 869 873 |
| Equity investments commitments                                 | 248 868    | 169 045    |
| Project preparation expenditure                                | 456 379    | 181 006    |
| Gross carrying amount                                          | 16 825 191 | 11 439 005 |
| Provision for ECL                                              | (36 086)   | (36 943)   |
| Net commitments at end of the year                             | 16 789 105 | 11 402 062 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                                                                                                                                                                                                                                                                                                                        |                   | 2024              | 2023 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|------|
| <b>45. COMMITMENTS (continued)</b>                                                                                                                                                                                                                                                                                                           |                   |                   |      |
| <b>45.1 Development loan commitments</b>                                                                                                                                                                                                                                                                                                     |                   |                   |      |
| As the disbursement pattern for loans committed but not disbursed is a primary function of individual borrowers' implementation and administrative capacities, this pattern is not quantifiable. Loan commitments are to be financed from funds generated from operations and funds raised from local financial markets and foreign sources. |                   |                   |      |
| <b>45.1.1 Client classification of development loan commitments</b>                                                                                                                                                                                                                                                                          |                   |                   |      |
| Educational institutions                                                                                                                                                                                                                                                                                                                     | 21 121            | 200 300           |      |
| Local government                                                                                                                                                                                                                                                                                                                             | 464 240           | 37 900            |      |
| National and provincial government                                                                                                                                                                                                                                                                                                           | 1 769 418         | 1 827 365         |      |
| Private sector intermediaries                                                                                                                                                                                                                                                                                                                | 8 126 570         | 2 353 343         |      |
| Public utilities                                                                                                                                                                                                                                                                                                                             | 5 519 514         | 6 450 965         |      |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                 | <b>15 900 863</b> | <b>10 869 873</b> |      |
| <b>45.1.2 Geographical analysis of development loan commitments</b>                                                                                                                                                                                                                                                                          |                   |                   |      |
| Eastern Cape                                                                                                                                                                                                                                                                                                                                 | -                 | 6 670             |      |
| Free State                                                                                                                                                                                                                                                                                                                                   | 4 250 000         | 4 275 308         |      |
| Gauteng                                                                                                                                                                                                                                                                                                                                      | 1 125 218         | 1 312 157         |      |
| KwaZulu-Natal                                                                                                                                                                                                                                                                                                                                | 718 979           | 251 674           |      |
| North West                                                                                                                                                                                                                                                                                                                                   | 21 121            | 25 713            |      |
| Northern Cape                                                                                                                                                                                                                                                                                                                                | 1 369 246         | 291 345           |      |
| Western Cape                                                                                                                                                                                                                                                                                                                                 | 3 928 611         | 969 117           |      |
| Rest of Africa                                                                                                                                                                                                                                                                                                                               | 4 487 688         | 3 737 889         |      |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                 | <b>15 900 863</b> | <b>10 869 873</b> |      |
| <b>Rest of Africa</b>                                                                                                                                                                                                                                                                                                                        |                   |                   |      |
| Angola                                                                                                                                                                                                                                                                                                                                       | 296 920           | 376 579           |      |
| Cote d'Ivoire                                                                                                                                                                                                                                                                                                                                | 213 792           | 383 012           |      |
| Democratic Republic of Congo                                                                                                                                                                                                                                                                                                                 | -                 | 129 170           |      |
| Ethiopia                                                                                                                                                                                                                                                                                                                                     | -                 | 58 768            |      |
| Gabon                                                                                                                                                                                                                                                                                                                                        | 306 447           | -                 |      |
| Ghana                                                                                                                                                                                                                                                                                                                                        | 67 171            | 334 071           |      |
| Mozambique                                                                                                                                                                                                                                                                                                                                   | 1 124 985         | 1 214 791         |      |
| Mauritius                                                                                                                                                                                                                                                                                                                                    | -                 | 168               |      |
| Senegal                                                                                                                                                                                                                                                                                                                                      | 1 597 022         | 259 791           |      |
| Tanzania                                                                                                                                                                                                                                                                                                                                     | 786 744           | 537 031           |      |
| Uganda                                                                                                                                                                                                                                                                                                                                       | 94 607            | 444 508           |      |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                 | <b>4 487 688</b>  | <b>3 737 889</b>  |      |

| in thousands of rands                                            |                   | 2024              | 2023 |
|------------------------------------------------------------------|-------------------|-------------------|------|
| <b>45.1.3 Sectorial analysis of development loan commitments</b> |                   |                   |      |
| Commercial                                                       | 94 795            | 444 508           |      |
| Communication and transport                                      | 1 223 904         | 1 706 750         |      |
| Education                                                        | 1 673 174         | 593 989           |      |
| Energy - electricity                                             | 7 327 112         | 3 096 030         |      |
| Energy – Non-grid standalone                                     | 131 400           | 100 000           |      |
| Institution Building                                             | 98                | 204               |      |
| Oil and gas                                                      | 445 599           | 418 726           |      |
| Sanitation                                                       | -                 | 19 999            |      |
| Social Infrastructure                                            | 341 338           | 26 224            |      |
| Water                                                            | 4 663 443         | 4 463 443         |      |
| <b>Total</b>                                                     | <b>15 900 863</b> | <b>10 869 873</b> |      |

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

The tables below show the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for ECLs for 31 March 2024:

**Reconciliation of carrying amount**

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

45. COMMITMENTS (continued)

45.1 Development loan commitments (continued)

45.1.4 Reconciliation of development loan commitments gross carrying amount and provision for ECLs (continued)

Reconciliation of provision for expected credit losses

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

Expected credit losses

| in thousands of rands                                                                | Stage 1  | Stage 2 | Stage 3 | 2024  |
|--------------------------------------------------------------------------------------|----------|---------|---------|-------|
| ECLs recognised in the income statement excluding interest in suspense and write-off | (14 095) | 13 238  | -       | (857) |

The tables below show the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for ECLs for 31 March 2023:

Reconciliation of carrying amount

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

Reconciliation of provision for expected credit losses

| in thousands of rands                                                         | Stage 1 | Stage 2 | Stage 3 | Total  |
|-------------------------------------------------------------------------------|---------|---------|---------|--------|
| 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 at end of the year                                                    | 23 928  | 13 015  | -       | 36 943 |

Expected credit losses

| in thousands of rands                                                                | Stage 1 | Stage 2 | Stage 3 | 2023   |
|--------------------------------------------------------------------------------------|---------|---------|---------|--------|
| ECLs recognised in the income statement excluding interest in suspense and write-off | 21 499  | 13 014  | -       | 34 513 |

45.2 Development expenditure, project preparation expenditure, equity investments and capital commitments

The commitments approved are to be financed from funds generated from operations and funds raised from local financial markets and foreign sources.

46. LEASE OBLIGATIONS

| in thousands of rands                         | 2024   | 2023   |
|-----------------------------------------------|--------|--------|
| Minimum lease payments due (IFRS 16)          |        |        |
| Within 1 (one) year                           | 5 707  | 4 158  |
| Within 2 (second) to 5 (fifth) year inclusive | 6 127  | 8 545  |
| Total                                         | 11 834 | 12 703 |

The Bank has entered into commercial lease agreements on property and equipment. These leases have an average life of between one and three years with no renewal option or option to acquire the assets at termination date included in the contracts. There are no restrictions placed upon the Bank by entering into these leases.

47. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

|                                    |   |     |
|------------------------------------|---|-----|
| Fruitless and wasteful expenditure | - | -   |
| Irregular expenditure              | - | 111 |
| Total                              | - | 111 |

There were no incidents of irregular, fruitless and wasteful expenditure during the current period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

| in thousands of rands                             | 2024        | 2023        |
|---------------------------------------------------|-------------|-------------|
| 48. FUNDS ADMINISTERED ON BEHALF OF THIRD PARTIES |             |             |
| Balance at beginning of the year                  | 2 785 760   | 2 332 669   |
| Funds disbursed                                   | (5 593 535) | (4 442 988) |
| Funds received                                    | 5 149 437   | 4 782 825   |
| Interest, foreign exchange and other movements    | 215 515     | 113 254     |
| Balance at end of the year                        | 2 557 177   | 2 785 760   |

The Bank manages funds on behalf of third parties. Funds administered on behalf of third parties are in ring fenced bank accounts which are restricted and are utilised for specific purposes as determined in the agreements with third parties and as instructed by the parties to the agreements. The funds are not disclosed in the Bank's statement of financial position as they do not meet the definition of an asset as per the accounting framework.

In August 2019, the Cabinet of the Government of South Africa approved the establishment of the Infrastructure Fund (IF) through a dedicated implementation unit housed in the DBSA which would facilitate the financial structuring, procurement and implementation of priority blended-finance projects and programmes. The IF was established through a Memorandum of Agreement (MoA) which was signed on 17 August 2020 between the Department of Public Works and Infrastructure: Infrastructure South Africa (ISA), the National Treasury (Treasury) and the Development Bank of Southern Africa (DBSA). As per the MOA it was agreed that the DBSA and the National Treasury will each contribute 50% towards the operating costs of the Infrastructure Fund for the first 5 years of the agreement. During the financial year, the DBSA committed an amount of R45 million (31 March 2023: R42 million) towards the operational costs of the IF and the amount is disclosed under general and administration expenses.

49. THIRD PARTY MANAGED FUNDS COST RECOVERED

|                                                                                            |         |         |
|--------------------------------------------------------------------------------------------|---------|---------|
| Third party funds and mandates                                                             |         |         |
| African World Heritage Fund(AWHF)                                                          | 6 053   | 6 871   |
| District Development Model (DDM)                                                           | 22 550  | 45 390  |
| Global Environment Facility (GEF)                                                          | 1 595   | 1 573   |
| Green Climate Fund                                                                         | -       | 69      |
| Infrastructure Delivery Management System (IDMS)                                           | 904     | 41      |
| Infrastructure Fund                                                                        | 45 228  | 40 324  |
| Infrastructure Investment Programme for South Africa (IIPSA)                               | -       | 1 781   |
| Jobs Fund                                                                                  | 1 970   | 1 589   |
| KFW SADC Water Fund                                                                        | 2 545   | 3 000   |
| National Department of Basic Education for Accelerated Infrastructure Schools Programme    | 2 911   | 5 992   |
| National Department of Energy - Independent Power Producer Office (IPPO)                   | 59 169  | 66 696  |
| National Department of Health                                                              | 14      | 1 998   |
| National Treasury Cities Support Programme (NTCSP)                                         | 10 184  | 12 038  |
| Pan African Capacity Building Platform (PACBP)                                             | -       | 5 078   |
| Student Housing Infrastructure Programme (SHIPMO)                                          | 2 082   | 12 530  |
| World Economic Forum -Sustainable Development Investment Partnership Programme (WEF- SDIP) | -       | 2 395   |
| Department of Agriculture Land Reform                                                      | 10 500  | -       |
| Water Partnership Office                                                                   | 2 002   | -       |
| Total costs recovered                                                                      | 167 707 | 207 365 |

| in thousands of rands                          | 2024    | 2023    |
|------------------------------------------------|---------|---------|
| Third party managed funds managed per division |         |         |
| Coverage                                       | 22 550  | 45 390  |
| Finance                                        | 51 281  | 52 342  |
| Infrastructure Delivery                        | 27 058  | 23 069  |
| Project Preparation                            | 66 818  | 86 564  |
| Total                                          | 167 707 | 207 365 |
| Cost recovery per division                     |         |         |
| Corporate Services                             | 81 719  | 113 339 |
| Finance                                        | 6 053   | 14 963  |
| Infrastructure Delivery                        | 27 059  | 24 850  |
| Project Preparation                            | 52 876  | 54 213  |
| Total                                          | 167 707 | 207 365 |

50. TAXATION

The Bank is exempt from South African normal taxation in terms of Section 10(1)(t)(x) of the Income Tax Act,1962 (Act No. 58 of 1962), as amended, and consequently no liability for normal taxation has been recognised. The Bank is registered for VAT, PAYE, SDL and UIF.

51. EVENTS AFTER THE REPORTING PERIOD

51.1 Adjusting event

- (a)
- The adjusting event relates to additional information regarding a restructured loan which became available after year end for which management has made an adjustment in the financial statements.

51.2 Non-adjusting events

- (a)
- On 27 June 2024, the Board authorised an annual dividend of R48 million to be distributed to the shareholder (National Treasury). The payment of the dividend is subject to approval by Shareholder at the next annual general meeting in line with the DBSA Act.

ABBREVIATIONS AND ACRONYMS

|          |                                                      |
|----------|------------------------------------------------------|
| ALCO     | Assets & Liability Management Committee              |
| ARC      | Audit and Risk Committee                             |
| AWHF     | African World Heritage Fund                          |
| B-BBEE   | Broad-Based Black Economic Empowerment               |
| BSC      | Balanced Scorecard                                   |
| BSRU     | Business Support and Recovery Unit                   |
| CEO      | Chief Executive Officer                              |
| CFF      | Climate Finance Facility                             |
| CFO      | Chief Financial Officer                              |
| COVID-19 | Coronavirus Disease 2019                             |
| CPI      | Consumer Price Index                                 |
| CVA      | Credit Value Adjustment                              |
| DBSA     | Development Bank of Southern Africa Limited          |
| DDM      | District Development Model                           |
| DFI      | Development Finance Institution                      |
| DMTN     | Domestic Medium-Term Note                            |
| DPD      | Days Past Due                                        |
| DVA      | Debit Value Adjustment                               |
| EAD      | Exposure at Default                                  |
| ECL      | Expected Credit Loss                                 |
| EGIP     | Embedded Generation Investment Programme             |
| EIR      | Effective Interest Rate                              |
| Etc      | Et cetera                                            |
| EUR      | Euro (currency)                                      |
| FEC      | Forward Exchange Contract                            |
| FVTPL    | Fair Value Through Profit or Loss                    |
| GAM      | Generalised Additive Model                           |
| GDP      | Gross Domestic Product                               |
| GRA      | Group Risk Assurance                                 |
| HRC      | Human Resources Committee                            |
| IASB     | International Accounting Standards Board             |
| IBA      | ICE Benchmark Administration Limited                 |
| IBOR     | Interbank Offered Rate                               |
| ICT      | Information and Communication Technology             |
| IDD      | Infrastructure Delivery Division                     |
| IESBA    | International Ethics Standards Board for Accountants |
| IF       | Infrastructure Fund                                  |
| IFRS     | International Financial Reporting Standards          |
| IIPSA    | Infrastructure Investment Programme for South Africa |
| IPPO     | Independent Power Producers Office                   |
| ISA      | International Standards on Auditing                  |
| JIBAR    | Johannesburg Interbank Average Rate                  |
| JSE      | Johannesburg Stock Exchange                          |
| KfW      | The German Agency, Kreditanstalt für Wiederaufbau    |
| KPI      | Key Performance Indicator                            |

|         |                                                        |
|---------|--------------------------------------------------------|
| KZN     | KwaZulu-Natal                                          |
| LGD     | Loss Given Default                                     |
| LIBOR   | London Interbank Offered Rate                          |
| MISA    | Municipal Infrastructure Support Agency                |
| MoA     | Memorandum of Agreement                                |
| MPG     | Market Practitioners Group                             |
| NAV     | Net Asset Value                                        |
| NCD     | Negotiable Certificate of Deposit                      |
| NDP     | National Development Plan                              |
| NII     | Net Interest Income                                    |
| NPL     | Non-Performing Loan                                    |
| NTCSP   | National Treasury Cities Support Programme             |
| OCI     | Other Comprehensive Income                             |
| OECD    | Organisation for Economic Co-operation and Development |
| OpsCo   | Operations Committee                                   |
| PAA     | Public Audit Act, No. 25 of 2004                       |
| PACBP   | Pan African Capacity Building Platform                 |
| 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                |
| RAROC   | Risk Adjusted Return on Capital                        |
| ROE     | Return on Equity                                       |
| RSA     | Republic of South Africa                               |
| SADC    | Southern African Development Community                 |
| SARB    | South African Reserve Bank                             |
| SDL     | Skills Development Levy                                |
| SICR    | Significant Increase in Credit Risk                    |
| SOFR    | Secured Overnight Financing Rate                       |
| SPPI    | Solely Payment of Principal and Interest               |
| TTC     | Through The Cycle                                      |
| UIF     | Unemployment Insurance Fund                            |
| USD     | United States Dollar (currency)                        |
| VAT     | Value Added Taxation                                   |
| ZAR     | South African Rand (currency)                          |
| ZARONIA | South African Rand Overnight Index Average             |

FINANCIAL DEFINITIONS

|                                                             |                                                                                                                                                                                                          |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Callable capital                                            | The authorised but unissued share capital of the DBSA                                                                                                                                                    |
| Cost-to-income ratio                                        | Operating expenses, (including personnel, general and administration, depreciation and amortisation expenses), project preparation and development expenditure as a percentage of income from operations |
| Income from operations                                      | Net interest income, net fee income and other operating income                                                                                                                                           |
| Interest cover                                              | Interest income divided by interest expense                                                                                                                                                              |
| Long term debt-to-equity ratio                              | Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, as percentage of total equity                                                                              |
| Long term debt-to-equity ratio (including callable capital) | Total liabilities, excluding other payables, provisions and liabilities for funeral benefits as a percentage of total equity and callable capital                                                        |
| Net interest margin                                         | Net interest income (interest income less interest expense) as a percentage of interest bearing assets                                                                                                   |
| Return on average assets                                    | Net profit or loss for the year expressed as a percentage of average total assets                                                                                                                        |
| Return on average equity                                    | Net profit or loss for the year expressed as a percentage of average total equity                                                                                                                        |
| Sustainable earnings                                        | Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments              |

GENERAL INFORMATION

|                             |                                                                                                                                   |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Registered office           | Headway Hill<br>1258 Lever Road<br>Midrand<br>Johannesburg<br>South Africa                                                        |
| Business address            | 1258 Lever Road<br>Headway Hill<br>Halfway House<br>1685<br>South Africa                                                          |
| Postal address              | PO Box 1234<br>Halfway House<br>1685<br>South Africa                                                                              |
| Banker                      | The Standard Bank of South Africa                                                                                                 |
| Registered Auditor          | Auditor-General of South Africa                                                                                                   |
| Company registration number | 1600157FN                                                                                                                         |
| Preparer                    | The Annual Financial Statements were compiled under the supervision of the Chief Financial Officer, Ms Ntombizodwa Mbele CA (SA). |
| JSE debt sponsor            | Rand Merchant Bank (a division of FirstRand Bank Limited)                                                                         |
| Primary Debt Listing        | JSE Limited                                                                                                                       |
| Telephone                   | + 27 11 313 3911                                                                                                                  |
| Fax                         | + 27 11 313 3086                                                                                                                  |
| Home page                   | www.dbsa.org                                                                                                                      |
| LinkedIn                    | www.linkedin.com/company/dbsa/                                                                                                    |
| X                           | x.com/DBSA Bank                                                                                                                   |
| Email                       | dbsa@dbsa.org                                                                                                                     |

