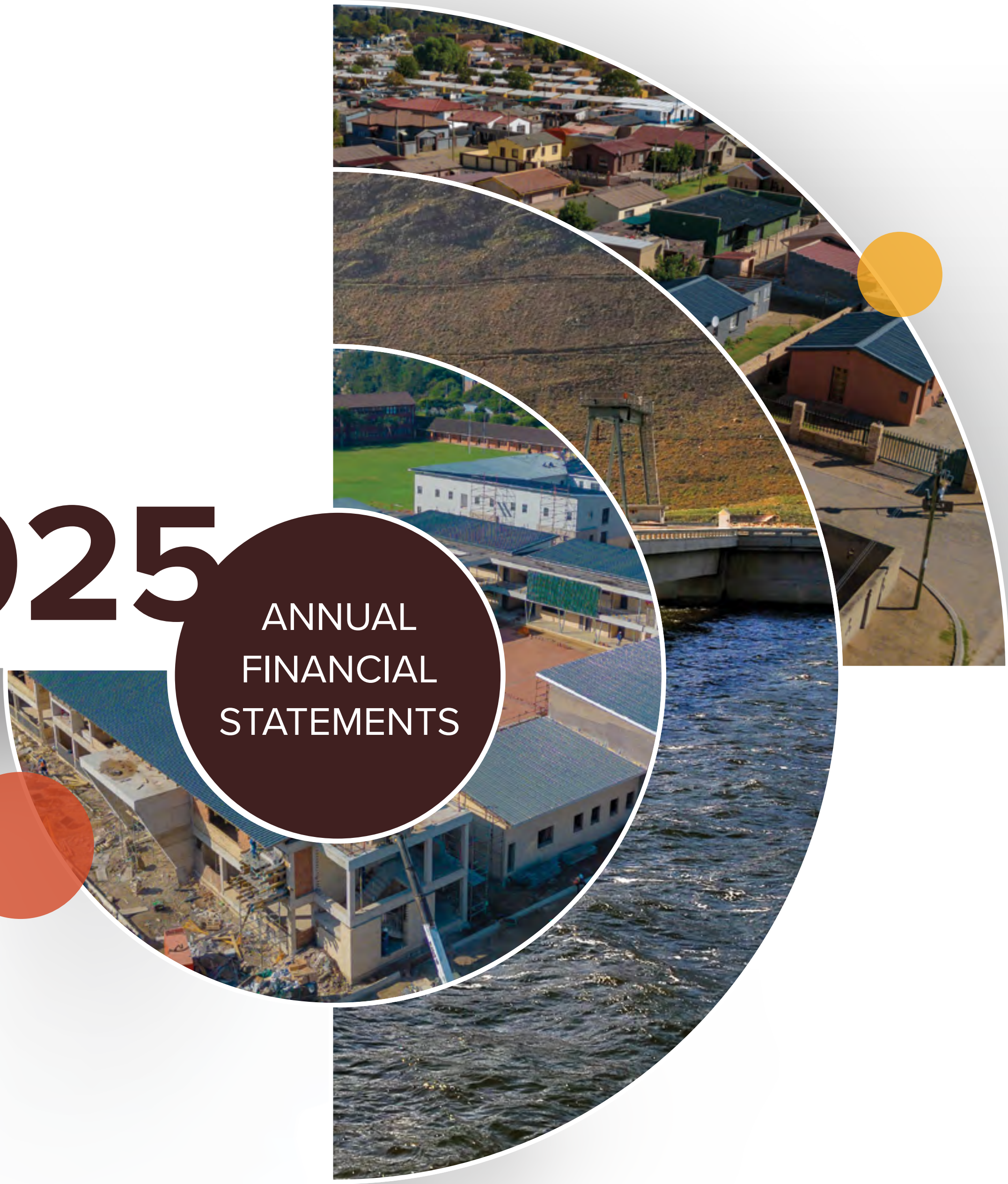
DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA

2025 ANNUAL FINANCIAL STATEMENTS



Building on Strength, **Expanding Impact**

CONTENTS

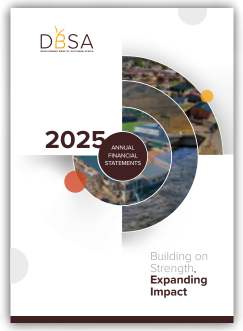
The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder:

Our reporting suite for the year ended 31 March 2025 consists of three reports:

IAR

The 2025 Integrated Annual Report

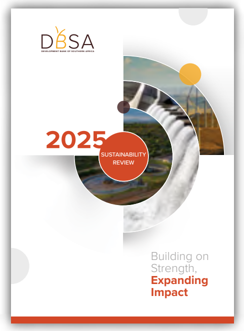
The 2025 Integrated Annual Report, which is our primary communication document with our stakeholders.



AFS

The 2025 Annual Financial Statements

The 2025 Annual Financial Statements, which includes the Directors' Report and the Independent Auditor's Report.



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The 2025 Sustainability Review

The 2025 Sustainability Review, which provides further information on our sustainability performance.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2025

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

a) The Annual Financial Statements set out on pages 21 to 170, 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) Accounting Standards as issued by the International Accounting Standards Board;
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 2025

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) Accounting Standards as issued by the International Accounting Standards Board;
- Sections 27 to 31 of the Companies Act of South Africa, No. 71 of 2008; and
- JSE Debt and Specialist Securities Listings Requirements.

To enable the directors to meet their financial reporting responsibilities:
- Management designed and implemented standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the 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 auditors, review the financial and internal control systems, accounting policies, financial 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 namely 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.) as per the individual accounts in the trial balance. This was performed by the external auditor.

Based on the information received from management, as well as 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 21 to 170 were approved by the Board of Directors on 26 June 2025 and are signed on its behalf by:

Martie Janse van Rensburg
Interim 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 2025

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 21 to 170, which comprise the statement of financial position as at 31 March 2025, statement of comprehensive income and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, as well as notes to the Annual Financial Statements, including material accounting policy information.

2. In my opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 the Companies Act 71 of 2008 (Companies Act of South Africa).

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.

6. In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Annual Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

Final materiality

7. The scope of our audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the Annual Financial Statements are free from material misstatement. Misstatements may arise due to fraud or error, and they 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 the Annual Financial Statements.

8. My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which is the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of the audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Annual Financial Statements as a whole.

9. Based on my professional judgement, I determined final materiality for the Annual Financial Statements as follows:

Final materiality amount	R2 448 million
Basis for determining materiality	2% of total assets
Rationale for benchmark applied	Total assets is an appropriate quantitative indicator of materiality, as in our view, it is a measure against which the performance of the bank is measured by users as approximately 78% of the Bank's asset base relates to the core mandate of providing funding for developmental projects.

10. The 2% of total assets benchmark is based on our professional judgement after consideration of qualitative factors that impact the bank.

Key audit matters

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

12. I have determined the matters described below to be the key audit matters to be communicated in my report.

13. In terms of the EAR Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matters and these are included below:

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 expected credit losses (ECL) relating to development loans in line with the requirements of IFRS 9, *Financial instruments* (IFRS 9). This determination is complex and requires a high level of judgement and assumptions. 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. 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. 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. 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. 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 macroeconomic variables and observed default rates. 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. The Bank has applied a management overlay of R3.6 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 ECL. The disclosures associated with the expected credit loss allowance on development loans are set out in the following notes to the Annual Financial Statements: • Note 14 – Development loans • Note 42 – Risk management Due to the high degree of estimation, management judgement and magnitude of the development loans, which constituted the majority of total assets, the ECL allowance is considered a matter of most significance for our audit.	In line with the requirements of ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (ISA 540 Revised), I performed risk assessment procedures relating to obtaining an understanding of the ECL and its related disclosures using the principles from IFRS 9. 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. My audit procedures included assessing the appropriateness of the ECL in terms of the requirements of IFRS 9. I evaluated the design, implementation and operating effectiveness of the following controls: • The governance processes for credit models and overlays • Governance committees where key judgements are considered • Accounting Authority oversight over ECL. 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. I evaluated the significant increase in credit risk triggers and assumptions applied by management in determining ECL for loans. I also evaluated management's assessment of the recoverability of loans. I found these estimates to be reasonable. In addition, I engaged an auditor's expert to assess the appropriateness and reasonableness 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, *Using the work of an auditor's expert* (ISA 620). The expert's assessment included the following: • Reviewing the ECL methodology for compliance with IFRS 9 principles and best practices • Independently reviewing the ECL model calculations for accuracy and consistency with the DBSA methodology • Performing a challenger ECL model, using independent inputs for the PDs, EADs, LGDs and FLI • Assessment of the appropriateness of management overlays • Performing benchmarking and trend analysis. I found management's credit risk models and the assumptions used to determine the ECL to be reasonable and consistent with my expectations. 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, *Financial Instruments: Disclosures* (IFRS 7), disclosures included in the Annual Financial Statements and I am satisfied that the disclosures are consistent with the requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board.

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. 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. 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. 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. 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. The disclosures associated with the equity investments held at fair value through profit or loss are set out in the following note: • Note 11 – Equity investments held at fair value through profit or loss	In terms of the requirements of ISA 540 Revised, I performed separate risk assessment procedures for inherent and control risks relating to equity investments and their related disclosures. As per the requirements of ISA 540 Revised and in conjunction with ISA 330, a combined audit approach was followed to respond to the risks identified in equity investments held at fair value through profit and loss. My audit procedures included assessing the appropriateness of the valuation technique used by management to value equity investments, including performing reasonableness tests on the use of the net asset value valuation technique and applying marketability discounts based on comparable industry norms and practices. I evaluated the design, implementation and operating effectiveness of the governance processes in place to approve the valuation of equity investments. I evaluated the applicability of the three methods that can be used to determine the fair value of equity investments, 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. I evaluated the reasonableness of the net asset value and the marketability discount applied and concluded that these were reasonable. 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 and management accounts to assess reasonableness of the net asset value and concluded the net asset value were reasonable. I performed an assessment of the fair value hierarchy levels as disclosed using the principles of IFRS 13, *Fair Value Measurement* (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 and I am satisfied that the disclosures are consistent with the requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board.

Key audit matter	How the matter was addressed in the audit
Derivative assets and 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. 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. 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. 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 disclosures associated with derivatives are set out in the following note - to the Annual Financial Statements: • Note 8 – Derivative assets and liabilities held for risk management purposes.	In terms of the requirements of ISA 540 Revised, I performed separate risk assessment procedures for inherent and control risks relating to derivatives and the related disclosures. 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. I engaged an auditors' expert to assess the appropriateness and reasonableness of the assumptions and model 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. The expert's assessment included the following: • Reviewing the valuation model and methodology adopted for the valuation of the derivative instruments held by the Bank. • The calculation of fair value adjustments i.e. CVA and DVA on a portfolio level, including the assumptions used in determining the CVA and DVA adjustments. I found management's CVA/DVA model, and the assumptions used to determine the CVA/DVA valuation to be reasonable and consistent with my expectations. In respect of the derivatives population, I performed an independent recalculation of the fair values of derivative asset / liability positions. I found management's valuation of the derivative to be within the range and consistent with my expectations. I assessed the completeness, accuracy and adequacy of the IFRS 7 and IFRS 13 disclosures and I am satisfied that it is consistent with the requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board. In addition, I also assessed the classification of the derivative instrument as a hedging instrument in line with IFRS 9 and I am satisfied that it is consistent with the requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board.

Responsibilities of the Accounting Authority for the Annual Financial Statements

14. The Accounting Authority is responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, and the requirements of the PFMA, the DBSA Act of South Africa and the Companies Act; and for such internal control as the Accounting Authority determines is necessary to enable the preparation of the Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

15. In preparing the Annual Financial Statements, 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

16. 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.

17. 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

18. 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.

19. I selected the following objectives presented in the annual performance report for the year ended 31 March 2025 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	Pages numbers	Purpose
Financial sustainability	19 - 20	To maintain financial sustainability that will enable the Bank to attract external funding to continue funding infrastructure development as a self-funded entity which will ensure continued impact in financing key programmes within the energy, water, transport and telecommunications sectors, with a secondary focus on health and education as well
Grow good quality and profitable disbursements		To measure the growth of the DBSA's loan book/core activities and the extension of development loans to qualifying clients
Contribute to the unemployment reduction through the facilitation of jobs.		To reflect the DBSA's commitment to addressing unemployment as articulated in the DBSA's development position.
Contribute to the increase of SA fixed capital formation		To measure the extent to which infrastructure is delivered, contributing to development impact through eradicating infrastructure backlogs and maintenance for government across all its spheres.
Increased sustainable developmental outcomes in SA districts		To measure the value of infrastructure projects unlocked through the delivery of lending and non-lending support activities in district municipalities and their local municipalities adopted for programmatic approach, to improve developmental impact and eradicate infrastructure backlogs.
Increased sustainable developmental outcomes in under-resourced municipalities		To measure the value of projects unlocked through the delivery of non-lending support activities in under-resourced municipalities to improve developmental impact and eradicate infrastructure backlogs.
Achieving a just transition		To provide dedicated advisory, investment and implementation support to access funds from climate and environmental financing 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 by enabling participation of black women owned entities in our economy.

20. 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.

21. 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.

22. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

23. I did not identify any material findings on the reported performance information for the selected objectives.

Other matter

24. I draw attention to the matter below:

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides explanations for under achievements.

26. The tables that follow provide information on the achievement of planned targets and lists the key performance indicators that were not achieved as reported in the annual performance report. The reasons for the under achievement of targets are included in the annual performance report on pages 19 to 20.

Contribute to the increase of SA fixed capital formation

Targets achieved: 0%		
Key performance indicator not achieved	Planned target	Reported achievement
Value of infrastructure delivered	R5.6 billion	R5.2 billion

Empowerment support

Targets achieved: 0%		
Key performance indicator not achieved	Planned target	Reported achievement
Number of transactions that are committed for DBSA funding to black-owned entities	8	7

Report on compliance with legislation

27. 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.

28. 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.

29. 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.

30. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

31. The Accounting Authority is responsible for the other information included in the annual report. The other information 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.

32. My opinion on the Annual Financial Statements, and my reports on the audit of the annual performance report and 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.

33. 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.

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

FOR THE YEAR ENDED 31 MARCH 2025

34. 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

35. I considered internal control relevant to my audit of the Annual Financial Statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

36. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
30 June 2025

AUDITOR-GENERAL
SOUTH AFRICA

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 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 a 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 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 2025

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3); 50(3)(a); 50(3)(b); 51(1)(ii); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31
Companies Act Regulations, 2011	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2025

The Directors have pleasure in presenting this report on the Annual Financial Statements of the Development Bank of Southern Africa (DBSA) for the year ended 31 March 2025.

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 in the nature of the business compared to 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 21 to 170. The key financial indicators for the year under review are:
- Net profit of R5.3 billion (31 March 2024: R4.6 billion).
- Sustainable earnings of R5.1 billion (31 March 2024: R4.5 billion).
- Net interest income increased by 9% to R8.4 billion (31 March 2024: R7.7 billion).
- Impairment losses increased to R1.5 billion (31 March 2024: R1.4 billion).
- Gross NPL% ratio improved to 3.2% (31 March 2024: 3.9%).
- Net NPL% ratio marginally decreased to 1.2% (31 March 2024: 1.5%).
- Operating income increased to R8.8 billion (31 March 2024: R7.8 billion).
- Cost to income ratio of 22.0% (31 March 2024: 21.0%).
- Cash flow generated from operations increased to R6.8 billion (31 March 2024: R5.4 billion).
- Total assets increased by 2.3% to R121.0 billion (31 March 2024: to R118.3 billion).
- Development loans and equity disbursements amounted to R17.5 billion (31 March 2024: R17 billion).
- ROE on sustainable earnings of 9.3% (31 March 2024: 9.0%).
- ROE on net profit of 9.7% (31 March 2024: 9.3%).
- Debt-to-equity ratio excluding, R20 billion callable capital, improved to 105% (31 March 2024: 123%).
- Debt-to-equity ratio including, R20 billion callable capital, improved to 78% (31 March 2024: 89%). 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 a dividend, the details thereof are disclosed in the Dividend section of this report.

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 macroeconomic landscape has deteriorated over the 2025 fiscal year, with the global growth outlook revised lower, including in large economies such as the US and China. The ongoing uncertainty related to reciprocal tariffs have introduced new challenges and changed the global trade dynamics, introducing increased geopolitical tensions, higher costs of doing business, disruption in market access and potential global supply chain disruptions. Following the change in the US administration, businesses are facing increased risk and uncertainty and complexity in global trade dynamics. Tariffs lead to higher prices of imported goods and narrows profit margins. The changes in trade policies and sustained significant volatility in the foreign exchange currency affects investment decisions, cash flows generated by business and exacerbate instability within financial markets. Although global inflation has moderated, it remains above South African Reserve Bank (SARB) targets, and consequently policy makers remain hawkish regarding monetary policy, which will put upward pressure on interest rates and long-term government bond yields.

The slow pace of sovereign debt reform in Africa remains a concern, with lower oil prices placing additional pressure on the fiscus of oil exporting countries. The increase in conflicts continue to pose a risk to growth, stability and investment.

In South Africa, risk factors include long standing structural constraints such as the bouts of reemerging load shedding, as well as the ongoing port and railway challenges that created bottlenecks and curbed mineral exports, weak state capacity to implement policies, and a shortage of skilled workers. In addition, recent developments the US-South Africa relations, as well as uncertainty surrounding the continuity of the Government of National Unity (GNU) are key risk factors influencing business and financial market performance and could constrain economic growth.

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

The continued trade tensions and related disruptions pose an increased risk of heightened volatility in financial markets. If these conditions persist, they can potentially affect the ability to raise funding, short term liquidity and complicate asset and liability management strategies. Supply chain disruptions may force businesses to seek alternative markets or adjust production processes, resulting in losses, inefficiencies, delays and additional costs incurred to comply with trade regulations and tariffs.

Given the high levels of connectedness within the global economy, the imposition of tariffs may trigger unforeseen risks and challenges. These emerging risk factors would be in addition to the ongoing Russia-Ukraine war and Middle East conflict which can compound pre-existing challenges, including extreme poverty, food insecurity, environmental degradation and climate change risk. Increased geo-economic fragmentation, lack of multilateralism, and related uncertainty remains heightened and in the long term, may reduce global economic growth.

In Africa, the tariffs and withdrawal of US Aid may lead to increased unemployment, budget deficits and increased pressure on healthcare. The risk of increased geopolitical tensions on the back of existing geo-economic fragmentation is high. The slow pace of the sovereign debt restructure of several African countries means that some African countries will struggle to reach debt sustainability sooner. The introduction of the tariffs on African exports to the US market means that margins will shrink, and products will become uncompetitive. The withdrawal of USA aid in Africa has a negative impact on key programs, such as health programmes, particularly HIV-AIDS programmes; if funding is not made available, this will have dire consequences on the health sector.

South Africa's economic growth rate remains unsatisfactory. The municipal credit risk remains elevated. The challenges associated with the US-South Africa relations have a negative impact on sentiment and trade between the countries. The GNU formation was welcomed by the markets and any risks to the GNU longevity may be detrimental to business sentiment and economic growth.

All these risk factors require that businesses explore supply chain diversification, assessment of the financial impact of tariffs, develop contingency plans to stay competitive and conduct comprehensive risk assessments. These challenges call for businesses to re-assess business strategies and evaluate their strategic, operational and financial vulnerabilities. From a DBSA perspective, the directors continue to undertake comprehensive risk assessments including ensuring that asset portfolio provisions are appropriately conservative and consider forward-looking approach to loan loss provisioning. Continued through-the-cycle monitoring of economic developments remains key to ensuring that the Bank is shielded against financial and economic shocks.

Dividend

The Bank distributes to the shareholder a dividend calculated as a percentage of its net profit generated for the year. On 26 June 2025, the Board authorised an annual dividend declaration of R160 million (31 March 2024: R48 million) to be distributed to the shareholder (National Treasury). The payment of the dividend is subject to approval by shareholder at the next AGM in line with the DBSA Act. This is in addition to the ongoing support provided to the Government in the 2024/25 financial year through various development initiatives, including municipal support of R123 million and operational funding for the Infrastructure Fund amounting to R49 million. The Bank has also contributed R20 million towards the Finance in Common Summit which is aligned with G20 activities.

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 2024: 2 020 000) at par value of R10 000 each.

Callable capital (authorised but unissued share capital)

2 000 000 ordinary shares (31 March 2024: 2 000 000) at a par value of R10 000 each.

Issued share capital

20 000 ordinary shares (31 March 2024: 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

In terms of 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's business, 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	145	61
Annual borrowing programme*	13	2
Foreign currency borrowing	41	37
Domestic Medium Term Note Programme	80	12

** The net repayment of R2.4 billion was made during the year (31 March 2024: R3 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	
Current			From	To
Ms B Mosako	Chief Executive Officer and Managing Director	1	1 April 2023	31 March 2028
Ms N P Mbele	Chief Financial Officer	Non-applicable	2 October 2023	Until such time she ceases to hold office as CFO
Ms M Janse van Rensburg [1 & 2]	Independent Non-executive Director, Interim Chairman	3	1 April 2022	30 September 2025
Mr K Brown	Shareholder representative	1	30 November 2022	29 November 2025
Mr B Hore	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	Independent Non-executive Director	2	2 October 2023	1 October 2026
Ms D Moephuli	Independent Non-executive Director	1	2 October 2023	1 October 2026
Mr J Muthige	Independent Non-executive Director	1	2 October 2023	1 October 2026
Dr C Naidoo	Independent Non-executive Director	1	2 October 2023	1 October 2026
Mr J Netshitenzhe	Independent Non-executive Director	1	2 October 2023	1 October 2026
Mr B Nqwababa	Independent Non-executive Director	2	2 October 2023	1 October 2026
Ms P Nqeto	Independent Non-executive Director	3	2 October 2023	1 October 2026
Prof E Pieterse	Independent Non-executive Director	1	2 October 2023	1 October 2026
During the year				
Mr E Rasool [3]	Independent Non-executive Director, Chairman	1	30 November 2022	30 November 2024

[1] *Ms. Martie Janse van Rensburg was appointed as the Interim Chairman of the DBSA Board, effective from 1 December 2024 until the appointment of a new Chairman is finalised by the DBSA Board. The process of appointing a new Chairman is still underway.*

[2] *Ms. Janse van Rensburg's term of office was set to end by effluxion of time on 31 March 2025. Consequently, the shareholder, in line with regulation 102A of the DBSA Act, has extended her tenure effective from 1 April 2025 until the Chairman appointment process is completed or until 30 September 2025, whichever occurs first.*

[3] *Resigned with effect from 30 November 2024.*

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.

Remuneration policy

The DBSA Remuneration Policy, which is approved by the Human Resources and Remuneration 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 furtherance of the Bank's ability to deliver on its mandate. In execution of aforementioned, the Audit and Risk Committee, as well as the Human Resources and Remuneration 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 175.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

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 R56 million (31 March 2024: R61 million).

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2025 are in all material respects consistent with those applied in the Annual Financial Statements for the year ended 31 March 2024.

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 52 of the Annual Financial Statements on page 170.

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 164.

Related party transactions

Details of the Bank's related party transactions are set out in note 43 of the Annual Financial Statements on page 164.

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 168.

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 and no commitments were made by the state.

ANNUAL PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2025

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 difficult global, regional and domestic economic recovery during the 2024/25 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 in under-resourced municipalities and district municipal spaces adopted for programmatic approach, projects approved for funding by DBSA's existing climate and environmental facilities and gender mainstreaming as detailed in the table below. The percentage of procurement spend on Black women-owned suppliers for infrastructure development third party funds exceeded the target. This is 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 receiving payment and tranche transfers from clients, resulting in contractors slowing down progress, downing tools and temporarily abandoning sites.
  - Late submission of concurrence letters by the clients for the appointment of contractors and confirmation of the budget for some of the projects.
  - Budget cuts for some of the projects that were in implementation stage during the year under review.
  - Delays in obtaining construction permits from the Department of Labour.

- **Number of transactions that are committed for DBSA funding to black-owned entities (50% shareholding and above):** The underperformance is attributed to the longer time it takes to convert the projects in the pipeline to commitment stage.

- **Client and Stakeholder satisfaction survey:** The underperformance is attributed to:
  - A lower score for Stakeholder Relationship Index, which is due to some of the stakeholders not being aware of the DBSA's products, channels and sector focus.
  - A lower-than-expected score for client's satisfaction survey due to clients indicating that although they appreciate the DBSA's expertise, they expect more efficiency and tailored financial solutions.

ANNUAL PERFORMANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

The table below provides the Bank's performance against the planned targets on corporate performance objectives for the year ended 31 March 2025.

Objective	Key performance indicator	Target	Results
Financial sustainability	• ROE (calculated on sustainable earnings)	6%	9.3%
	• Cost-to-income ratio - financing business	30%	19.3%
Grow good quality and profitable disbursements	• Total Disbursements	R14.5 billion	R17.5 billion
Contribute to the unemployment reduction through the facilitation of jobs.	• Number of jobs facilitated	24 000	35 154
Contribute to the increase of SA fixed capital formation	• Value of infrastructure delivered	R5.6 billion	R5.2 billion
Increased sustainable developmental outcomes in SA Districts	• Value of infrastructure unlocked in district municipal spaces adopted for programmatic approach	R300 million	R838 million
Increased sustainable developmental outcomes in under-resourced municipalities	• Value of infrastructure unlocked in under-resourced municipalities (excluding the partnered municipal spaces)	R1.8 billion	R2.6 billion
Achieving a Just Transition	• Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g. CFF, EGIP etc.)	R500 million	R1.6 billion
Empowerment support	• Number of transactions that are committed for DBSA funding to black-owned entities	8	7
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	Implementation of the approved culture strategy
Smart Partnerships	• Client and Stakeholder satisfaction survey	4	3.74
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 during the year under review
	• 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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2025

in thousands of rands	Notes	2025	2024
Assets			
Cash and cash equivalents at amortised cost	5	15 017 755	10 803 772
Trade receivables and other assets	6	320 172	238 723
Investment securities	7	608 667	493 175
Derivative assets held for risk management purposes	8.1	223 981	9 545
Other financial asset	9	38 534	37 534
Development loans held at fair value through profit or loss	10	12 877	20 784
Equity investments held at fair value through profit or loss	11	4 581 600	4 808 783
Development bonds at amortised cost	13	1 542 364	2 065 754
Development loans at amortised cost	14	98 142 797	99 329 694
Property, equipment and right of use of assets	15	450 485	456 060
Intangible assets	16	52 794	51 051
Total assets		**120 992 026**	**118 314 875**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	17	1 280 726	1 309 114
Repurchase agreements at amortised cost	20.6	-	1 194 651
Derivative liabilities held for risk management purposes	8.2	94 578	476 741
Liability for funeral and post-employment medical benefits	19	47 184	47 984
Debt funding held at amortised cost	20	60 769 422	62 499 696
Provisions and lease liabilities	18	154 175	167 548
Deferred income	21	702 447	578 495
Total liabilities		**63 048 532**	**66 274 229**
Equity			
Share capital	22	200 000	200 000
Retained income		43 489 498	37 865 501
Permanent government funding	23	11 692 344	11 692 344
Other reserves	24	182 392	(448 989)
Reserve for general loan risk	25	2 379 260	2 731 790
Total equity		**57 943 494**	**52 040 646**
Total equity and liabilities		**120 992 026**	**118 314 875**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

in thousands of rands	Notes	2025	2024
Interest income			
Interest income calculated using the effective interest rate	26	13 247 545	12 773 775
Other interest income	26	201 194	178 874
Interest expense			
Interest expense calculated using the effective interest rate	27	(5 068 902)	(5 239 703)
Net interest income	27	**8 379 837**	**7 712 946**
Net fee income	28	356 690	376 019
Net foreign exchange (loss)/gain	29	(55 477)	128 497
Net gain/(loss) from financial assets and financial liabilities	30	31 734	(509 186)
Investment and other income	31	39 115	86 138
Other operating income		**372 062**	**81 468**
Operating income		**8 751 899**	**7 794 414**
Project preparation expenditure	32	(15 092)	(8 922)
Development expenditure	33	(261 701)	(193 656)
Impairment losses	34	(1 500 776)	(1 428 311)
Personnel expenses	35	(1 080 755)	(996 677)
Other operating expenses	36	(491 380)	(449 850)
Depreciation and amortisation	37	(42 749)	(42 571)
Profit from operations		**5 359 446**	**4 674 427**
Grants paid	38	(40 529)	(25 628)
Profit for the year		**5 318 917**	**4 648 799**

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

in thousands of rands	Notes	2025	2024
Profit for the year		**5 318 917**	**4 648 799**
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings	24.1	82	-
Remeasurement of funeral and post-employment medical benefit liabilities		845	(2 794)
Total items that will not be reclassified to profit or loss		**927**	**(2 794)**
Items that may be reclassified subsequently to profit or loss			
Unrealised gain/(loss) on cash flow hedges	24.2	239 805	(555 835)
Loss on cash flow hedges reclassified to profit or loss	24.2	391 494	318 432
Total items that may be reclassified subsequently to profit or loss		**631 299**	**(237 403)**
Other comprehensive gain/ (loss)		**632 226**	**(240 197)**
Total comprehensive income for the year		**5 951 143**	**4 408 602**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2025

				Other reserves*				
in thousands of rands	Share capital	Permanent government funding	Reserve for general loan risk	Revaluation reserve on land and building	Cash flow hedge reserve	Total of other reserves*	Retained income	Total equity
Balance as at 1 April 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	-	-	-	-	318 432	318 432	-	318 432
Transfer from general loan risk reserve	-	-	(60 593)	-	-	-	60 593	-
Total comprehensive income	**-**	**-**	**(60 593)**	**-**	**(237 403)**	**(237 403)**	**4 706 598**	**4 408 602**
Balance as at 31 March 2024	**200 000**	**11 692 344**	**2 731 790**	**138 500**	**(587 489)**	**(448 989)**	**37 865 501**	**52 040 646**
Profit for the year	-	-	-	-	-	-	5 318 917	5 318 917
Other comprehensive income								
Gain on revaluation of land and buildings	-	-	-	82	-	82	-	82
Remeasurement of funeral and post-employment benefit liabilities	-	-	-	-	-	-	845	845
Unrealised gain on cash flow hedges	-	-	-	-	239 805	239 805	-	239 805
Loss on cash flow hedges reclassified to profit or loss	-	-	-	-	391 494	391 494	-	391 494
Transfer from general loan risk reserve	-	-	(352 530)	-	-	-	352 530	-
Total comprehensive income	**-**	**-**	**(352 530)**	**82**	**631 299**	**631 381**	**5 672 292**	**5 951 143**
Transactions with shareholders								
Dividends paid	-	-		-	-	-	(48 295)	(48 295)
Balance as at 31 March 2025	**200 000**	**11 692 344**	**2 379 260**	**138 582**	**43 810**	**182 392**	**43 489 498**	**57 943 494**
Note(s)	**22**	**23**	**25**	**24.1**	**24.2**	**24**		

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2025

in thousands of rands	Notes	2025	2024
Cash flows from operating activities			
Net profit adjusted for non-cash items and items separately disclosed	39	(1 120 975)	(1 609 682)
Interest received		12 334 755	11 493 312
Interest paid		(4 466 942)	(4 511 413)
Dividends received		10 959	54 138
Net cash generated from operating activities		**6 757 797**	**5 426 355**
Cash flows from development activities			
Development loan disbursements		(16 335 489)	(16 929 895)
Development loan principal repayments		16 336 907	13 016 359
Equity investments disbursements	11.1	(166 324)	(24 165)
Equity investments repayments	11.1	44 092	97 465
Development bonds repayments	13.2	585 334	83 333
Grants, development and project preparation expenditure paid		(317 323)	(210 886)
Increase in deferred income		134 309	43 097
(Increase)/Decrease in advances to National Mandates		(82 948)	108 188
Net cash generated from/(used in) development activities		**198 558**	**(3 816 504)**
Net cash generated from operating and development activities		**6 956 355**	**1 609 851**
Cash flows from investing activities			
Purchase of property and equipment		(20 591)	(37 722)
Proceeds from disposal of property and equipment		235	453
Purchase of intangible assets		(21 370)	(5 447)
Acquisition of financial market assets		(160 067)	(158 407)
Net cash utilised by investing activities		**(201 793)**	**(201 123)**
Cash flows from financing activities			
Gross financial market liabilities repaid		(13 208 594)	(10 364 080)
Gross financial market liabilities raised		10 792 315	13 380 273
Dividend paid		(48 295)	-
Net cash (utilised by)/generated from financing activities		**(2 464 574)**	**3 016 193**
Net increase in cash and cash equivalents		**4 289 988**	**4 424 921**
Effect of exchange rate movements on cash balances	29	(76 005)	212 782
Movement in cash and cash equivalents		**4 213 983**	**4 637 703**
Cash and cash equivalents at the beginning of the year	5	10 803 772	6 166 069
Cash and cash equivalents at the end of the year	5	**15 017 755**	**10 803 772**

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2025

1. STATEMENT OF COMPLIANCE

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

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 estimation 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 1.2.1.5, 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 assessed the impact of macro-economic shock events on the Bank's ability to continue as a going concern, and has concluded that there are no material uncertainties that could cast significant doubt over it's ability to continue as a going concern.

The Bank continues to monitor the macro-economic shock events impact on impairments, pricing and profitability to ensure that the Bank remains financially and operationally sustainable. The Bank has continued to be successful in raising funding from international development finance institutions as well as international and local commercial banks and asset managers. Refer to note 42 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. 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 an 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 selecting 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.

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 premium or discount which market participants would reasonably be expected to apply in determining a fair market price. Such valuation adjustments may be applied for several reasons including but not limited to:

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

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

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

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

(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 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 determined using market observable prices from the JSE Limited. For segregated funds, the fair value is determined based on the asset manager's valuation. Inputs include the quoted market prices.

(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 Monte Carlo Hull White Valuation Approach for counterparty credit risk model and capital charge is used as a proxy for CVA/DVA adjustments. When faced with significant uncertainty in making a forecast or estimate, some methods replace the uncertain variable with a single average number. The Monte Carlo simulation uses multiple values and then averages the results. The Bank enhanced the CVA/DVA valuation methodology from Basel regulatory valuation approach to Monte Carlo approach which simulated a spectrum of probable outcomes for an uncertain scenario utilising multiple values to uncertain variables resulting in multiple results and then takes the average of these results to arrive at an estimate.

(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

The expected credit losses should be recognised 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.

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 47).

In the ordinary course of the lending business, loans can be distressed and stage 3/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 the 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 the Investment Committee, the Audit and Risk Committee and the Board.

c) Macro-economic shock events

Under the new US Administration, businesses are facing increased risk and uncertainty and complexity in global trade dynamics. The ongoing reciprocal tariffs have introduced new challenges and changed the global trade dynamics with increased tensions, increased costs of doing business, disruption in market access and potential disruptions within the international supply chain systems. Tariffs lead to higher prices of imported goods and narrows profit margins. The changes in trade policies and sustained significant volatility in the foreign exchange currency affects investment decisions, cash flows generated by business and exacerbate instability within financial markets.

In South Africa, long standing structural constraints such as lack of enough energy supply to power a higher GDP growth, ongoing reform of the port and railway crises (logistical challenges) that created bottlenecks and curbed mineral exports, state capacity to implement policies, and more recently the US-South Africa relations and risks associated with the GNU stability are some of the key risk factors that influence business and financial markets and exchange rate performance and could constraint economic growth. The slow pace of sovereign debt reform in Africa remains a concern.

These emerging risk factors are in addition to the ongoing Ukraine-Russia war and Middle East conflict and these factors can continue to compound several pre-existing adverse global economic trends, including extreme poverty, food insecurity, environmental degradation and climate change risk. Geo-economic fragmentation and intensification thereof, lack of multilaterism, and related uncertainty remains heightened and in the long term, trade fragmentation may reduce global GDP.

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 growth rates remain unsatisfactory. The municipal credit risk remains elevated. The slow pace of the sovereign debt restructure of several African countries means that some African countries will struggle to reach debt sustainability soon. The introduction of the tariffs on African exports to the US market means that margins will shrink, and products will become uncompetitive.

There are a series of macro-economic shocks that makes the outlook remain elevated. These include the unprecedented tariffs on US exports, the weak RSA economic growth, the ongoing and unresolved shocks emanating from the Russia-Ukraine conflict and slow pace of the debt reform and restructure in Africa. The Bank's financial asset risk exposures remain 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 experience drawn from the economic and financial impact of the emerging risks 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.

Significant judgements and estimates impacted by macro-economic shock events

An overview of the areas where additional judgement has been applied 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 34 and 42. 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 aligned to the existing credit risk management policy.

(ii) Global sovereign debt relief initiatives

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

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

In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 1.2.1.5 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.

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 the 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 an impact at a global level and this remains difficult to predict the full extent of either a likely outcome or the probable impact of the resolution of 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 not solely principal and interest on the principal amounts outstanding
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 on the principal amounts outstanding
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 amounts outstanding
Derivative assets held for risk management purposes	Derivative asset held for risk management purposes	Fair value through profit or loss	Cashflows that are not solely payment of principal and interest on the principal amounts outstanding

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.

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 is 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
Repurchase agreements at amortised cost	Forms part of the asset- liability management purpose	Held at amortised cost

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 and interest rate swaps. 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.

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-month 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 the 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.

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.5 Impairment of financial instruments (continued)

Backstop measure

IFRS 9 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 (except for POCI):** 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 corresponding amount is recognised in the statement of financial position.

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.

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 loan commitments would be assessed for impairment quarterly based on the total value of the facility that has been made available to the 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.

Where there has been a significant increase in the credit risk of that specified counterparty the impairment amount 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.

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;
- **Loan commitments:** The Bank does identify the ECL on the loan commitment component separately from those on the drawn component.

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 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 agreements 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 for portfolio hedges of interest rate risk by using the exemption to continue with IAS 39 hedge accounting rules for these portfolios hedges.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank assesses whether the following effectiveness requirements are met:
- There is an economic relationship between the hedged item and the hedging instrument. Therefore, there must be an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction because of the common underlying or hedged risk. The Bank enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item;
- The effect of credit risk does not dominate the value changes that result from that economic relationship;

1. STATEMENT OF COMPLIANCE (continued)

1.3 Hedge accounting (continued)

- 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.

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 valuations performed by an independent valuator. 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 accounting 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 and 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 the 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

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.

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.

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 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. STATEMENT OF COMPLIANCE (continued)

1.14 Share capital and reserves (continued)

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 valuations performed by an independent valuator. These revaluations are made every two (2) years 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 45 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 costs and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income 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.

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 overseeing the construction of 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. STATEMENT OF COMPLIANCE (continued)

1.17 Revenue recognition (continued)

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 tarrifs and geo-politics, applicable as from the year under review).

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.

1. STATEMENT OF COMPLIANCE (continued)

1.19 Determination of fair values (continued)

1.19.4 Equity investments (continued)

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 Contingencies 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.

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. STATEMENT OF COMPLIANCE (continued)

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 it'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 it's segment report with the reporting standards (IFRS) are 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

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 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.

1.1.2 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.

1.1.3 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.

1.1.4 IFRS 7 Financial Instrument disclosures – Amendments to the Classification and Measurement of Financial Instruments (Effective for annual periods beginning on or after 1 January 2026)

The amendment to IFRS 7 introduces additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example features tied to ESG-lined targets.

1.1.5 IFRS 7 Financial Instrument disclosures – Annual improvements to IFRS Accounting standards volume 11 (Effective for annual periods beginning on or after 1 January 2026)

Narrow scope amendment to delete an obsolete reference that remained in IFRS 7 following the publication of IFRS 13 Fair Value Measurement and to make the wording of the requirements of IFRS 7 relating to disclosure of a gain or loss on derecognition consistent with the wording and concepts in IFRS 13.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1. NEW STANDARDS AND INTERPRETATIONS (continued)

1.1.6 IFRS 9 Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments (Effective for annual periods beginning on or after 1 January 2026)

Narrow scope amendment to address diversity in accounting practice by making the classification and measurement requirements of IFRS 9 more understandable and consistent by:

- Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features; and
- Clarifying the date on which a financial asset or financial liability is derecognised when a liability is settled through an electronic payment systems. These amendments also introduce an accounting policy option to allow a company to derecognise a financial liability before it delivers cash on the settlement date if the specified criteria are met.

1.1.7 IFRS 9 Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments (Effective for annual periods beginning on or after 1 January 2026)

Narrow scope amendment to address diversity in accounting practice by making the classification and measurement requirements of IFRS 9 more understandable and consistent by:

- Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features; and
- Clarifying the date on which a financial asset or financial liability is derecognised when a liability is settled through electronic payment systems. These amendments also introduce an accounting policy option to allow a company to derecognise a financial liability before it delivers cash on the settlement date if the specified criteria are met.

1.1.8 IFRS 9 Financial Instrument – Annual improvements to IFRS Accounting standards volume 11 (Effective for annual periods beginning on or after 1 January 2026)

The amendments clarifies that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognise any resulting gain or loss arising from the difference between the carrying amount of the lease liability extinguished or transferred and any consideration paid in profit and loss.

The second amendment removes the inconsistency between the requirements of IFRS 9 and the requirements in IFRS 15 Revenue from contracts with customers in relation to the initial measurement of trade receivables at their transaction price. The amendment clarifies that trade receivables must be measured at the amount determined by applying IFRS 15.

1.1.9 IAS 7 Statement of Cash Flows – Annual Improvements to IFRS Accounting Standards Volume 11 (Effective for annual periods beginning on or after 1 January 2026)

Narrow scope amendment to replace the term “cost method” with “at cost” following the earlier removal of the definition of “cost method” from IFRS Accounting Standards.

1.1.10 IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosures - Contracts Referencing Nature-dependent Electricity (Effective for annual periods beginning on or after 1 January 2026)

Contracts Referencing Nature-dependent Electricity Contracts Referencing Nature-dependent Electricity amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to more faithfully reflect the effects of contracts referencing nature-dependent electricity on an entity’s financial statements.

1.2 Amended standards effective for the current financial year

1.2.1 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.

1.2.2 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.

1.2.3 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.

1.2.4 IAS 1 Presentation of financial statements - classification of liabilities with covenants as current or non current

The amendments to IAS 1, effective on 1 January 2024, clarify the criteria for classifying liabilities with covenants as current or non-current. The amendments will also require companies to provide additional information to stakeholders. The changes introduced by the amendments require companies to consider the potential impact for their loan arrangements and the presentation of their financial statements.

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 at least on 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.

2. SEGMENTAL INFORMATION (continued)

	RSA Municipalities		RSA Economic and Social		Rest of Africa		Infrastructure Delivery		Treasury and Balance Sheet Management		*All other		Total	
in thousands of rands	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Interest income calculated using EIR	3 777 046	3 955 700	5 208 807	4 712 434	3 346 561	3 322 851	-	-	915 131	782 790	-	-	13 247 545	12 773 775
Other interest income	1 649	-	33 663	92 386	344	43 501	-	-	165 538	42 987	-	-	201 194	178 874
Total interest income	**3 778 695**	**3 955 700**	**5 242 470**	**4 804 820**	**3 346 905**	**3 366 352**	**-**	**-**	**1 080 669**	**825 777**	**-**	**-**	**13 448 739**	**12 952 649**
Interest expense calculated using EIR	(1 562 877)	(1 847 058)	(1 981 217)	(2 053 450)	(1 019 879)	(883 819)	-	-	(504 058)	(454 117)	(871)	(1 259)	(5 068 902)	(5 239 703)
Net interest income/(loss)	**2 215 818**	**2 108 642**	**3 261 253**	**2 751 370**	**2 327 026**	**2 482 533**	**-**	**-**	**576 611**	**371 660**	**(871)**	**(1 259)**	**8 379 837**	**7 712 946**
Net fee income/(loss)	290	936	78 651	85 538	75 744	74 541	224 244	216 074	(48 228)	(34 729)	25 989	33 659	356 690	376 019
Dividends [1]	-	-	740	54 138	10 219	-	-	-	-	-	-	-	10 959	54 138
Other operating income [1]	3	10	10 363	7 583	(8 219)	2 078	18 761	7 558	8	12	7 240	14 759	28 156	32 000
Other income/(loss)	**293**	**946**	**89 754**	**147 259**	**77 744**	**76 619**	**243 005**	**223 632**	**(48 220)**	**(34 717)**	**33 229**	**48 418**	**395 805**	**462 157**
Operating income	**2 216 111**	**2 109 588**	**3 351 007**	**2 898 629**	**2 404 770**	**2 559 152**	**243 005**	**223 632**	**528 391**	**336 943**	**32 358**	**47 159**	**8 775 642**	**8 175 103**
Other operating expenses [2]	(334 565)	(347 469)	(454 805)	(399 548)	(370 584)	(315 202)	(281 944)	(271 433)	(10 087)	(23 793)	(120 150)	(89 083)	(1 572 135)	(1 446 528)
Depreciation and amortisation	(12 067)	(12 812)	(16 845)	(16 018)	(12 788)	(12 634)	(951)	(969)	(98)	(138)	-	-	(42 749)	(42 571)
Impairments	354 838	87 339	(880 530)	(1 064 318)	(964 720)	(416 415)	-	-	-	-	(10 364)	(34 917)	(1 500 776)	(1 428 311)
Development expenditure [3]	(69 128)	(74 668)	-	-	-	-	-	-	(6 707)	-	(185 866)	(118 988)	(261 701)	(193 656)
Project preparation	-	-	-	-	-	-	-	-	-	-	(15 092)	(8 922)	(15 092)	(8 922)
Revaluation of development loans [4]	-	-	-	-	(1 726)	(55 984)	-	-	-	-	-	-	(1 726)	(55 984)
Revaluation of equity investments [4]	-	-	(218 269)	(111 490)	2 819	(352 856)	-	-	-	-	-	-	(215 450)	(464 346)
Grants	-	-	(1 133)	-	-	-	-	-	-	-	(39 396)	(25 628)	(40 529)	(25 628)
Sustainable earnings [5]	**2 155 189**	**1 761 978**	**1 779 425**	**1 307 255**	**1 057 771**	**1 406 061**	**(39 890)**	**(48 770)**	**511 499**	**313 012**	**(338 510)**	**(230 379)**	**5 125 484**	**4 509 157**
Net foreign exchange gain [6]	-	-	-	-	-	-	-	-	(55 477)	128 498	-	-	(55 477)	128 498
Net (loss)/gain from financial assets and liabilities [4]	-	-	-	-	-	-	-	-	247 874	14 063	1 036	(2 919)	248 910	11 144
Profit/ (loss) for the year	**2 155 189**	**1 761 978**	**1 779 425**	**1 307 255**	**1 057 771**	**1 406 061**	**(39 890)**	**(48 770)**	**703 896**	**455 573**	**(337 474)**	**(233 298)**	**5 318 917**	**4 648 799**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42 350**	**50 478**	**42 350**	**50 478**
Development loans	33 054 249	33 851 346	39 699 078	40 705 987	25 389 470	24 772 361	-	-	-	-	-	-	98 142 797	99 329 694
Development bonds	1 542 364	2 065 754	-	-	-	-	-	-	-	-	-	-	1 542 364	2 065 754
Equity investments	-	-	2 662 562	1 800 412	1 919 038	3 008 371	-	-	-	-	-	-	4 581 600	4 808 783
Other assets	407	184 453	599 782	526 380	13 387	21 306	295 709	231 933	15 225 242	10 604 434	590 738	542 138	16 725 265	12 110 644
Total assets	**34 597 020**	**36 101 553**	**42 961 422**	**43 032 779**	**27 321 895**	**27 802 038**	**295 709**	**231 933**	**15 225 242**	**10 604 434**	**590 738**	**542 138**	**120 992 026**	**118 314 875**
Total liabilities [7]	**13 775 085**	**17 434 807**	**20 488 722**	**22 339 503**	**15 017 133**	**16 555 050**	**379 052**	**275 387**	**7 827 024**	**4 493 199**	**5 561 516**	**5 176 283**	**63 048 532**	**66 274 229**

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

1. *Dividends (R10 959) and other operating income (R28 156) make up other income (R39 115) in the statement of comprehensive income.*
2. *Operating expenses (R1 572 135) comprises of personnel expenses (R1 080 755) and general and administration expenses (R491 380).*
3. *Development expenditure relates to lending and non lending support of under resourced municipalities (R123 103) and strategic initiatives (R138 598).*
4. *Revaluation losses have been split between equity investments, development loans and financial instruments for segment reporting purposes. Revaluation loss on equity investments (R215 450), loss on development loans (R1 726) and net gain from financial assets and liabilities (R248 910) make up net gain from financial assets and financial liabilities (R31 734) 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.*

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 2025					
Cash and cash equivalents at amortised cost	5	15 017 755	-	15 017 755	15 017 755
Trade receivables and other assets	6	279 903	-	279 903	279 903
Investment securities*	7	-	608 667	608 667	608 667
Derivative assets held for risk management purposes*	8.1	-	223 981	223 981	223 981
Other financial asset	9	-	38 534	38 534	38 534
Development loans at FVTPL**	10	-	12 877	12 877	12 877
Equity investments held at FVTPL**	11	-	4 581 600	4 581 600	4 581 600
Development bonds at amortised cost	13	1 542 364	-	1 542 364	1 542 006
Development loans at amortised cost	14	98 142 797	-	98 142 797	122 718 768
Total		**114 982 819**	**5 465 659**	**120 448 478**	**145 024 091**

** 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	276 789	331 878	-	608 667
Derivative assets held for risk management purposes	-	223 981	-	223 981
Other financial asset	-	38 534	-	38 534
Development loans at FVTPL	-	-	12 877	12 877
Equity investments held at FVTPL	-	1 247 462	3 334 138	4 581 600
Total financial assets held at FVTPL	**276 789**	**1 841 855**	**3 347 015**	**5 465 659**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	15 017 755	-	15 017 755
Trade receivables and other assets	-	-	279 903	279 903
Development bonds at amortised cost	-	1 542 006	-	1 542 006
Development loans at amortised cost	-	-	122 718 768	122 718 768
Total of financial assets held at amortised cost for which fair values are disclosed	**-**	**16 559 761**	**122 998 671**	**139 558 432**
Total fair value of financial assets	**276 789**	**18 401 616**	**126 345 686**	**145 024 091**

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**

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
31 March 2025					
Trade, other payables and accrued interest on debt funding	17	1 046 286	-	1 046 286	1 046 286
Derivative liabilities held for risk management purposes*	8.2	-	94 578	94 578	94 578
Debt funding held at amortised cost**	20	60 769 422	-	60 769 422	63 522 269
Total		**61 815 708**	**94 578**	**61 910 286**	**64 663 133**

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

*** The accrued interest portion of R851 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 R61.62 billion is made up of accrued interest R851 million plus principal of R60.77 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	94 578	-	94 578
Total financial liabilities held at FVTPL	**-**	**94 578**	**-**	**94 578**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	850 737	195 549	1 046 286
Debt funding held at amortised cost	-	63 522 269	-	63 522 269
Total financial liabilities held at amortised cost for which fair values are disclosed	**-**	**64 373 006**	**195 549**	**64 568 555**
Total fair value of financial liabilities	**-**	**64 467 584**	**195 549**	**64 663 133**

** 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
31 March 2024					
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		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
Total		**64 788 975**	**476 741**	**65 265 716**	**68 266 671**

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

*** The accrued interest portion of R878 million on 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
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	476 741	-	476 741
Total financial liabilities held at FVTPL	**-**	**476 741**	**-**	**476 741**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	877 708	216 920	1 094 628
Repurchase agreements at amortised cost	-	1 199 972	-	1 199 972
Debt funding held at amortised cost	-	65 495 330	-	65 495 330
Total financial liabilities held at amortised cost for which fair values are disclosed	**-**	**67 573 010**	**216 920**	**67 789 930**
Total fair value of financial liabilities	**-**	**68 049 751**	**216 920**	**68 266 671**

** 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	2025	2024
Cash and cash equivalents consist of:		
Call deposits	10 983 128	8 322 088
Cash in bank	4 034 627	2 481 684
Balance at end of the year	**15 017 755**	**10 803 772**

The weighted average interest rate earned on call deposits detailed above was 8.42% (31 March 2024: 8.68%). The Bank's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities is disclosed in note 42. Included in cash and cash equivalents on 31 March 2025 is EUR15 million (31 march 2024: EUR31 million) and USD190 million (31 March 2024: USD33 million).

in thousands of rands	Notes	2025	2024

6. TRADE RECEIVABLES AND OTHER ASSETS

6.1. Analysis of trade receivables and other assets

Financial assets at amortised cost			
Trade receivables		345 889	239 165
Less provision for ECL on trade receivables		(67 014)	(56 648)
Net carrying amount trade receivables		**278 875**	**182 517**
Accrued interest		904	1 079
Deposits		4	4
Staff loans*		120	50
Total financial assets		**279 903**	**183 650**

** Staff loans are for employees and are interest free. The interest that should have been received on staff loans is R13 169 at prime lending rate of 11% (31 March 2024: R5 883 at prime lending rate of 11.75%).*

Non-financial assets			
Payroll expenses receivable		38	20
Prepayments		35 461	51 063
Subsistence and travel		1 561	1 117
VAT		3 209	2 873
Total non-financial assets		**40 269**	**55 073**
Balance at end of the year		**320 172**	**238 723**

6.2 Analysis of current and non-current portion of trade receivables and other assets

Current portion		311 718	227 562
Non-current portion		8 454	11 161
Balance at end of the year		**320 172**	**238 723**

6.3 Reconciliation of provision for ECLs on trade receivables

Balance at beginning of the year		56 648	21 731
Increase in provision for ECL on trade receivables (refer to note 34)		10 366	34 917
Balance at end of the year		**67 014**	**56 648**

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.

Trade receivables	2025 %	2024 %
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).

	Days				
in thousands of rands	> 90	61-90	31-60	1-30	Total
31 March 2025					
Infrastructure Delivery Division trade receivables - Expected loss rate of 0%					
Gross carrying amount	142 660	3 280	12 581	66 945	225 466
Provision for lifetime ECL	-	-	-	-	-
Net carrying amount at end of the year	**142 660**	**3 280**	**12 581**	**66 945**	**225 466**
Other trade receivables - Expected loss rate of 17% and 100%					
Gross carrying amount	53 552	-	28 262	35 642	117 456
Provision for lifetime ECL	(53 180)	-	(4 805)	(6 062)	(64 047)
Net carrying amount at end of the year	**372**	**-**	**23 457**	**29 580**	**53 409**
Ex-employees receivables - Expected loss rate of 100%					
Gross carrying amount	1 936	-	949	82	2 967
Provision for lifetime ECL	(1 936)	-	(949)	(82)	(2 967)
Net carrying amount at end of the year	**-**	**-**	**-**	**-**	**-**
Total net carrying amount at end of the year	**143 032**	**3 280**	**36 038**	**96 525**	**278 875**

	Days				
in thousands of rands	> 90	61-90	31-60	1-30	Total
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**

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 2025				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	166 787	70 445	1 933	239 165
Movements for the year	58 679	47 011	1 034	106 724
Gross carrying amount at end of the year	**225 466**	**117 456**	**2 967**	**345 889**
Reconciliation of provision for ECL				
Balance at the beginning of the year	-	(54 715)	(1 933)	(56 648)
Increase in provision for ECL	-	(9 332)	(1 034)	(10 366)
Provision for ECL at end of the year	**-**	**(64 047)**	**(2 967)**	**(67 014)**
Net carrying amount at end of the year	**225 466**	**53 409**	**-**	**278 875**

	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**

6.7 Trade receivables comprises:

in thousands of rands	2025	2024
Mandates		
City of Johannesburg	143	143
City of Tshwane	1 295	680
Department of Water and Sanitation	1 606	1 186
District Development Model (DDM)	471	457
Department of Basic Education - Sanitation Appropriate for Education (SAFE)	8 017	-
Department of Trade and Industry	695	-
Eastern Cape Department of Education	11 369	1 132
Ekurhuleni Metropolitan Municipality	24 807	20 570
Free State Department of Education	10 108	-
Free State Department of Human Settlements (FSHS)	12	48
Gauteng Department of Agriculture and Rural Development	2 035	2 034
Gauteng Department of Education	8 473	3 408
Gauteng Department of Health	22 505	6 798
Gauteng Growth and Development Agency (GGDA)	-	1 029
Global Environmental Facility (GEF)	-	751
Government Printing works	3 980	-
Green Climate Fund (GCF)	1 573	1 573
Infrastructure Delivery Management System (IDMS)	3 948	3 759
Infrastructure Fund	6 802	5 820
Infrastructure Investment Programme for South Africa (IIPSA)	472	671
KFW HIV/VCT 2 Programme	347	347
KwaZulu-Natal Department of Education	38 539	11 003
Letaba TVET College	1	195
Limpopo Department of Economic Development, Environment and Tourism	332	37
Limpopo Department of Education	16 179	10 807
Limpopo Department of Health	273	2 149
Limpopo Department of Public Works	7 698	7 591
Mpumalanga Department of Education (MPDOE)	-	4 909
National Department of Basic Education for Accelerated Infrastructure Schools Programme	3 596	16 973
National Department of Cooperate Governance (DCOG)	619	443
National Department of Correctional Services	530	793
National Department of Defence	1 662	1 351
National Department of Energy - Independent Power Producer Office	34 055	5 808
National Department of Health	5 547	20 037
National Department of Public Works	20 358	21 591
National Department of Tourism	1 125	4 054
National Department of Trade and Industry	-	6 856
National Treasury Cities Support Programme (NTCSP)	6 902	7 943
National Treasury Project Preparation Fund	3 450	3 450
Non-Sewered Sanitation Programme	169	-
North West Department of Education	3 117	2 263
North West Department of Public Works	1 061	3 476
Northern Cape Provincial Treasury	130	-
Parliament of the Republic of South (PORSA)	11 562	-
South African National Roads Agency Limited	4 394	1 800
Student Housing Infrastructure Programme Management (SHIPMO)	45 006	45 006
Water Partnership Office (WPO)	530	481
Balance at end of the year for mandates	**315 493**	**229 422**
Other programmes and receivables		
Agence Francaise De Development	1 271	-
African World Heritage Fund (AWHF)	1 109	1 192
Asian Infrastructure Investment Bank	243	-
Bank Seta	15	15
Development Bank of Namibia	16	1 030
Former employees	2 967	1 933
Industrial Development Corporation (IDC)	188	-
KFW SADC PPDF	-	1 772
KFW SADC Water Fund	2 501	1 381
Other trade receivables	19 771	2 420
Telecomunicacoes De Mozambique	462	-
The Arab Bank For Economic Development	1 853	-
Balance at end of the year for other programmes and receivables	**30 396**	**9 743**
Balance at end of the year for trade receivables	**345 889**	**239 165**

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

in thousands of rands	2025	2024

7. INVESTMENT SECURITIES

7.1 Investment securities consist of the following:

in thousands of rands	2025	2024
Investment securities mandatorily held at fair value through profit or loss		
Government bonds - listed	276 789	-
Investment in segregated funds	331 878	304 966
Municipal bonds - listed	-	188 209
Balance at end of the year	**608 667**	**493 175**

7.2 Investment securities reconciliation

in thousands of rands	2025	2024
Balance at beginning of the year	493 175	359 881
Additions	300 000	250 000
Fair value movements	22 693	13 294
Maturities	(181 000)	(130 000)
Premium and discounts	(26 201)	-
Balance at end of the year	**608 667**	**493 175**

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 R3.3 million (31 March 2024: R7.4 million).

7.3 Analysis of current and non-current potion of investment securities

in thousands of rands	2025	2024
Current portion	3 250	188 209
Non-current portion	605 417	304 966
Balance at end of the year	**608 667**	**493 175**

8. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES

8.1. Derivative assets held for risk management purposes

in thousands of rands	2025	2024
Risk type:		
Interest rate derivatives	223 981	9 545
Balance at end of the year	**223 981**	**9 545**

Included in derivative assets is a credit valuation adjustment (CVA) of R39 million (31 March 2024: R Nil million).

8.2. Derivative liabilities held for risk management purposes

in thousands of rands	2025	2024
Risk type:		
Interest rate derivatives	(61 255)	(476 741)
Foreign exchange derivatives	(33 323)	-
Balance at end of the year	**(94 578)**	**(476 741)**

Included in derivative liabilities is a debit valuation adjustment (DVA) of R Nil million (31 March 2024: R112 million).

in thousands of rands	2025	2024

8.3. Net derivatives held for risk management

in thousands of rands	2025	2024
Derivatives designated as cash flow hedges	162 726	(467 196)
Derivatives held for risk management not designated hedges - economic hedges	(33 323)	-
Net derivatives at end of the year	**129 403**	**(467 196)**

Derivatives designated as cash flow hedges

This category consists of 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.

Derivatives held for risk management not designated hedges - economic hedges

This category consists of foreign exchange contracts, 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 risk.

8.4 Hedge accounting

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
31 March 2025					
Cash flow hedges					
Interest rate risk					
Interest rate swaps	19 750 272	223 981	(61 255)	-	Derivative financial instruments

	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
in thousands of rands	Assets	Liabilities	Assets	Liabilities			
31 March 2025							
Cash flow hedges							
Interest rate risk							
Interest rate swaps	-	-	-	-	-	(43 810)	Development loans
Total	**-**	**-**	**-**	**-**	**-**	**(43 810)**	

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
31 March 2025					
Cash flow hedges					
Interest rate swaps	239 805	-	Net gain/(loss) from financial assets and financial liabilities	391 494	Net gain/(loss) from financial assets and financial liabilities
Total	**239 805**	**-**		**391 494**	

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

in thousands of rands	Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Line item in the financial statements
31 March 2024					
Cash flow hedges					
Interest rate risk					
Interest rate swaps	20 356 657	9 545	(476 741)	(304 816)	Derivative financial instruments

in thousands of rands	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item: Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item: Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Line item in the financial statements
31 March 2024							
Cash flow hedges							
Interest rate risk							
Interest rate swaps	-	-	-	-	302 328	587 489	Development loans
Total	**-**	**-**	**-**	**-**	**302 328**	**587 489**	

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
31 March 2024					
Cash flow hedges					
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
Total	**(555 835)**	**(2 487)**		**318 432**	

9. OTHER FINANCIAL ASSET

in thousands of rands	2025	2024
Market value of investments	**38 534**	**37 534**

This asset represents the fair value of the Medipref investment held with Sanlam.

in thousands of rands	2025	2024
Reconciliation of Medipref investment		
Balance at beginning of the year	37 534	40 452
Contributions paid	(4 790)	(4 563)
Expenses	(415)	(560)
Income	4 653	3 071
Increase/(decrease) in market value	1 552	(866)
Balance at end of the year	**38 534**	**37 534**
Analysis of current and non-current portion of other financial asset		
Non-current portion	**38 534**	**37 534**

in thousands of rands	2025	2024

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	189 214	160 754
Movements for the year (refer to note 10.1.1)	(6 182)	28 459
Gross development loans at FVTPL	**183 032**	**189 213**
Fair value movements (refer to note 10.1.2)	(170 155)	(168 429)
Balance at end of the year	**12 877**	**20 784**

10.1.1 Movements during the year

Interest accrued (refer to note 26)	344	43 501
Foreign exchange adjustments	(6 526)	(15 042)
Movements for the year	**(6 182)**	**28 459**

10.1.2 Fair value adjustments

Balance at beginning of the year	(168 429)	(112 445)
Current year fair value adjustments (refer to note 30)	(1 726)	(55 984)
Balance at end of the year	**(170 155)**	**(168 429)**

10.2 Maturity analysis of development loans at FVTPL

Due after 3 (three) months but within (12) twelve months	**183 032**	**189 213**

10.3 Sectorial analysis of development loans at FVTPL

Energy - electricity	**183 032**	**189 213**

10.4 Geographical analysis of development loans at FVTPL

Sierra Leone	**183 032**	**189 213**
US Dollar amount included in development loans held at FVTPL	**10 000**	**10 000**

10.5 Client classification of development loans at FVTPL

Private sector intermediaries	**183 032**	**189 213**

10.6 Fixed and variable interest rate loans of development loans at FVTPL

Fixed	**183 032**	**189 213**

10.7 Analysis of current and non-current portion of development loans held at FVTPL

Current portion	**183 032**	**189 213**

in thousands of rands	2025	2024

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

Equity investments held at FVTPL	**4 581 600**	**4 808 783**

11.1 Analysis of equity investments held at FVTPL

Cost		
Balance at beginning of the year	3 029 434	3 102 734
Acquisitions	166 324	24 165
Non cash acquisitions	960 317	-
Non cash disposals	(960 317)	-
Capital return	(44 092)	(97 465)
Balance at end of the year	**3 151 666**	**3 029 434**
Fair value adjustment		
Balance at beginning of the year	(401 268)	63 078
Current year fair value adjustment (refer to note 30)	(215 450)	(464 346)
Balance at the end of the year	**(616 718)**	**(401 268)**
Foreign exchange adjustments		
Balance at beginning of the year	2 180 617	1 983 238
Realised gain (refer to note 29)	575 052	151 603
Unrealised (loss)/gain (refer to note 29)	(709 017)	45 776
Balance at the end of the year	**2 046 652**	**2 180 617**
Fair value at the end of the year	**4 581 600**	**4 808 783**

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

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 to allow for an orderly exit that maximises value.

in thousands of rands	2025	2024

11. EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

11.2 Period since initial investment

Less than 1 (one) year	949 670	10 433
1 (one) year but within 4 (four) years	10 962	83 574
4 (four) years but within 9 (nine) years	85 370	283 345
10 (ten) years and older	3 535 598	4 431 431
Balance at end of the year	**4 581 600**	**4 808 783**

11.3 Sectoral analysis of equity investments

Commercial - communication	145 349	166 125
Commercial - construction	62 022	57 932
Commercial - fund	1 708 730	2 106 753
Institutional infrastructure	1 390 621	1 350 715
Residential facilities	1 274 878	1 127 258
Balance at end of the year	**4 581 600**	**4 808 783**

11.4 Geographical analysis of equity investments

International (the rest of the Africa excluding South Africa)	2 222 566	3 438 681
South Africa	2 359 034	1 370 102
Balance at end of the year	**4 581 600**	**4 808 783**

11.5 US Dollar and Euro amounts included in the above Africa and International equity investments

US Dollar amount included	**68 155**	**126 488**
Euro amount included	**35 928**	**35 624**

11.6 Equity investments comprises of:

Direct (In house managed funds)	2 293 736	1 436 388
Indirect funds (Third party managed infrastructure funds)	2 287 864	3 372 395
Balance at end of the year	**4 581 600**	**4 808 783**

11.7 Analysis of current and non-current portion of equity investments

Current portion	299 470	-
Non-current portion	4 282 130	4 808 783
Balance at end of the year	**4 581 600**	**4 808 783**

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 2025					
Fair value disclosures					
Assets held at FVTPL					
Investment securities	3	276 789	331 878	-	608 667
Derivative assets held for risk management purposes	3	-	223 981	-	223 981
Other financial asset	3	-	38 534	-	38 534
Development loans at FVTPL	3	-	-	12 877	12 877
Equity investments held at FVTPL*	3	-	1 247 462	3 334 138	4 581 600
Land and buildings	15	-	-	376 000	376 000
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	15 017 755	-	15 017 755
Trade receivables and other assets	3	-	-	279 903	279 903
Development bonds	3	-	1 542 006	-	1 542 006
Development loans	3	-	-	122 718 768	122 718 768
Total assets		**276 789**	**18 401 616**	**126 721 686**	**145 400 091**

** Exchange rate movements are a significant driver of the fair value of equity instruments categorised as Level 2. The fair value of R1.2 billion (31 March 2024: R2.4 billion) includes foreign currency translation impact of R315 million (31 March 2024: R2.2 billion) which is driven by observable currency exchange rates.*

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
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	4	-	94 578	-	94 578
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	850 737	195 549	1 046 286
Repurchase agreements at amortised cost	4	-	-	-	-
Debt funding held at amortised cost	4	-	63 522 269	-	63 522 269
Total financial liabilities		**-**	**64 467 584**	**195 549**	**64 663 133**

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.*

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

12.3 Reconciliation of level 3 financial assets held at FVTPL

12.3.1 Equity investments held at FVTPL

in thousands of rands	2025	2024
Balance at the beginning of year	2 415 445	2 655 087
Aquisition - cash and non cash	1 093 849	-
Decrease in fair value of equity investments (refer to note 30)*	(175 156)	(239 642)
Balance at end of the year	**3 334 138**	**2 415 445**

** The total unrealised gain of R175 million (31 March 2024 loss: R240 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

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

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

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

12.3.2 Development loans held at FVTPL

in thousands of rands	2025	2024
Balance at the beginning of year	20 784	48 309
Decrease in fair value of development loans at FVTPL (refer to note 10.1.2)*	(1 726)	(55 984)
Other movements (refer to note 10.1.1)	(6 182)	28 459
Balance at end of the year	**12 876**	**20 784**

** The total unrealised loss of R2 million (31 March 2024: R56 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:

	2025		2024	
in thousands of rands	Fair value	Hierarchy level	Fair value	Hierarchy level
Financial instruments				
Derivative assets held for risk management purposes (a)	223 981	2	9 545	2
Investment securities (b)	608 667	1 and 2	493 175	2
Equity investments (c)	4 581 600	2 and 3	4 808 783	2 and 3
Other financial asset (d)	38 534	2	37 534	2
Development loans at FVTPL (e)	12 877	3	20 784	3
Total Financial assets	**5 465 659**		**5 369 821**	
Derivative liabilities held for risk management purposes (a)	94 578	2	476 741	2
Total Financial liabilities	**94 578**		**476 741**	

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 level 2 and 3 equity investment remained unchanged and ranged between 12%–15% in 2025 and in the 2024 financial year it was 12%–20%.

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

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

in thousands of rands	2025	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 land and building market/fair value calculation is undertaken on a capitalised/discounted net rental approach. This involves first estimating the gross market monthly rentals for the property if it is fully let at open market rentals.

13. DEVELOPMENT BONDS AT AMORTISED COST

	2025	2024
Municipal bonds	**1 542 364**	**2 065 754**

13.1 Analysis of development bonds

	2025	2024
Balance at the beginning of the year	2 198 900	2 284 485
Movements during the year (refer to note 13.2)	(604 552)	(85 585)
Gross development bonds	**1 594 348**	**2 198 900**
Provision for ECL on development bonds (refer to note 13.3)	(51 984)	(133 146)
Net development bonds at end of the year	**1 542 364**	**2 065 754**

13.2 Movements during the year

	2025	2024
Disbursement	-	-
Repayments	(585 334)	(83 333)
Gross interest repayments	(195 665)	(230 260)
Interest accrued (refer to note 26)	176 447	228 008
Net movements for the year	**(604 552)**	**(85 585)**

13.3 Reconciliation of provision for ECLs on development bonds

	2025	2024
Balance at the beginning of the year	133 146	130 140
(Decrease)/Increase in provision for ECL on development bonds (refer to note 34)	(81 162)	3 006
Balance at end of the year	**51 984**	**133 146**

Development bonds are bullet bonds 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

	2025	2024
Local government	**1 594 348**	**2 198 900**

in thousands of rands	2025	2024

13.5 Regional analysis of gross development bonds

	2025	2024
South Africa	**1 594 348**	**2 198 900**

13.6 Geographical analysis of gross development bonds

	2025	2024
Gauteng	772 743	1 290 855
KwaZulu-Natal	821 605	908 045
Balance at end of the year	**1 594 348**	**2 198 900**

13.7 Sectorial analysis of gross development bonds

	2025	2024
Energy	772 743	1 290 855
Social infrastructure	821 605	908 045
Balance at end of the year	**1 594 348**	**2 198 900**

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 2025				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	908 045	1 290 855	-	2 198 900
Changes in interest accrual	95 863	80 584	-	176 447
Repayments	(182 303)	(598 696)	-	(780 999)
Balance at the end of the year	**821 605**	**772 743**	**-**	**1 594 348**
Reconciliation of provision for ECL				
Balance at the beginning of the year	789	132 357	-	133 146
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EAD)	18	(81 180)	-	(81 162)
Balance at the end of the year	**807**	**51 177**	**-**	**51 984**

The decrease in ECL for the year was due to redemptions and changes in the PDs, EADs and LGDs arising from the use of new macro-economic data.

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
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
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
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.

in thousands of rands	2025	2024
13.9 Expected credit losses		
ECL recognised to the statement of comprehensive income (refer to note 34)	**(81 162)**	**3 006**
13.10 Analysis of current and non-current portion of development bonds		
Current	136 015	657 233
Non-current	1 458 333	1 541 667
Gross development bonds	**1 594 348**	**2 198 900**
Provision for ECL on development bonds	(51 984)	(133 146)
Balance at the end of the year	**1 542 364**	**2 065 754**

14. DEVELOPMENT LOANS AT AMORTISED COST

14.1 Analysis of development loans

in thousands of rands	2025	2024
Balance at the beginning of the year	113 030 083	105 854 034
Movements during the year (refer to note 14.1.1)	20 519	7 176 049
Gross development loans	**113 050 602**	**113 030 083**
Provision for ECL on development loans (refer to note 14.9)	(14 907 805)	(13 700 389)
Net development loans at the end of the year	**98 142 797**	**99 329 694**

in thousands of rands	2025	2024
14.1.1 Movements for the year		
Contractual interest on stage 3	202 439	194 035
Development loans written off (refer to note 14.9)	(525 963)	(1)
Effective interest income on development loans (refer to note 26)	12 155 967	11 762 976
Fees raised	184 376	286 921
Foreign exchange adjustment	(859 596)	1 652 990
Gross loan repayments	(25 250 731)	(23 017 038)
Loans de-recognised due to substantial modification	(470 300)	(2 080 296)
Loans disbursed - current year	16 335 489	16 929 895
Loss on derecognition	(26 104)	(472)
Modification gain/(loss)	1 686	(56 863)
Movement in deferred fee	(18 685)	(86 411)
New loans recognised after substantial modification	470 300	2 080 296
Other administrative adjustments**	(3 902)	(841)
Proceeds from a sale of a financial asset	(2 087 646)	(497 108)
Net movement in financial asset sold to sub-participants*	(76 747)	-
Unrealised day one losses on below market rate loans	(17 774)	-
Amortisation of below market interest rate loans	7 710	7 966
Movements for the year	**20 519**	**7 176 049**

** The net movement considers the sale of financial asset and any repayments due/paid to Sub-participants.*
*** Other administrative related adjustments R0.829 million (Note 14.9 &14.13) and currency related adjustments of R3.1 million (Note 14.11).*

14.2 Maturity analysis of gross development loans

	2025	2024
Long term development loans		
Due within 1 (one) year	22 289 259	19 454 938
Due after 1 (one) year but within 2 (two) years	14 651 793	9 519 522
Due after 2 (two) years but within 3 (three) years	16 871 174	10 029 912
Due after 3 (three) years but within 4 (four) years	13 413 455	13 737 751
Due after 4 (four) years but within 5 (five) years	9 630 105	12 547 290
Due after 5 (five) years but within 9 (nine) years	26 550 730	27 946 631
Due after 9 (nine) years but within 14 (fourteen) years	8 307 434	16 946 671
Due after 14 (fourteen years)	1 262 465	2 760 926
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Due within 1 (one) year	74 187	86 442
Total bridging finance development loans	**74 187**	**86 442**
Total development loans	**113 050 602**	**113 030 083**

in thousands of rands	2025	2024

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.3 Sectoral analysis of gross development loans

	2025	2024
Long term development loans		
Commercial - fund and financial services*	669 166	673 673
Commercial - manufacturing	69 285	73 662
Commercial - other	199 790	264 999
Communication and transport infrastructure	21 783 375	23 567 907
Energy - electricity	51 348 236	46 905 410
Energy - non-grid standalone	1 317 771	1 625 239
Human resources development	4 495 295	2 266 936
Oil and gas	4 368 215	5 164 459
Institutional infrastructure	-	8 515
Residential facilities	1 797 897	2 185 470
Roads and drainage	16 786 875	16 301 123
Sanitation	2 565 868	2 092 753
Social infrastructure	5 445 631	8 390 951
Water	2 129 011	3 422 544
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Human resource development	64 384	70 208
Social Infrastructure	9 803	16 234
Total bridging finance development loans	**74 187**	**86 442**
Total development loans	**113 050 602**	**113 030 083**

** Commercial fund has been expanded to include financial services.*

in thousands of rands	2025	2024

14.4 Geographical analysis of gross development loans

	2025	2024
Long term development loans		
Eastern Cape	699 191	728 894
Free State	1 144 264	1 328 162
Gauteng	51 704 956	55 216 405
KwaZulu-Natal	6 310 818	6 040 552
Limpopo	441 658	780 055
Mpumalanga	314 904	376 206
North West	647 312	687 617
Northern Cape	8 976 321	8 883 777
Western Cape	8 378 940	6 414 144
Rest of Africa	34 358 051	32 487 829
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Gauteng	9 803	8 587
KwaZulu-Natal	39 254	34 703
North West	16 681	24 513
Free State	7 826	15 222
Eastern Cape	623	448
Limpopo	-	2 969
Total bridging finance development loans	**74 187**	**86 442**
Total development loans	**113 050 602**	**113 030 083**

	2025	2024
Rest of Africa		
Angola	6 732 472	7 704 540
Congo	457 485	540 987
Cote d'Ivoire	5 007 707	3 867 404
Democratic Republic of Congo	219 782	192 860
Eswatini	13 173	20 927
Ethiopia	917 874	883 681
Gabon	139 691	47 980
Ghana	3 568 129	4 732 165
Kenya	1 190 635	44 850
Lesotho	-	22 181
Madagascar	472 300	470 888
Mauritius	(70)	(70)
Mozambique	1 397 695	1 210 198
Multi-country	288 758	-
Namibia	51 214	-
Nigeria	564 988	956 236
Senegal	2 220 201	800 162
Tanzania	2 905 875	2 594 289
Uganda	380 408	375 506
Zambia	7 045 628	6 680 743
Zimbabwe	784 106	1 342 302
Total	**34 358 051**	**32 487 829**
Euro amounts included in the above Rest of Africa loans	**503 391**	**364 883**
US Dollar amounts included in the above Rest of Africa loans	**1 329 125**	**1 337 882**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.5 Client classification of gross development loans

in thousands of rands	2025	2024
Long term development loans		
Educational institutions	1 549 007	1 681 651
Local government	33 728 743	34 495 123
National and provincial government	12 461 588	13 569 661
Private sector intermediaries	34 346 321	29 089 139
Public utilities	30 890 756	34 108 067
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Private sector intermediaries	74 187	86 442
Total development loans	**113 050 602**	**113 030 083**

14.6 Fixed and variable interest rate gross development loans

in thousands of rands	2025	2024
Long term development loans		
Fixed interest rate loans	39 191 126	40 734 252
Variable interest rate loans	73 785 289	72 209 389
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Variable*	74 187	86 442
Total development loans	**113 050 602**	**113 030 083**

** Included in variable loans amount are semi-floating bridging loans amounting to R29 million (31 March 2024: R36 million).*

14.7 Credit impaired loans (included in total development loans)

14.7.1 Sectoral analysis of gross credit impaired loans

in thousands of rands	2025	2024
Non-performing loans (stage 3)		
Commercial - manufacturing	69 285	73 662
Commercial - fund and financial services*	288 758	-
Commercial - other	136 093	237 426
Communication and transport infrastructure	2 321 042	2 672 155
Energy	655 995	727 765
Human resources development	52 136	13 628
Residential facilities	-	249 473
Roads and drainage	21 872	70 655
Sanitation	25 492	125 772
Social infrastructure	99 090	211 404
Water	234	113 521
Total non-performing loans	**3 669 997**	**4 495 461**
Purchased or originated credit impaired loans		
Oil and gas	457 485	540 987
Social infrastructure	42 357	45 722
Transport	472 300	-
Water	61 609	60 591
Total purchased or originated credit impaired loans	**1 033 751**	**647 300**
Total credit impaired loans	**4 703 748**	**5 142 761**

** Commercial fund has been expanded to include financial services.*

14.7.2 Geographical analysis of gross credit impaired loans

in thousands of rands	2025	2024
Non-performing loans (stage 3)		
Eastern Cape	623	-
Free State	39 396	45 275
Gauteng	303 855	373 294
KwaZulu-Natal	39 254	9 270
Limpopo	20 363	314 219
Mpumalanga	-	225 508
North West	74 827	74 874
Northern Cape	50 577	80 786
Rest of Africa	3 141 102	3 372 235
Total non-performing loans	**3 669 997**	**4 495 461**
Purchased or originated credit impaired loans		
North West	61 609	60 591
Northern Cape	42 357	45 722
Rest of Africa	929 785	540 987
Total purchased or originated credit impaired loans	**1 033 751**	**647 300**
Total credit impaired loans	**4 703 748**	**5 142 761**

in thousands of rands	2025	2024
Rest of Africa		
Non-performing loans (stage 3)		
Ethiopia	917 874	883 681
Ghana	1 344 521	1 334 509
Madagascar	-	470 888
Mauritius	(70)	(70)
Mozambique	474 290	466 164
Multi-country	288 758	-
Zimbabwe	115 729	217 063
Total non-performing loans (stage 3)	**3 141 102**	**3 372 235**
Purchased or originated credit impaired loans		
Congo	457 485	540 987
Madagascar	472 300	-
Total purchased or originated credit impaired loans	**929 785**	**540 987**
Total credit impaired loans	**4 070 887**	**3 913 222**

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

in thousands of rands	2025	2024
Non-performing loans (stage 3)		
Local government	47 091	309 021
National government	728 099	676 525
Private sector intermediaries	2 351 231	2 974 465
Public utilities	543 576	535 450
Total non-performing loans (stage 3)	**3 669 997**	**4 495 461**
Purchased or originated credit impaired loans		
Local government	103 966	106 313
Private sector intermediaries	929 785	540 987
Total purchased or originated credit impaired loans	**1 033 751**	**647 300**
Total credit impaired loans	**4 703 748**	**5 142 761**

14.8 Client concentration of gross development loans

in thousands of rands	2025	2024
One client as percentage of total loan portfolio (%)	**12.5**	**12.8**
Top seven clients as percentage of total loan portfolio (%)	**47.2**	**50.1**
Top ten clients as percentage of total loan portfolio (%)	**56.3**	**60.4**

14.9 Provision for ECLs on development loans reconciliation

in thousands of rands	2025	2024
Balance at the beginning of the year	13 700 389	12 174 945
Administrative corrections	(829)	(841)
Sale of a financial asset	(16 492)	(2 131)
ECLs (refer to note 34)	1 548 261	1 334 382
Credit impaired (POCI and stage 3)	77 093	226 265
Stage 1 and 2	1 471 168	1 108 117
Impairment of current year interest (refer to note 14.1.1)	202 439	194 035
Loans written off during the year (refer to note 14.1.1)	(525 963)	(1)
Balance at the end of the year	**14 907 805**	**13 700 389**

14.10 Analysis of ECLs (refer to note 14.13)

in thousands of rands	2025	2024
Credit impaired loans		
POCI	264 708	(158 370)
Stage 3	(187 615)	384 635
Stage 1 and 2 loans		
Stage 1	(88 364)	207 273
Stage 2	1 559 532	900 844
Balance at end of the year	**1 548 261**	**1 334 382**

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 2025:

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2025					
Long term development loans					
Balance at the beginning of the year	55 672 456	52 149 700	4 474 185	647 300	112 943 641
Loss on derecognition of financial instrument	(26 104)	-	-	-	(26 104)
Contractual interest on stage 3	-	-	202 439	-	202 439
Proceeds from a sale of a financial asset	(2 087 646)	-	-	-	(2 087 646)
Disbursements	16 322 774	-	-	-	16 322 774
Effective interest on development loans during the year	5 422 072	6 527 452	83 672	-	12 033 196
Amortisation of below market interest rate loans	7 366	344	-	-	7 710
Foreign exchange movements	(408 753)	(300 191)	(110 044)	(40 608)	(859 596)
Interest at credit-adjusted effective interest rate	-	-	-	94 678	94 678
Loans derecognised due to substantial modification	-	-	(470 300)	-	(470 300)
Modification gain/(loss)	8 716	(16 228)	9 198	-	1 686
New loans recognised after substantial modification	-	-	-	470 300	470 300
Unrealised day one losses on below market rate loans	(17 774)	-	-	-	(17 774)
Other movements- fees	125 099	54 281	4 317	-	183 697
Net movement in financial asset sold to sub-participants*	(76 747)	-	-	-	(76 747)
Repayments	(16 260 759)	(8 724 012)	(108 656)	(137 919)	(25 231 346)
Other administrative adjustments	(3 902)	-	-	-	(3 902)
Transfer from stage 1 to stage 2	(4 883 387)	4 883 387	-	-	-
Transfer from stage 2 to stage 1	638 008	(638 008)	-	-	-
Transfer from stage 3 to stage 2	-	255 951	(255 951)	-	-
Transfer from stage 2 to stage 3	-	(298 167)	298 167	-	-
Write-offs	-	-	(517 864)	-	(517 864)
Gross carrying amount of long term development loans	**54 431 419**	**53 894 509**	**3 609 163**	**1 033 751**	**112 968 842**
Bridging finance development loans					
Balance at the beginning of the year	57 590	7 576	21 276	-	86 442
Transfer from stage 2 to stage 1	20 155	(20 155)	-	-	-
Transfer from stage 1 to stage 3	(31 500)	-	31 500	-	-
Transfer from stage 2 to stage 3	-	(7 575)	7 575	-	-
Fees	403	-	276	-	679
Disbursements	7 706	-	5 009	-	12 715
Interest	857	2 092	6 459	-	9 408
Repayments	(16 223)	-	(3 162)	-	(19 385)
Write-offs	-	-	(8 099)	-	(8 099)
Gross carrying amount of bridging finance development loans	**38 988**	**(18 062)**	**60 834**	**-**	**81 760**
Total gross carrying amount	**54 470 407**	**53 876 447**	**3 669 997**	**1 033 751**	**113 050 602**
Less provisions for ECL	(1 001 405)	(10 816 427)	(2 466 370)	(623 603)	(14 907 805)
Balance at the end of the year	**53 469 002**	**43 060 020**	**1 203 627**	**410 148**	**98 142 797**

** The Net movement considers the sale of asset and any repayments due/paid to Sub-participants.*

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 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
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**

14.12 Maximum exposure to loss

in thousands of rands	2025	2024
The net carrying amount of development loans receivables and maximum credit exposure to loss is as follows:		
Development loans receivable net of ECLs		
Stage 1 gross loans	54 470 407	55 730 046
Stage 2 gross loans	53 876 447	52 157 276
Stage 3 gross loans	3 669 997	4 495 461
POCI gross loans	1 033 751	647 300
Provision for ECLs	(14 907 805)	(13 700 389)
Development loans receivable net of ECLs	**98 142 797**	**99 329 694**

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 2025:

in thousands of rands	Stage 1 – 12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	POCI	Total
Long term development loans					
Balance at the beginning of the year	1 107 090	9 256 895	2 977 509	358 895	13 700 389
Disbursements	701 856	-	4 714	-	706 570
Foreign exchange movements	(12 340)	(163 910)	(65 551)	(9 856)	(251 657)
Sale of a financial asset***	(16 492)	-	-	-	(16 492)
Other administrative adjustments	(829)	-	-	-	(829)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	(19 264)	706 383	(116 324)	(8 816)	561 979
Suspended interest	-	-	202 439	-	202 439
Transfer from stage 1 to stage 2	(759 093)	1 263 469	-	-	504 376
Transfer from stage 2 to stage 3	-	(252 582)	252 582	-	-
Transfer from stage 2 to stage 1	1 184	(5 146)	-	-	(3 962)
Transfer from stage 3 to stage 2	-	11 318	(11 318)	-	-
Transfer from stage 1 to stage 3	(707)	-	31 662	-	30 955
Transfer from stage 3 to POCI	-	-	(283 380)	283 380	-
Write-offs**	-	-	(525 963)	-	(525 963)
Balance at end of the year	**1 001 405**	**10 816 427**	**2 466 370**	**623 603**	**14 907 805**
ECL allowance recognised to income statement	**(88 364)**	**1 559 532**	**(187 615)**	**264 708**	**1 548 261**

** 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 average probability of default increased during the year under review. The global economic growth has remained fairly resilient, inflationary pressures eased and central banks lowered the policy rates. Geopolitical tensions, including trade disputes, and trade fragmentation, regional conflicts and geoeconomic fragmentation, continue to pose a risk to global economic stability and GDP. The trade dispute and reciprocal tariffs have changed global trade dynamics, increased tensions, increased costs of doing business and disrupted market access and international supply chain systems. Tariffs can lead to higher prices, which would narrow profit margins if not passed through to be borne by consumers and can cause sustained significant volatility in the FX market as well as affect investment decisions and cash flows generated by businesses.*

Within the African region, climate risks, currency volatility and regional conflicts remain a concern. The debt vulnerabilities remain elevated as more resources are channeled towards debt service rather than investment in social and human capital development. The slow pace of debt reform remains an issue and the Bank has a significant exposure which is subjected to the G20 Common Framework debt relief. 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 continue to face 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 and logistical constraints. The logistical sector remains constrained although reforms are underway. 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.

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.13 Reconciliation of ECLs of development loans (continued)

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 and Senegal experienced a significant increase in credit risk. 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 R3.6 billion (31 March 2024: R2.8 billion) judgemental credit adjustment on the total development loan portfolio i.e. overlay or post model adjustment. The increase in the overlay from prior year amounted to about approximately R753 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 R525 million (31 March 2024: R0.8 million). The total contractual amount outstanding on development loans with write-offs during the period and are still subject to enforcement activity is R521 million (31 March 2024: R Nil million). The write-offs had no material impact on net profit for the Bank because these loans had been fully provided for in terms of ECL allowances. All amounts written off comprised Stage 3 or non-performing development loans which were subject to lifetime ECL allowances. The measurement of ECL, net amortised cost and 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 cashflows at initial recognition of purchased or originated credit impaired assets at original recognition was R470 million (31 March 2024: R45 million).

**** During the current year the Bank sold financial assets (both outright sales and sales by sub participation) of approximately R2.1 billion (31 March 2024: R497 million), the proceeds of the sale are reflected in the gross loan repayments in the cash flow statement and separately in note 14.1.1.*

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 – 12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	POCI	Total
Long term development loans					
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)
Balance at end of the year	**1 107 090**	**9 256 895**	**2 977 509**	**358 895**	**13 700 389**
ECL allowance recognised to income statement	**207 273**	**900 844**	**384 635**	**(158 370)**	**1 334 382**

in thousands of rands	2025	2024
Expected credit losses		
ECL charged to the statement of comprehensive income (refer to note 34)	**1 548 261**	**1 334 382**

in thousands of rands	2025	2024

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

Long term development loans		
Current	22 289 259	19 454 938
Non-current	90 687 156	93 488 703
Total long term development loans	**112 976 415**	**112 943 641**
Bridging finance development loans		
Current	74 187	86 442
Total bridging finance development loans	**74 187**	**86 442**
Gross loan book	**113 050 602**	**113 030 083**
Provision for ECLs	(14 907 805)	(13 700 389)
Amortised cost	**98 142 797**	**99 329 694**

14.15 Modification of financial assets measured at amortised cost:

Gross loan book

in thousands of rands	Stage 1		Stage 2		Stage 3		
	Amortised cost before modification	Net modification gain/ (loss)	Amortised cost before modification*	Net modification gain/(loss)	Amortised cost before modification	Net modification gain/(loss)	Total net Modification gain/(loss
31 March 2025							
Development loans	392 653	8 716	5 665 413	(16 228)	607 223	9 198	1 686

** 2025 includes loans that were modified twice during the financial year.*

in thousands of rands	Stage 1 amortised cost before modification	Stage 1 net modification gain/(loss)	Stage 2 amortised cost before modification	Stage 2 net modification gain/(loss)	Stage 3 amortised cost before modification	Stage 3 net modification gain/(loss)	Total net Modification gain/(loss
31 March 2024							
Development loans	362 884	(20 855)	6 339 036	(36 008)	-	-	(56 863)

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

15. PROPERTY, EQUIPMENT AND RIGHT OF USE OF ASSETS

15.1 Balances as at 31 March 2025 and 31 March 2024

in thousands of rands	2025			2024		
Asset	Cost / Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	92 300	-	92 300	92 300	-	92 300
Buildings	348 743	(65 043)	283 700	347 881	(59 481)	288 400
Furniture and fittings	19 697	(15 910)	3 787	19 104	(15 468)	3 636
Motor vehicles	4 888	(2 016)	2 872	4 888	(1 848)	3 040
Office equipment	63 502	(29 412)	34 090	59 704	(23 880)	35 824
Computer equipment	120 653	(96 309)	24 344	106 640	(88 290)	18 350
Leasehold improvements	770	(770)	-	770	(770)	-
Lease equipment	10 503	(9 379)	1 124	10 503	(7 452)	3 051
Leasehold property	15 229	(10 768)	4 461	15 229	(7 577)	7 652
Plant*	3 807	-	3 807	3 807	-	3 807
Total	**680 092**	**(229 607)**	**450 485**	**660 826**	**(204 766)**	**456 060**

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

15.2 Reconciliation of property, equipment and right of use of assets as at 31 March 2025

in thousands of rands	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land	92 300	-	-	-	-	92 300
Buildings	288 400	780	-	82	(5 562)	283 700
Computer equipment	18 350	16 762	-	-	(10 768)	24 344
Furniture and fittings	3 636	593	-	-	(442)	3 787
Lease equipment	3 051	-	-	-	(1 927)	1 124
Leasehold property	7 652	-	-	-	(3 191)	4 461
Motor vehicles	3 040	-	-	-	(168)	2 872
Office equipment	35 824	3 820	(9)	-	(5 545)	34 090
Plant	3 807	-	-	-	-	3 807
Total	**456 060**	**21 955**	**(9)**	**82**	**(27 603)**	**450 485**

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

in thousands of rands	Opening balance	Additions	Disposals	Depreciation	Closing 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
Total	**441 149**	**40 515**	**(20)**	**(25 584)**	**456 060**

** 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. The plant was fair valued to R7.5 million on 31 March 2024.*

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 2025 to R92.3 million. For 2023/24 financial year, revaluations were not performed.

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 R 0.8 million (31 March 2024: R4.3 million) on the buildings in the current financial year. The buildings were fair valued by an independent valuator on 31 March 2025 to R283.7 million. For 2023/24 financial year, revaluations were not performed.

The historical carrying value of the existing buildings is R243 million (31 March 2024: R248 million).

15.6 Collateral and restrictions

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

16. INTANGIBLE ASSETS

16.1 Balances as at 31 March 2025 and 31 March 2024

	2025			2024		
in thousands of rands	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	257 541	(204 747)	52 794	240 652	(189 601)	51 051

16.2 Reconciliation of intangible assets as at 31 March 2025

in thousands of rands	Opening balance	Additions	Amortisation	Closing balance
Computer software	51 051	16 889	(15 146)	52 794

16.3 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

16.4 Restrictions and collateral

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

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

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

in thousands of rands	2025	2024
Financial liabilities at amortised cost		
Accrued interest (financial market liabilities - amortised cost)	850 737	877 708
Accrued interest - repurchase agreements	-	1 376
Interest received in advance	828	982
Current portion of lease liabilities	3 378	5 707
Trade payables	191 343	208 855
Balance at end of the year	**1 046 286**	**1 094 628**
Non-financial liabilities		
Bonus provision	222 900	202 626
PAYE, VAT and Compensation Commissioner	11 540	11 860
Balance at end of the year	**234 440**	**214 486**
Trade, other payables and accrued interest on debt funding	**1 280 726**	**1 309 114**

in thousands of rands	2025	2024

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

17.2 Trade payables comprises of:
Agencies and mandates

Department of Co-operate Governance	1 226	-
North West Department of Public Works	7 810	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	**9 858**	**6 734**
Trade payables - other		
Accounts payable	39 085	66 051
Accruals	142 395	136 053
Payroll	5	17
Balance at end of the year	**181 485**	**202 121**
Total trade payables	**191 343**	**208 855**

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

Current portion	**1 280 726**	**1 309 114**

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
31 March 2025				
Bonus provision	202 626	(201 947)	222 221	222 900
31 March 2024				
Bonus provision	185 922	(185 922)	202 626	202 626

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 Balance	Transferred/utilised/ reversed during the year	Closing balance
31 March 2025			
Provision for ECLs on loan commitments	36 086	24 997	61 083
Strategic initiatives - Flood relief	125 335	(35 376)	89 959
Total	**161 421**	**(10 379)**	**151 042**
31 March 2024			
Provision for ECLs on loan commitments	36 943	(857)	36 086
Strategic initiatives - Flood relief	128 370	(3 035)	125 335
Total	**165 313**	**(3 892)**	**161 421**

Provision for ECLs on loan commitments

The provision for development loans commitments represents the expected credit losses on loan commitments. The expected credit loss is the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. To the extent that the amount of the expected credit losses on loan commitment exceeds the gross carrying amount of the associated financial asset recognised in the statement of financial position, the amount of the credit losses is presented as a provision.

Flood relief provision

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

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 balance	Additions	Interest accrued	Repayments	Current portion	Total non-current portion
31 March 2025						
Leases	11 834	-	829	(6 152)	(3 378)	3 133
31 March 2024						
Leases	12 703	3 992	1 259	(6 120)	(5 707)	6 127

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	2025	2024
Provisions	151 042	161 421
Lease liabilities	3 133	6 127
Total provisions and lease liabilities	**154 175**	**167 548**

in thousands of rands	2025	2024

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 2024: 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 2025.

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	2 707	2 646
Increase in liability	245	61
Balance at the end of the year	**2 952**	**2 707**

Loss in change in economic assumptions of R0.095 million (31 March 2024: Gain of R0.072 million), gain in demographic assumptions of R0.177 million (31 March 2024: Gain of R0.176 million).

19.2 Liability for post-employment medical benefits

19.2.1 Unfunded defined benefit plan

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 dependents. 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.

19.2.2 Present value obligation

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	45 277	42 121
Interest cost	4 811	4 568
Current service cost (includes interest to year-end)	13	68
Benefits paid	(5 107)	(4 523)
Actuarial (gain)/loss for the year	(762)	3 043
Balance at the end of the year	**44 232**	**45 277**

Gain for the year were due to changes in experience adjustments of R0.108 million (31 March 2024: Loss of R3.050 million) and gain in financial assumptions of R0.654 million (31 March 2024:Gain of R0.007 million).

The duration of the liability as at 31 March 2025 is 7.9 years (31 March 2024: 8.30 years). The forecasted expected contributions to the plan for the next reporting period 31 March 2025 is R5.2 million (31 March 2024: R5.1 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.

in thousands of rands	2025	2024

19.2.3 Total funeral and post-retirement medical benefits

Liability for funeral benefits	2 952	2 707
Liability for post-employment medical benefits	44 232	45 277
Balance at the end of the year	**47 184**	**47 984**

19.2.4 Analysis of current and non-current portion of funeral and post-employment medical benefits liabilities

Current portion	5 643	5 232
Non-current portion	41 541	42 752
Balance at the end of the year	**47 184**	**47 984**

19.2.5 The amount recognised as an expense in the statement of comprehensive income in respect of the defined benefit plan

Personnel expenses		
Interest cost	4 811	4 568
Current service cost	13	68
Total charge for the year (included in personnel expenses in the statement of comprehensive income - refer note 35)	**4 824**	**4 636**
Gain and losses		
Actuarial (gain)/loss for the year	**(762)**	**3 043**

19.2.6 Principal assumption in determining the post-employment medical benefit

The principal assumptions in determining the post-employment medical benefits obligation are as follows:

Discount rate (before taxation (%))	**10.5**	**11.3**
Medical aid inflation rate (%)	**6.3**	**7.3**

19.2.7 Sensitivity analysis

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
Sensitivity results from current valuations			
Medical aid inflation rate (%)	**6.3**	**(1)**	**1**
Accrued liability 31 March 2025 (R'000)	44 232	41 321	47 555
% change	-	(6.6)	7.5
Current service cost + interest cost 2025/26 (R'000)	4 351	4 045	4 699
% change	-	(7.0)	8.0
Sensitivity results from previous valuation			
Medical aid inflation rate (%)	**7.3**	**(1)**	**1**
Current service cost + interest cost 2024/25 (R'000)	4 824	4 475	5 225
% change	-	(7.2)	8.3

in thousands of rands	2025	2024

19. LIABILITY FOR FUNERAL AND POST-EMPLOYMENT MEDICAL BENEFITS (continued)

19.2 Liability for post-employment medical benefits (continued)

19.2.8 The obligation for the three years prior to 31 March 2024 is as follows:

31 March 2023	42 121
31 March 2022	45 878
31 March 2021	45 445

19.3 Defined contribution plan

	2025	2024
The total amount expensed during the period (including group life assurance and income continuity benefits)	**93 629**	**96 380**

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 2025 was 631 (31 March 2024: 643).

20. DEBT FUNDING HELD AT AMORTISED COST

20.1 Analysis of debt funding held at amortised cost

	2025	2024
Debt securities	22 661 643	27 604 409
Lines of credit	38 107 779	34 895 287
Balance per statement of financial position	**60 769 422**	**62 499 696**
Accrued interest (refer to note 17)	850 737	877 708
Balance at end of the year including accrued interest	**61 620 159**	**63 377 404**

20.2 Reconciliation of debt funding held at amortised cost

	2025	2024
Balance at beginning of the year	62 499 696	58 469 380
Capital raised	10 755 652	12 172 599
Capital repaid	(12 013 943)	(10 364 080)
Amortisation of discounts , premiums and transaction costs	566 328	479 544
Foreign exchange adjustments	(1 038 311)	1 742 253
Accrued interest (refer to note 17)	850 737	877 708
Balance at end of the year	**61 620 159**	**63 377 404**

	2025	2024
EUR amount included in debt funding held at amortised cost	**374 175**	**415 081**

	2025	2024
US Dollar amount included in debt funding held at amortised cost	**1 638 387**	**1 346 017**

20.3 Analysis of current and non-current portion of debt funding held at amortised cost

	2025	2024
Current portion	11 125 084	10 938 834
Non-current portion	49 644 338	51 560 862
Balance at end of the year	**60 769 422**	**62 499 696**

in thousands of rands	2025	2024

The Financial Sector Conduct Authority published on 31 July 2020 the approval of the amendments to the JSE Debt and Specialist Securities 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 and Specialist Securities Listings Requirements, Ms. Ntombizodwa Mbele was appointed as the Bank's new Debt Officer with effect from 1 August 2024. The appointment follows Mr. Ernest's Dietrich's retirement as the Debt Officer of the Bank, with effect from 31 July 2024 due to Mr. Ernest Dietrich reaching retirement age. The board of DBSA has considered and is satisfied with the competence, qualifications, and experience of the new Debt Officer. The mandatory requirements of the JSE Debt and Specialist Securities Listings Requirements have been disclosed in the integrated annual 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 2025 and 31 March 2024.

The total carrying amount of funding debt securities held at amortised cost inclusive of accrued interest amount of R231 million is R 22.89 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R620 million is R38.73 billion.

20.4 JSE DMTN Programme reconciliation

The table below shows the reconciliation for the JSE DMTN Programme

	2025	2024
JSE DMTN programme amount	80 000 000	80 000 000
Bonds in issue	(12 414 000)	(14 600 000)
Bond amount available for issuance	**67 586 000**	**65 400 000**

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and bonds in issue as at 31 March 2025 is R12.4 billion (31 March 2024 R14.6 billion).

20.5 Floating rate notes – nominal values

	2025	2024
Floating rate notes - Medium term notes	**11 324 000**	**13 510 000**

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.

20.6 Debt funding at amortised costs - repurchase agreements

	2025	2024
Balance at the beginning of the year	1 194 651	-
Capital raised	-	1 194 651
Capital repaid	(1 194 651)	-
Balance per the statement of financial position	**-**	**1 194 651**
Accrued interest (refer to note 17)	-	1 376
Balance at the end of the year	**-**	**1 196 027**

Development bonds with a nominal value of R Nil billion (31 March 2024: R1.38 billion) were pledged to a financial institution.

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

	2025	2024
Current portion	**-**	**1 194 651**

in thousands of rands	2025	2024

21. DEFERRED INCOME

Balance at beginning of the year	578 495	542 819
Current movements	45 352	43 102
Deferred income received during the year	97 801	-
Foreign exchange	(7 368)	-
Interest income and recoveries on loans	1 014	1 651
Deferred income recognised during the year	(12 847)	(9 077)
Balance at end of the year	**702 447**	**578 495**

22. SHARE CAPITAL

Authorised		
2 020 000 ordinary shares (31 March 2024: 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.

Issued capital		
20 000 ordinary shares (31 March 2024: 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 end 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**	**138 500**
Gain on revaluation of land and buildings (refer to note 15)	**82**	**-**
Balance at the end of the year	**138 582**	**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.

in thousands of rands	2025	2024

24.2 Cash flow hedge reserve

Balance at the beginning of the year	(587 489)	(350 086)
Foreign exchange rate risk	**-**	**67 804**
Unrealised loss on cash flow hedges	-	(251 019)
Loss reclassified to profit or loss	-	318 823
Interest rate risk	**631 299**	**(305 207)**
Unrealised gain/(loss) on cash flow hedges	239 805	(304 816)
Loss/(gain) reclassified to profit or loss	391 494	(391)
Balance at the end of the year	**43 810**	**(587 489)**

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.

24.3 Total of other reserves

Revaluation reserve on land and buildings	138 582	138 500
Cash flow hedge reserve	43 810	(587 489)
Total other reserves	**182 392**	**(448 989)**

Total other reserves on land and buildings and cash flow hedge 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	2 731 790	2 792 383
Transfer from general loan reserve	(352 530)	(60 593)
Balance at the end of the year	**2 379 260**	**2 731 790**

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	915 131	782 791
Development bonds (refer to note 13.2)	176 447	228 008
Effective interest income on development loans (refer to note 14.1.1)	12 155 967	11 762 976
Total interest income calculated using the effective interest rate	**13 247 545**	**12 773 775**
Other interest income		
Interest received on financial assets held at FVTPL		
Derivatives hedging assets	133 677	2 879
Development loans at FVTPL (refer to note 10.1.1)	344	43 501
Equity investments- interest received from mezzanine instruments	33 663	92 386
Investment securities	33 510	40 108
Total other interest income	**201 194**	**178 874**
Total interest income	**13 448 739**	**12 952 649**

in thousands of rands	2025	2024

26. INTEREST INCOME (continued)

26.1 Interest income on development loans per staging

in thousands of rands	2025	2024
Stage 1 loans	5 441 614	5 313 347
Stage 2 loans	6 529 544	6 142 293
Stage 3 loans	90 131	260 374
POCI	94 678	46 962
Total interest income at effective interest rate	**12 155 967**	**11 762 976**

26.2 Effective interest income on development loans per client classification

in thousands of rands	2025	2024
Educational institutions	174 565	177 850
Local government	3 565 303	3 691 671
National and provincial government	1 382 124	1 200 110
Private sector intermediaries	3 523 073	3 050 745
Public utilities	3 510 902	3 642 600
Total interest income on effective interest rate	**12 155 967**	**11 762 976**

27. INTEREST EXPENSE

in thousands of rands	2025	2024
Interest expense calculated using the effective interest rate		
Bank and other payables	35 899	53 155
Debt funding held at amortised cost	5 033 003	5 186 548
Total interest expense calculated using the effective interest rate	**5 068 902**	**5 239 703**
Net interest income (Note 26 less Note 27)	**8 379 837**	**7 712 946**

28. NET FEE INCOME

28.1 Analysis of net fee income

in thousands of rands	2025	2024
Gross fee income		
Lending fees	153 199	154 707
Management fees	251 718	255 994
Non-lending fees	-	46
Total fee income	**404 917**	**410 747**
Gross fee expense		
Fees on funding	29 578	10 835
Guarantee fees	17 971	23 433
Other fees	678	460
Total fee expense	**48 227**	**34 728**
Net fee income	**356 690**	**376 019**

28.2 Disaggregation of gross fee income

in thousands of rands	2025	2024
Lending fees		
Rest of Africa	75 471	74 245
RSA Economic and Social	77 461	79 882
RSA Municipalities	267	580
Total lending fees	**153 199**	**154 707**
Management fees		
Infrastructure Delivery Division	224 244	216 074
Other divisions	25 989	33 611
Rest of Africa	273	296
RSA Economic and Social	1 190	5 656
RSA Municipalities	22	357
Total management fees	**251 718**	**255 994**
Non-lending fees		
Other divisions	**-**	**46**

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 2025 the Bank had R114 million (31 March 2024: R81 million) in fee receivable assets relating to management fees and lending fees. As at 31 March 2025 the Bank had no trade payables as a result of contracts with customers.

in thousands of rands	2025	2024
Reconciliation of fee receivables		
Balance at the beginning of the year	80 776	144 539
Raised and not paid during the year	93 492	67 793
Repayments during the year	(59 907)	(131 556)
Balance at the end of the year	**114 361**	**80 776**

Impairment on fee receivables and contract assets

During financial year 2025, 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 2025, 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.

28. NET FEE INCOME (continued)

28.4 Management fees comprises:

in thousands of rands	2025	2024
African World Heritage Fund (AWHF)	1 426	1 426
City of Tshwane	9 720	-
Climate Finance Facility Trust	5 676	7 445
District Development Model	-	357
Department of Cooperate Governance	4 630	-
Eastern Cape Department of Education	6 183	2 824
Free State Department of Education	6 718	6 017
Free State Department of Human Settlement	3 065	14 614
Gauteng Department of Agriculture	-	741
Gauteng Department of Education	17 337	3 821
Gauteng Department of Health	7 712	1 763
Gauteng Growth and Development	-	6 759
Government Printing Works (GPW)	7 065	-
Infrastructure Delivery Management System (IDMS)	1 802	2 358
Infrastructure Investment Programme for South Africa (IIPSA)	-	11 128
KFW Development Bank	-	1 772
KFW SADC Water Fund	4 809	3 807
KwaZulu-Natal Department of Education	17 088	14 843
Limpopo Department of Economic Development	1 370	898
Limpopo Department of Education	5 080	4 049
Limpopo Department of Health	30 869	298
Limpopo Department of Public Works	1 029	1 672
Mpumalanga Department of Education	868	7 389
National Department of Basic Education for Accelerated Infrastructure Schools Programme	13 571	31 470
National Department of Correctional Services	2 063	2 045
National Department of Defence	6 339	2 359
National Department of Energy - Independent Power Producer Office	6 903	6 574
National Department of Health	-	31 031
National Department of Public Works	15 784	16 110
National Department of Water and Sanitation	8 046	1 184
National Department of Trade and Industry	4 454	3 226
National Department of Tourism	12 218	19 263
National Treasury Cities Support Programme (NTCSP)	1 380	2 066
National Treasury Project Preparation Fund	1 292	-
National Water Partnership Programme	5 905	5 306
North West Department of Education	12 454	18 492
North West Department of Public Works	5 479	13 631
Other entities	6 715	3 225
Parliament of the Republic of South Africa	15 303	6 031
South African Road Agency SOC	1 365	-
Total management fees	**251 718**	**255 994**

29. NET FOREIGN EXCHANGE (LOSS)/GAIN

in thousands of rands	2025	2024
Unrealised – financial assets/liabilities at amortised cost		
Cash and cash equivalents: (loss)/gain	(76 005)	212 782
Development loans: (loss)/gain	(1 795 992)	1 039 432
Funding: gain/(loss)	884 674	(1 346 748)
Unrealised – financial assets/liabilities at FVTPL		
Equity investments: (loss)/gain (refer to note 11.1)	(709 017)	45 776
Hedging derivatives - funding: gain	-	309 280
Hedging derivatives development loans: loss	(25 741)	(33 020)
Total unrealised foreign exchange (loss)/gain	**(1 722 081)**	**227 502**
Realised- financial assets/liabilities at amortised cost		
Development loans: gain	936 396	799 338
Realised – financial assets/liabilities at FVTPL		
Equity investments: gain(refer to note 11.1)	575 052	151 603
Funding gain/(loss)	60 819	(482 912)
Hedging derivatives: gain/(loss)	94 337	(567 034)
Total realised foreign exchange gain/(loss)	**1 666 604**	**(99 005)**
Net foreign exchange (loss)/gain	**(55 477)**	**128 497**

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

in thousands of rands	2025	2024
Net gain/(loss) on derivatives held for risk management at FVTPL other than held for trading		
Interest rate derivatives		
Realised	387 131	(25 151)
Unrealised	(135 055)	33 864
Net gain from interest rate derivatives	**252 076**	**8 713**
Foreign exchange derivatives		
Unrealised	**(3 937)**	**5 580**
Investment securities at FVTPL – unrealised		
Investment in segregated funds	(243)	18
Municipal bonds	237	(249)
Government bonds	(260)	-
Net loss from investment securities at FVTPL	**(266)**	**(231)**
Equity investments		
Held at FVTPL - unrealised (refer to note 11.1)	**(215 450)**	**(464 346)**
Development loans		
Held at FVTPL (refer to note 10.1.2)	**(1 726)**	**(55 984)**
Other financial asset		
Held at FVTPL – unrealised	**1 037**	**(2 918)**
Net gain/(loss) from financial assets and liabilities	**31 734**	**(509 186)**

Included in the net gain/(loss) on derivatives held for risk management at fair value through profit or loss is a CVA adjustment loss of R39 million (31 March 2024: Gain of R0.867 million) and a DVA adjustment loss of R112 million (31 March 2024: Gain of R35 million).

in thousands of rands	2025	2024

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)	(175 156)	(239 642)
Development loans at FVTPL (refer to note 12.3.2)	(1 726)	(55 984)
Total unrealised losses for the year	**(176 882)**	**(295 626)**

31. INVESTMENT AND OTHER INCOME

Investment income		
Dividend income	10 959	54 138
Non-investment income		
Gain on disposal of property and equipment	196	329
Sundry income*	27 960	31 671
Total	**39 115**	**86 138**

** Sundry income comprises mostly of recoveries.*

32. PROJECT PREPARATION EXPENDITURE

Expenditure incurred on the planning, project definition, pre-feasibility, feasibility and structuring phase of projects	**15 092**	**8 922**

33. DEVELOPMENT EXPENDITURE

In support of secondary and under-resourced municipalities	123 103	91 664
Strategic initiatives	138 598	101 992
Total	**261 701**	**193 656**

34. IMPAIRMENT LOSSES

Development bonds (refer to note 13.3)	(81 162)	3 006
Development loans (refer to note 14.9)	1 548 261	1 334 382
Loan commitments (refer to note 45)	24 997	(857)
Modification (loss)/gain on financial assets	(1 686)	56 863
Trade receivables and other assets (refer to note 6)	10 366	34 917
Total charge to profit or loss	**1 500 776**	**1 428 311**

35. PERSONNEL EXPENSES

Post-retirement medical benefits liability movement (refer to note 19.2.5)	4 824	4 636
Personnel expenses	1 075 931	992 041
Total	**1 080 755**	**996 677**

Included in other personnel expenses is executive directors' remuneration for the following:		
Chief Executive Officer and Chief Financial Officer remuneration (refer to note 41.1)	22 910	24 319
Executive members' remuneration (refer to note 41.1)	47 293	44 072
Total executive remuneration	**70 203**	**68 391**

in thousands of rands	2025	2024

36. OTHER OPERATING EXPENSES

Auditor's remuneration	17 949	16 750
Communication costs	8 434	9 435
Consulting fees	80 605	74 350
Information technology costs	69 787	63 203
Legal expenses	23 941	30 546
Low value assets	3 298	3 314
Membership fees	14 599	14 246
Non-executive directors' fees paid (refer to note 41.2)	11 963	11 995
Other expenses*	83 001	80 353
Public relations activities	52 281	45 286
Publications and journals	20 770	16 575
Subsistence and travel	104 752	83 797
Total	**491 380**	**449 850**

** Other expenses include business development, repairs and maintenance and training.*

37. DEPRECIATION AND AMORTISATION (REFER TO NOTE 15 AND 16)

Buildings	5 562	5 535
Computer equipment	10 768	9 632
Furniture and fittings	442	419
Intangible assets	15 146	16 987
Lease equipment	1 927	2 652
Leasehold property	3 191	2 697
Motor vehicles	168	500
Office equipment	5 545	4 149
Total	**42 749**	**42 571**

38. GRANTS PAID

Community Development	300	-
CSI Programme Marketing	16	-
Digital Literacy Initiative - Youth	2 000	-
Disaster Relief	1 750	-
Early Childhood Development	17 139	19 760
Emfuleni School Sanitation	349	44
Government and Stakeholder Forums Engagements	3 758	-
Green initiatives	1 133	-
Health Awareness	500	972
Inclusivity and Disability Programmes	350	700
KZN Social Cohesion Programmes	-	55
Mother and Child Programme	-	550
Rural Community Water Access	1 342	-
Rise against Hunger	550	500
School Sanitation Programme	9 995	-
School Technology, AI and Robotics	-	2 800
The Human Face of Business	47	28
Umhlanjana River Pedestrian Bridge	-	219
Youth Access to Opportunity	1 300	-
Total	**40 529**	**25 628**

These are discretionary grants and recognised as an expense when incurred.

39. NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED

in thousands of rands	2025	2024
Net profit for the year	5 318 917	4 648 799
Dividends received (refer to note 31)	(10 959)	(54 138)
Management fees - segregated funds	679	460
Depreciation and amortisation (refer to note 37)	42 749	42 571
Gain on disposal of property and equipment (refer to note 31)	(196)	(329)
Realised gain on sale of financial asset	(16 492)	(2 131)
Grants, development expenditure and project preparation expenditure paid	317 322	228 206
Net movements from financial assets and liabilities	62 603	(57 849)
Fees received	293 019	263 675
Fees accrued	(173 347)	(201 710)
Debt guarantee fee raised	16 660	22 213
Net foreign exchange loss/(gain) (refer to note 29)	55 477	(128 497)
Impairment losses (refer to note 34)	1 500 776	1 428 311
Change in liability for funeral benefits and post retirement medical benefit	(800)	3 217
Net interest income (refer to note 27)	(8 379 837)	(7 712 946)
Movements in provisions and lease liabilities	(41 529)	(9 155)
Decrease in trade receivables and other assets	13 396	8 862
Decrease in trade, other payables and accrued interest on debt funding	(119 413)	(89 241)
Net profit adjusted for non-cash items and items separately disclosed	**(1 120 975)**	**(1 609 682)**

40. RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES

in thousands of rands	2025	2024
Balance at the beginning of the year	64 573 431	59 139 563
Financial market liabilities repaid	(13 208 594)	(10 364 080)
Financial market liabilities raised	10 755 652	13 367 250
Foreign exchange rate movement	(1 066 789)	1 751 624
Interest accrual	4 551 567	4 718 744
Interest repayment	(4 551 435)	(4 519 214)
Premiums, discounts and transaction costs	566 328	479 544
Balance at the end of the year	**61 620 160**	**64 573 431**

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	Subsistence and travel	Cell phone allowance	Performance bonus	Retention bonus	Total 2025	Total 2024
Executive directors								
Ms B Mosako	6 847 956	1 350 526	235 318	-	3 351 600	3 724 000	15 509 400	10 503 107
Ms N P Mbele	3 597 777	721 723	48 150	26 400	1 172 948	1 833 750	7 400 748	6 327 291
Mr P K Dlamini	-	-	-	-	-	-	-	7 489 025
Executive managers								
Mr E Dietrich [1]	1 352 987	43 120	42 225	22 000	983 794	1 545 551	3 989 677	6 638 517
Mr M Hillary	3 094 929	728 701	43 572	26 400	974 091	1 565 503	6 433 196	5 928 886
Mr M Kubelo	3 201 380	383 148	68 459	26 400	934 588	1 465 381	6 079 356	5 688 810
Mr M Mokwele	2 888 222	371 279	137 266	33 000	945 000	1 350 000	5 724 767	1 280 477
Ms M S Motsepe	2 851 003	817 370	15 427	26 400	1 003 774	1 500 659	6 214 633	5 803 155
Mr C Ramphele	3 151 481	300 306	51 788	26 400	911 793	1 465 381	5 907 149	5 583 639
Ms C Koffman [2]	1 881 134	254 134	162 076	20 298	898 527	1 444 061	4 660 230	5 551 916
Mr M Vivekanandan [3]	3 862 679	973 159	181 229	39 600	1 250 692	1 976 926	8 284 285	7 596 649
Total	**32 729 548**	**5 943 466**	**985 510**	**246 898**	**12 426 807**	**17 871 212**	**70 203 441**	**68 391 472**

1. Post retirement contract ended 31 July 2024.
2. Resigned effective 12 November 2024.
3. Resigned effective 31 March 2025.

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

	Fees for services as Directors	Subsistence and travel	Total 2025	Total 2024
Mr E Rasool [1]	1 058 881	-	1 058 881	1 117 392
Ms M Janse van Rensburg	1 495 700	-	1 495 700	1 398 233
Mr K Brown	962 923	2 592	965 515	828 753
Prof M Swilling	-	-	-	857 249
Mr B Hore	666 025	3 240	669 265	306 280
Ms D Lerutla	870 027	3 024	873 051	916 486
Dr G Magomola	-	-	-	597 187
Mr M Matji	1 032 449	10 059	1 042 508	1 090 116
Ms D Moephuli	911 248	3 672	914 920	415 743
Mr B Mudavanhu	-	-	-	366 112
Mr J Muthige	604 648	1 296	605 944	252 756
Dr C Naidoo	859 640	3 456	863 096	420 045
Mr J Netshitenzhe	714 410	1 080	715 490	338 685
Ms P Nqeto	987 246	2 592	989 838	1 120 189
Mr B Nqwababa	1 255 020	4 104	1 259 124	1 126 085
Ms A Sing	-	-	-	614 433
Prof E Pieterse	509 835	-	509 835	229 216
Total	**11 928 052**	**35 115**	**11 963 167**	**11 994 960**

1. Resigned with effect from 30 November 2024.

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.

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 2025 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 R221.62 million (31 March 2024: R118.86 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 2025 the Bank had a interest rate swap portfolio with a total notional amount of R19.8 billion (31 March 2024: R20.3 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 2025 was R162.7 million (31 March 2024: R467.2 million), comprising of assets of R224 million (31 March 2024: R9.54 million) and liabilities of R61.3 million (31 March 2024: R476.7 million).

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 2025:

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	11 258	-	-	-	-	-	-	-	11 258
	USD	3 472	-	-	-	-	-	-	-	3 472
	EUR	288	-	-	-	-	-	-	-	288
Investment securities	ZAR	332	-	-	-	-	-	75	225	632
Development bonds	ZAR	-	42	42	83	83	833	83	375	1 541
Development loans	ZAR	11 084	30 497	2 201	2 695	7 437	4 113	3 930	15 272	77 229
	EUR	-	2 638	6 634	-	-	-	-	-	9 272
	USD	6 938	4 152	10 415	485	344	234	179	764	23 511
Derivative held for risk management purposes - interest rate swaps	ZAR	-	346	713	1 124	1 194	3 762	1 241	11 370	19 750
Derivative held for risk management purposes - foreign exchange contracts	USD	-	1 258	-	-	-	-	-	-	1 258
Total financial market assets		**33 372**	**38 933**	**20 005**	**4 387**	**9 058**	**8 942**	**5 508**	**28 006**	**148 211**
Derivative held for risk management purposes - foreign exchange contracts	EUR	-	(1 287)	-	-	-	-	-	-	(1 287)
Debt funding at amortised cost - funding bonds	ZAR	(3 076)	(8 248)	-	(500)	(6 196)	(590)	-	-	(18 610)
	EUR	-	-	-	-	(3 960)	-	-	-	(3 960)
Debt funding at amortised funding lines of credit	EUR	(2 041)	(746)	(325)	(82)	(82)	(53)	(39)	(82)	(3 450)
	USD	(6 498)	(6 080)	(17 184)	(80)	(52)	(60)	(33)	-	(29 987)
	ZAR	(3 550)	(1 263)	-	-	-	-	-	-	(4 813)
Debt funding at amortised cost - money market debt	ZAR	-	(100)	-	-	-	-	-	-	(100)
Fund under Repurchase agreement	ZAR	-	-	-	-	-	-	-	-	-
Derivative held for risk management purposes - interest rate swaps	EUR	-	-	-	-	-	-	-	-	-
	ZAR	-	(19 750)	-	-	-	-	-	-	(19 750)
Total financial market liabilities		**(15 165)**	**(37 474)**	**(17 509)**	**(662)**	**(10 290)**	**(703)**	**(72)**	**(82)**	**(81 957)**
Repricing gap		**18 207**	**1 459**	**2 496**	**3 725**	**(1 232)**	**8 239**	**5 436**	**27 924**	**66 254**
Cumulative repricing gap		**18 207**	**19 666**	**22 162**	**25 887**	**24 655**	**32 894**	**38 330**	**66 254**	

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

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 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)
Derivative liabilities held for risk management purposes - interest rate swaps	EUR	-	(177)	(4 492)	-	-	-	-	-	(4 669)
	ZAR	(4 800)	(12 100)	-	-	-	-	-	-	(16 900)
Fund under Repurchase agreement	ZAR	-	(1 195)	-	-	-	-	-	-	(1 195)
Debt funding at amortised cost - money market debt	ZAR	-	-	(400)	-	-	-	-	-	(400)
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.

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 2025, forward exchange contracts with nominal amount of R1.26 billion (31 March 2024: R Nil 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.

	2025		2024	
in thousands	EUR	USD	EUR	USD
Assets				
Cash and cash equivalents	14 550	189 679	31 061	32 784
Development loans*	503 391	1 339 125	364 883	1 347 882
Equity investments	35 928	68 155	35 624	126 488
Total assets	**553 869**	**1 596 959**	**431 568**	**1 507 154**
Liabilities				
Debt funding and lines of credit	(374 175)	(1 638 387)	(415 081)	(1 346 017)
Total liabilities	**(374 175)**	**(1 638 387)**	**(415 081)**	**(1 346 017)**
Net open position before hedging	**179 694**	**(41 428)**	**16 487**	**161 137**
Foreign exchange contracts	(65 000)	68 705	-	-
Net open position after hedging	**114 694**	**27 277**	**16 487**	**161 137**

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

The assumption used in the sensitivity analysis has changed to include non-performing loans and arrears given the fact that there are collections on this portion of the development loan book. The change has no impact on assets, equity, liabilities and 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)	16.8288	(340 618)	15.5577	(74 889)	(415 507)
(10)	17.8187	(227 083)	16.4729	(49 925)	(277 008)
(5)	18.8087	(113 536)	17.3880	(24 964)	(138 500)
-	19.7986	-	18.3032	-	-
5	20.7885	113 536	19.2184	24 964	138 500
10	21.7785	227 083	20.1335	49 925	277 008
15	22.7684	340 618	21.0487	74 889	415 507
Spot exchange rate used		**19.7986**		**18.3032**	

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 minimised whilst concurrently seeking to identify appropriate exit prices, in the context of the current market trends, applicable minimum return rates and benchmarks.

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 R237 million increase in the equity values as at 31 March 2025, and a 10% decrease in fair value adjustment will result in a R194 million decrease in the equity values as at 31 March 2025.

in thousands of rands	10% decrease in fair value	Fair value adjustments	10% increase in fair value
31 March 2025			
Equity instruments unlisted	**193 905**	**215 450**	**236 995**
31 March 2024			
Equity instruments unlisted	**417 911**	**464 346**	**510 781**

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

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

in thousands of rands	Fair value gain	Variance	Valuation	Variance %
31 March 2025				
Actual	152 798	-	3 334 138	-
Stressed - adverse case	15 280	(15 280)	3 318 858	(0.46)
Stressed- positive case	15 280	15 280	3 349 418	0.46
31 March 2024				
Actual	235 705	-	2 415 445	-
Stressed - adverse case	23 571	(23 571)	2 391 874	(0.99)
Stressed- positive case	23 571	23 571	2 439 016	0.99

(e) Sensitivity analysis - Marketability discounts

Sensitivity analyses are performed on the equity portfolio to determine the possible effect on the reported fair values should a range of input variables change, e.g. currency, liquidity, etc. These assumptions were built into the applicable valuation models. In calculating the sensitivities for investments, the key input variables were changed by a factor ranging from -15% to +15% 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 marketability discount	Fair value-actual	15% decrease in marketability discount
31 March 2025				
Unlisted				
Level 2	1 456 133	1 214 043	1 247 462	1 280 880
Level 3	3 880 993	3 246 509	3 334 138	3 421 766
Total	**5 337 126**	**4 460 552**	**4 581 600**	**4 702 646**
% 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%.

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

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

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 prior year-end exchange rate. For 3% movement in foreign exchange rate the fair value change on the equity portfolio was +-2.74%. The exchange rates used at measurement date are ZAR/USD at R18.3032 and ZAR/EUR at R19.7986.

in thousands of rands	3% decrease in exchange rate	Fair value actual	3% increase in exchange rate
31 March 2025			
Unlisted			
Level 2			
USD	1 172 614	1 247 462	1 322 310
Level 3			
EUR	668 642	711 321	754 000
USD	126 324	134 387	142 450
ZAR	2 488 430	2 488 430	2 488 430
Total	**4 456 010**	**4 581 600**	**4 707 190**
% change in fair value	**(2.74)**		**2.74**

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

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

(g) Marketability discount rates applied

The Bank may apply a marketability discount to each investment with reference to factors, including but not limited to the following: the location of the investment operations, the passage of time between the Bank's reporting date and the date of the most recent asset or earning-based valuation, investment specific risk factors, general and sectoral economic conditions and their current and projected impact on the investment operations, the relative size of the Bank's proportionate interest, the relative age of the investment (i.e. the investment stage and time to maturity), and recent transactional information or lack thereof, i.e. anticipated ease of liquidation (relating to exits of similar investments). The slow economic 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 2025				
0% -12.5%	-	-	10 962	10 962
12.5%-15.0%	-	-	163 716	163 716
15.0%-16.5%	-	1 247 462	3 159 460	4 406 922
16.5% - 22.5%	-	-	-	-
22.5%-25.0%	-	-	-	-
Total	**-**	**1 247 462**	**3 334 138**	**4 581 600**
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% - 22.5%	-	-	-	-
22.5%-25.0%	-	-	-	-
Total	**-**	**2 393 338**	**2 415 445**	**4 808 783**

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 2025				
Level 3	183 032	12 234	12 877	13 566
% of change		**(4.99)**		**5.35**

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 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%.

42. RISK MANAGEMENT (continued)

Sensitivity analysis - currency exchange rate

in thousands of rands	Base value	3% increase in exchange rate	Fair value - actual	3% decrease in exchange rate
31 March 2025				
Level 3	183 032	12 456	12 877	13 298
% of change		**(3.27)**		**3.27**

For 3% movement in foreign exchange rate the fair value change on the development loan portfolio was +-3.27%. The exchange rates used at measurement date are USD/ZAR at R18.3032

in thousands of rands	Base value	6% increase in exchange rate	Fair value - actual	6% decrease in exchange rate
31 March 2024				
Level 3	189 213	19 451	20 784	22 119
% of change		**(6.42)**		**6.42**

For 6% movement in foreign exchange rate the fair value change on the development loan portfolio was +-6.42%. The exchange rates used at measurement date are USD/ZAR at R18.9214

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 2025 was R15.6 billion (31 March 2024: R11.1 billion). This includes cash and cash equivalents of R15 billion (31 March 2024: R10.8 billion), segregated money market funds of R332 million (31 March 2024: R305 million) and government bonds of R300 million (31 March 2024: R Nil million).

42.2.3 Available liquidity

in thousands of rands	2025	2024
High quality liquid assets		
Cash and cash equivalents	15 017 755	10 803 772
Government bonds-nominal value	300 000	-
Other less liquid assets		
Investment in segregated funds	331 878	304 966
Total available liquidity	**15 649 633**	**11 108 738**

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (tradable market securities) as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions, money and capital securities issuance under the Bank's domestic medium-term programme and capital market repurchase transactions. Liquidity includes undrawn credit facilities for the year amounted to approximately R9.9 billion (31 March 2024: R7.2 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 2025 was R18.76 billion (31 March 2024: R14.52 billion).

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 2025.

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	11 258	-	-	-	-	-	-	-	11 258
	USD	3 472	-	-	-	-	-	-	-	3 472
	EUR	288	-	-	-	-	-	-	-	288
Investment securities	ZAR	332	-	-	-	-	-	75	225	632
Development bonds	ZAR	-	42	42	83	83	833	83	375	1 541
Development loans	EUR	-	157	1 130	1 582	1 592	1 423	1 027	2 361	9 272
	USD	281	2 276	3 529	3 760	3 875	2 388	2 199	5 203	23 511
	ZAR	112	4 224	2 772	5 381	10 165	9 285	6 594	38 696	77 229
Derivative assets held for risk management purposes - forward exchange contracts	USD	-	1 258	-	-	-	-	-	-	1 258
Total financial market assets		**15 743**	**7 957**	**7 473**	**10 806**	**15 715**	**13 929**	**9 978**	**46 860**	**128 461**
Debt funding at amortised cost - funding bonds	ZAR	-	-	(1 948)	(3 089)	(6 580)	(2 132)	(1 996)	(2 865)	(18 610)
	EUR	-	-	-	-	(3 960)	-	-	-	(3 960)
Debt funding at amortised cost - lines of credit	EUR	-	(85)	(173)	(321)	(323)	(336)	(364)	(1 846)	(3 448)
	USD	-	(76)	(7 443)	(7 014)	(4 340)	(4 073)	(1 648)	(5 392)	(29 986)
	ZAR	(322)	(7)	(972)	(1 287)	(977)	(1 250)	-	-	(4 815)
Funding under repo	ZAR	-	-	-	-	-	-	-	-	-
Debt funding at amortised cost - money market debt	ZAR	-	(100)	-	-	-	-	-	-	(100)
Derivative liabilities held for risk management purposes - forward exchange contracts	EUR	-	(1 287)	-	-	-	-	-	-	(1 287)
Total financial market liabilities		**(322)**	**(1 555)**	**(10 536)**	**(11 711)**	**(16 180)**	**(7 791)**	**(4 008)**	**(10 103)**	**(62 206)**
Net liquidity gap		**15 421**	**6 402**	**(3 063)**	**(905)**	**(465)**	**6 138**	**5 970**	**36 757**	**66 255**
Cumulative liquidity gap		**15 421**	**21 823**	**18 760**	**17 855**	**17 390**	**23 528**	**29 498**	**66 255**	

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. This includes exposures subject to G20 Official Creditor Committee (OCC) negotiations which been disclosed based on contractual arrangements.

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.

42. RISK MANAGEMENT (continued)

42.2 Liquidity risk (continued)

42.2.5 Concentration of debt funding

	2025 %	2024 %
Concentration of debt funding as per source of funding		
Domestic bond markets	20	23
Domestic money markets	9	11
European bond markets	10	9
International Development Finance Institution	43	38
International money markets	18	14
International unlisted bonds	-	5
Total	**100**	**100**
Concentration of debt funding per currency		
USD	49	40
EUR	12	13
ZAR	39	47
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.

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.

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.

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
31 March 2025			
Cash and cash equivalents	15 017 755	-	-
Development bonds at amortised cost	1 594 348	(51 984)	-
Development loans at amortised cost	113 050 602	(14 907 805)	747 134
Development loans at FVTPL	12 877	-	-
Loan commitments	21 087 178	(61 083)	-
Trade receivables and other assets	345 889	(67 014)	-
Total	**151 108 649**	**(15 087 886)**	**747 134**
31 March 2024			
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)	-
Total	**142 193 567**	**(13 926 269)**	**490 817**

(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 2025	Market 1*	Market 2**	Market 3***	Total 2024
Low risk	-	1 407 479	42 861	1 450 340	-	610 338	81 608	691 946
Medium risk	24 122 424	1 595 460	232 045	25 949 929	24 834 031	2 155 936	173 597	27 163 564
High risk	4 994 809	1 111 802	221 863	6 328 474	5 119 257	1 282 324	238 032	6 639 613
Total	**29 117 233**	**4 114 741**	**496 769**	**33 728 743**	**29 953 288**	**4 048 598**	**493 237**	**34 495 123**

** 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		2025	2024
Internal rate grade	**Internal rate description**		
MS1	Low risk	-	-
MS2	Low risk	-	-
MS3	Low risk	610 261	3 327 256
MS4	Low risk	96 710	-
MS5	Low risk	1 100 338	366 647
MS6	Low risk	349 962	294 186
MS7	Low risk	4 005 908	6 315 658
MS8	Medium risk	5 364 506	3 812 618
MS9	Medium risk	801 740	886 793
MS10	Medium risk	6 837 568	8 188 300
MS11	Medium risk	21 180 553	18 475 950
MS12	Medium risk	33 399 672	30 225 391
MS13	Medium risk	8 246 506	10 011 993
MS14	High risk	10 979 223	10 176 942
MS15	High risk	2 008 181	3 205 330
MS16	High risk	5 128 063	438 162
MS17.1	High risk	392 101	12 687 162
MS17.2	High risk	7 450 244	9 081
MS17.3	High risk	-	7 575
MS17.4	High risk	1 429 069	105 578
Default	Default	3 669 997	4 495 461
Total		**113 050 602**	**113 030 083**

(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.

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	2025 Total	2024 Total
Stage 3						
Municipalities	-	-	47 091	103 966	151 057	415 335
Other	-	-	3 622 906	929 785	4 552 691	4 727 426
Less provision for ECLs						
Municipalities	-	-	(23 689)	(66 307)	(89 996)	(158 587)
Other	-	-	(2 442 681)	(557 296)	(2 999 977)	(3 177 817)
Net carrying amount	**-**	**-**	**1 203 627**	**410 148**	**1 613 775**	**1 806 357**
Net carrying amount: Municipalities	-	-	23 402	37 659	61 061	256 748
Net carrying amount: Other	-	-	1 180 225	372 489	1 552 714	1 549 609
Net carrying amount	**-**	**-**	**1 203 627**	**410 148**	**1 613 775**	**1 806 357**
Low risk (MS1-MS7)						
Municipalities	1 450 340	-	-	-	1 450 340	691 946
Other	4 712 840	-	-	-	4 712 840	9 611 801
Less provision for ECLs						
Municipalities	(147)	-	-	-	(147)	(109)
Other	(12 933)	-	-	-	(12 933)	(30 975)
Net carrying amount	**6 150 100**	**-**	**-**	**-**	**6 150 100**	**10 272 663**
Net carrying amount: Municipalities	1 450 193	-	-	-	1 450 193	691 837
Net carrying amount:Other	4 699 907	-	-	-	4 699 907	9 580 826
Net carrying amount	**6 150 100**	**-**	**-**	**-**	**6 150 100**	**10 272 663**
Medium risk (MS8-MS13)						
Municipalities	11 392 624	14 557 304	-	-	25 949 928	27 163 564
Other	35 619 839	14 260 778	-	-	49 880 617	44 437 481
Less allowance for ECLs						
Municipalities	(18 326)	(343 202)	-	-	(361 528)	(211 175)
Other	(913 146)	(2 149 212)	-	-	(3 062 358)	(2 728 740)
Net carrying amount	**46 080 991**	**26 325 668**	**-**	**-**	**72 406 659**	**68 661 130**
Net carrying amount: Municipalities	11 374 298	14 214 102	-	-	25 588 400	26 952 389
Net carrying amount:Other	34 706 693	12 111 566	-	-	46 818 259	41 708 741
Net carrying amount	**46 080 991**	**26 325 668**	**-**	**-**	**72 406 659**	**68 661 130**
High risk (MS14-MS17.4)						
Municipalities	397 864	5 779 552	-	-	6 177 416	6 224 278
Other	896 900	19 278 813	-	-	20 175 713	19 758 252
Less provision for ECLs						
Municipalities	(3 405)	(546 441)	-	-	(549 846)	(905 006)
Other	(53 448)	(7 777 572)	-	-	(7 831 020)	(6 487 980)
Net carrying amount	**1 237 911**	**16 734 352**	**-**	**-**	**17 972 263**	**18 589 544**
Net carrying amount: Municipalities	394 459	5 233 111	-	-	5 627 570	5 319 272
Net carrying amount:Other	843 452	11 501 241	-	-	12 344 693	13 270 272
Net carrying amount	**1 237 911**	**16 734 352**	**-**	**-**	**17 972 263**	**18 589 544**
Gross carrying amount	**54 470 407**	**53 876 447**	**3 669 997**	**1 033 751**	**113 050 602**	**113 030 083**
Provision for ECLs	(1 001 405)	(10 816 427)	(2 466 370)	(623 603)	(14 907 805)	(13 700 389)
Net carrying amount	**53 469 002**	**43 060 020**	**1 203 627**	**410 148**	**98 142 797**	**99 329 694**

(ii) Development bonds at amortised cost

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	2025 Total	2024 Total
Medium risk (MS8-MS13)						
Municipalities	821 605	-	-	-	821 605	1 425 963
Less provision for ECLs	(807)	-	-	-	(807)	(1 051)
Net carrying amount	**820 798**	**-**	**-**	**-**	**820 798**	**1 424 912**
High risk (MS14-MS17)						
Municipalities	-	772 743	-	-	772 743	772 937
Less provision for ECLs	-	(51 177)	-	-	(51 177)	(132 095)
Net carrying amount	**-**	**721 566**	**-**	**-**	**721 566**	**640 842**
Gross carrying amount	**821 605**	**772 743**	**-**	**-**	**1 594 348**	**2 198 900**
Less provision for ECLs	(807)	(51 177)	-	-	(51 984)	(133 146)
Net carrying amount	**820 798**	**721 566**	**-**	**-**	**1 542 364**	**2 065 754**

(iii) Loan commitments

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	2025 Total*	2024 Total*
Stage 3						
Other	-	-	-	-	-	-
Low risk (MS1-MS7)						
Other	9 963 443	-	-	-	**9 963 443**	**4 484 564**
Medium risk (MS8-MS13)						
Municipalities	100 000	29 924	-	-	129 924	229 924
Other	10 375 114	559 925	-	-	10 935 039	10 638 671
Gross carrying amount	**10 475 114**	**589 849**	**-**	**-**	**11 064 963**	**10 868 595**
High risk (MS14-MS17.4)**						
Municipalities	-	-	-	-	-	234 316
Other	-	58 600	-	-	58 600	13 388
Gross carrying amount	**-**	**58 600**	**-**	**-**	**58 600**	**247 704**
Gross carrying amount	**20 438 557**	**648 449**	**-**	**-**	**21 087 006**	**15 900 863**
Provision for ECLs	(2 047)	(59 036)	-	-	(61 083)	(36 086)
Net carrying amount	**20 436 510**	**589 413**	**-**	**-**	**21 025 923**	**15 864 777**

** An additional R172 thousand has been committed for development loans held at fair value through profit or loss.*
*** Refer to page 146 for risk rating in relation to IFRS 9 staging.*

(c) Cash and cash equivalents

The Bank held cash and cash equivalents of R15 billion at 31 March 2025 (31 March 2024: R11 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.

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 collateral is 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.

For credit impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 March 2025, the gross carrying amount of credit impaired loans amounted to R4.7 billion (31 March 2024: R5 billion) and the fair value of identifiable collateral held against those loans amounted to R358 million (31 March 2024: R87 million). The carrying amount of collateral taken in possession during the year is R Nil (31 March 2024: 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	2025	2024
Development loans	Bank account	21	157 181	388 239
Development loans	Guarantee	47	351 984	54 442
Development loans	Mortgage bond	2	16 021	48 136
Development loans	Debt service reserve accounts	30	221 948	-
Total		**100**	**747 134**	**490 817**

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 collateral consists 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 2025				
Development loans	4 703 748	(3 089 973)	1 613 775	357 984
31 March 2024				
Development loans	5 142 761	(3 336 404)	1 806 357	86 549

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).

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 uses 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.

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 recommendations 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 the Bank governance committees for approval. When clients are successfully rehabilitated, they are monitored for a period of time until the clients are moved to the 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.

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, 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 2025 and 2024.

The key indicators are:
- South African CPI;
- Sub-Saharan nominal GDP;
- Crude oil;
- Three-month SOFR/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.

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 macroeconomic 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 macroeconomic 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 didn't 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 Committee.

(m) Most significant period-end assumptions

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

Economic Variable	2025	2026	2027	2028
South African CPI				
Adverse case	4.40	4.80	4.90	5.00
Base case	4.00	4.40	4.40	4.60
Best case	3.80	4.10	4.20	4.30
Sub-Saharan nominal GDP				
Adverse case	3.50	3.40	3.60	3.60
Base case	4.20	4.20	4.30	4.40
Best case	4.80	4.60	4.70	4.70
Crude oil				
Adverse case	66.80	63.30	63.20	63.70
Base case	73.20	72.80	73.80	74.70
Best case	80.60	86.30	88.40	89.70
Three-month SOFR				
Adverse case	4.00	3.50	3.30	3.30
Base case	4.10	3.60	3.40	3.40
Best case	4.30	3.90	3.60	3.70
ZAR USD exchange rate				
Adverse case	19.60	19.60	19.60	19.70
Base case	18.40	18.20	18.30	18.40
Best case	17.30	16.60	16.70	16.80
Three-month JIBAR				
Adverse case	7.80	8.10	8.10	8.10
Base case	7.60	7.50	7.50	7.50
Best case	7.50	6.80	6.70	6.70

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 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 the Board Audit and Risk Committee.

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, there were no changes made to the probability weightings applied to the base case and adverse case scenarios in determining the ECLs.

	2025		2024		2023
	%	% change	%	% change	%
Best case	5	-	5	-	5
Base case	60	-	60	5	55
Adverse case	35	-	35	(5)	40
Total %	**100**	**-**	**100**	**-**	**100**

There has been significant changes in the inputs and assumptions used in the ECL determination, however, there have been no changes in the estimation techniques used to measure the expected credit losses where multivariate approach was used. This includes changes due to emerging risks such as tarrifs and geopolitics. The estimation technique and methods remain unchanged, 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 cyclicality effects.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclically.
			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.	LGD: LGD model calibrated with own data history.
			Lifetime is the contractual tenor of the loan; no prepayments assumed.	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 database. Maximum stage across all loans per client rule applies.

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 2025						
Adverse case	35	45	10	3 510 551	4 513 566	28.6
Base case	60	50	(10)	7 975 478	7 175 783	(10.0)
Best case	5	5	-	331 803	331 803	-
Weighted ECL - Stage 1 and Stage 2				**11 817 832**	**12 021 152**	**(1.7)**
Credit impaired ECL				3 089 973	3 089 973	-
Total ECL				**14 907 805**	**15 111 125**	**(1.4)**
31 March 2024						
Adverse case	35	45	10	3 670 378	3 660 342	(0.3)
Best case	60	50	(10)	6 292 077	6 274 871	(0.3)
Base 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)**

(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 2025				
Base case	100	14 259 063	(648 742)	(4.5)
Adverse case	100	16 292 265	1 384 460	8.5
Best case	100	13 001 495	(1 906 310)	(14.7)
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)

(iii) Sensitivity analysis - single name impairments

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

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 2025			
Credit impaired ECL (Stage 3 NPL and POCI)	3 147 386	3 089 973	3 032 557
% change	**1.86**		**(1.86)**
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)**

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	
	2025	2024	2025	2024
Concentration of risk				
Gross carrying amount/amount committed (R'000)	113 050 602	113 030 083	21 087 178	15 900 863
Concentration by Sector: Energy %	45.45	41.53	24.57	46.08
Concentration by Country: South Africa %	69.61	71.26	69.08	71.78
Concentration by location: Currency (ZAR) %	69.61	71.26	69.08	71.78

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

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 2025	Total 2024
Stage 3						
South Africa	-	-	528 895	103 966	632 861	1 229 540
Rest of Africa	-	-	3 141 102	929 785	4 070 887	3 913 221
Total	**-**	**-**	**3 669 997**	**1 033 751**	**4 703 748**	**5 142 761**
Provision for ECL						
South Africa	-	-	(456 645)	(66 307)	(522 952)	(918 956)
Rest of Africa	-	-	(2 009 725)	(557 296)	(2 567 021)	(2 417 448)
Total	**-**	**-**	**(2 466 370)**	**(623 603)**	**(3 089 973)**	**(3 336 404)**
Carrying amount: South Africa	-	-	72 250	37 659	109 909	310 584
Carrying amount: Rest of Africa	-	-	1 131 377	372 489	1 503 866	1 495 773
Carrying amount - Stage 3	**-**	**-**	**1 203 627**	**410 148**	**1 613 775**	**1 806 357**
Stage 1 and 2						
South Africa	35 890 333	43 422 381	-	-	78 059 690	79 312 714
Rest of Africa	19 839 713	8 734 895	-	-	30 287 164	28 574 608
Total	**55 730 046**	**52 157 276**	**-**	**-**	**108 346 854**	**107 887 322**
Provision for ECL						
South Africa	(393 912)	(4 954 086)	-	-	(5 347 998)	(4 974 018)
Rest of Africa	(607 493)	(5 862 341)	-	-	(6 469 834)	(5 389 967)
Total	**(1 001 405)**	**(10 816 427)**	**-**	**-**	**(11 817 832)**	**(10 363 985)**
Carrying amount: South Africa	32 046 201	40 665 491	-	-	72 711 692	74 338 696
Carrying amount: Rest of Africa	21 422 801	2 394 529	-	-	23 817 330	23 184 641
Carrying amount - Stage 1 and 2	**53 469 002**	**43 060 020**	**-**	**-**	**96 529 022**	**97 523 337**
Gross carrying amount	54 470 407	53 876 447	3 669 997	1 033 751	113 050 602	113 030 083
Provision for ECL	(1 001 405)	(10 816 427)	(2 466 370)	(623 603)	(14 907 805)	(13 700 389)
Net carrying amount	**53 469 002**	**43 060 020**	**1 203 627**	**410 148**	**98 142 797**	**99 329 694**

ECL

in thousands of rands	2025	2024
12-month ECL	1 001 405	1 107 090
Lifetime ECL- not credit impaired	10 816 427	9 256 895
Lifetime ECL- credit impaired	1 835 239	2 472 522
Purchased - credit impaired	623 603	358 895
Total	**14 276 674**	**13 195 402**

ECL statement of financial position amount above excludes interest in suspense of R631 million (31 March 2024: R505 million).

(c) Development bonds

in thousands of rands	12-month ECL	Lifetime ECL - not credit impaired	Total 2025	Total 2024
Performing				
Municipal	821 605	772 743	1 594 348	2 198 900
Provision for ECL	(807)	(51 177)	(51 984)	(133 146)
Net carrying amount	**820 798**	**721 566**	**1 542 364**	**2 065 754**

The maximum exposure relating to development bonds is R1.5 billion (31 March 2024: R2.1 billion).

(d) Trade receivable and other assets

in thousands of rands	Default rate 0%	Default rate 17% and 100%	Default rate 100%	Total 2025	Total 2024
Trade receivables					
Trade debtors	225 466	117 456	2 967	345 889	239 165
Provision for ECL	-	(64 047)	(2 967)	(67 014)	(56 648)
Net carrying amount of trade receivables	**225 466**	**53 409**	**-**	**278 875**	**182 517**
Financial and other assets					
Accrued interest				904	1 079
Deposits				4	4
Payroll expenses receivable				38	20
Prepayments				35 461	51 063
Staff loans				120	50
Subsistence and travel				1 561	1 117
VAT receivable				3 209	2 873
Total of financial and other assets				**41 297**	**56 206**
Balance at end of the year				**320 172**	**238 723**

(e) Commitments (loans signed, but not yet fully disbursed)

in thousands of rands		2025	2024
Low risk	- Other	9 963 443	4 784 564
Medium risk	- Municipal	129 924	229 924
	- Other	10 935 039	10 638 671
High risk	- Municipal	-	234 316
	- Other	58 772	13 388
Gross carrying amount		**21 087 178**	**15 900 863**
Provision for ECL		(61 083)	(36 086)
Net carrying amount		**21 026 095**	**15 864 777**

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	2025					2024				
	<3 months	3-6 months	6-12 months	> 12 months	Total	<3 months	3-6 months	6-12 months	> 12 months	Total
Overdue amounts	72 020	-	15 243	45 866	**133 129**	127 789	15 017	17 217	35 029	**195 052**
Not yet due	-	-	-	-	**5 287 006**	-	-	-	-	**7 083 276**
Total	**72 020**	**-**	**15 243**	**45 866**	**5 420 135**	**127 789**	**15 017**	**17 217**	**35 029**	**7 278 328**

An amount of R311 million (31 March 2024: R87 million) was received after the reporting date but before the authorisation of the Annual Financial Statements.

The fair value of collateral amounted to R747 million (31 March 2024: R491 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	2025	2024
Bonds	300 000	181 000
Cash and cash equivalents	15 017 755	10 803 772
Derivatives	168 342	(579 448)
Segregated funds	331 878	304 966
Total	**15 817 975**	**10 710 290**

42.4 Capital management

The Bank's 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 2025, the debt-to-equity ratio stood at 105% (31 March 2024: 123%), and the debt-to-equity ratio including callable capital stood at 78% (31 March 2024: 89%). 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 reserve. As at 31 March 2025, the capital ratio stood at 48% (31 March 2024: 44%).

42.5 Impact of macro-economic shock events on the Bank

42.5.1 Assets portfolio

42.5.1.1 Credit models

The base models applied in finalising ECLs for the current year remained consistent with the prior year. There were no other changes made to the base credit models during the year under review. However, the inputs into the ECL models were reviewed in response to the macro-economic shock events.

42.5.1.2 Forward-looking information models

IFRS 9 requires the assessment of credit risk to incorporate forward-looking information. In determining the ECL provisions, management has considered all reasonable and supportable information, including forward-looking information. The ECL model methodology was reassessed to determine applicability given current and evolving 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 consistently utilised to model the effects of macro-economic factors on the DBSA PD's to appropriately determine ECL at year end. The full extent of factors such as tariffs issues, RSA- US relations, Russia-Ukraine conflict, African 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.

42.5.1.4 Consideration of post balance sheet information

The Bank's standard practice is to use forward-looking information obtained approximately a month before the reporting date. Given the nature and extent of the shock events, during the year the Bank used forward-looking information for March 2025 obtained in April 2025. Management continuously monitors the current and forecast effects of macro-economic shock events to determine whether these indicate evidence of the occurrence of adjusting post balance sheet events. Given the current and evolving macro-economic outlook, the impact of changes to forward-looking information was reviewed for March 2025 in a manner consistent with the prior year.

42.5.1.5 Changes in weighting in response to macro-economic shock

During the year, there was increased optimism regarding the GNU post the elections and interest rates and inflation reduced in the later part of the year. The GNU was widely received by the markets and this optimism was met with increased tensions in the USA-RSA relations and the tariffs on African exports around the financial year end. Further there were improvements in the high frequency indicators relating to currency movements and in particular ZAR-USD exchange rates. The overall outlook is therefore a mix between green shoots and emerging risks relating to geopolitics and tariffs. The ECL has been based on a point between the best case and adverse case. The weights applied in the ECL determination are as follows: Base 60%, Adverse case 35% and Best case of 5%. The Bank proactively continues to perform reviews of the economic outlooks, scenario analyses and stress testing of the ECL including evaluation of the impact of the loan structures subject to sovereign debt restructure. The results from the stress testing are shown below:

- Increase in Adverse case by 5% causes ECL to increase by approximately 0.7%
- Increase in Adverse case by 10% causes ECL to increase by approximately 1.4%
- Increase in Adverse case by 15% causes ECL to increase by approximately 2.0%.

42. RISK MANAGEMENT (continued)

42.5 Impact of macro-economic shock events on the Bank (continued)

42.5.1 Assets portfolio (continued)

42.5.1.6 IFRS 9 and IFRS 13 continuous improvement plan

As part of the bank's continuous improvement strategies, DBSA reviews the various IFRS 9 policies and procedures as part of the IFRS 9 Continuous Improvement Plan. The continuous review and benchmarking is a phased approach and some of the improvement processes were completed and others were underway at year end. The delineation of the project into corresponding workstreams has allowed specific focus on key areas within IFRS 9 and IFRS 13 implementation. As part of the review, the Bank seeks to continue compliance with best practice in a manner commensurate with its internal risk and governance approach. Any required changes or updates to internal policies and/or processes are subject to approval under the Bank's applicable governance framework. The two critical workstreams that were completed recently and are relevant to the March 2025 results are:

(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. The results from the benchmarking indicated that the Bank's SICR rules are in compliance with IFRS 9 and 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 the valuation of equities (unlisted portfolio) and the benchmarking results indicated that the Bank's discounts rates are appropriate and in line with the industry asset classes and in compliance with IFRS 13.

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. As at 31 March 2025, the Bank's foreign currency borrowing limit was approved by the Minister 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 reciprocal tariffs have introduced new challenges and changed the global trade dynamics with increased tensions, increased costs of doing business, disruption in market access and potential disruptions within the international supply chain systems. Tariffs lead to higher prices of imported goods and narrows profit margins. The changes in trade policies and sustained significant volatility in the foreign exchange currency affects investment decisions, cash flows generated by business and exacerbate instability within financial markets.

There is increased risk that should the tariff war and related disruptions continue for longer, that may trigger financial markets crisis and global recession and can potentially affect ability to raise funding, short term liquidity and asset and liability managements strategies. Supply chain disruptions may force businesses to seek alternative markets or adjust production processes resulting in losses, inefficiencies, delays within supply chain management systems and additional costs incurred to comply with trade regulations and tariffs and increased currency volatility. While oil producing countries continue to benefit from relatively higher price levels, energy importing economies will see imported inflation as result. The Bank's portfolio includes countries in Africa which face the risk of tariffs. In addition, the US-RSA relations affect the market dynamics.

42.7 Reference rate reform

42.7.1 General update on reference rate reform

As at 31 March 2025, the Bank is exposed to market risk associated with the JIBAR as an interest rate benchmark in its hedge accounting relationships and contractual agreements. The LIBOR transition was successfully completed as at March 2025. The Bank's Reference Rate Reform Project comprised two (2) main phases. Phase 1 focused on the reform of the LIBOR related exposures and this phase was completed in 2025. Phase 2 deals with JIBAR related exposures. The Phase 1 loan agreements were transitioned to new reference rates (i.e. SOFR and Term SOFR). Phase 2 of the project is still in the early phases since the SARB reform of JIBAR lagged the 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 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.

Phase 2 of the Reform Project will continue to be guided by a dedicated project management team overseen by Bank's governance structure to ensure 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.

42.7.2 Phase 1 LIBOR Reform update

The Bank has successfully transitioned or repapered all the assets and liabilities contracts as at 31 March 2025. However, some of the administrative matters relating to the remaining asset portfolio amounting to R3.2 billion were resolved in April 2025. There are no assets and liabilities that use LIBOR as a reference rate as at 31 March 2025.

42.7.3 Phase 2 JIBAR Reform update

The SARB is in a process of replacing JIBAR. Preliminary indications are that the cessation date for JIBAR is likely to be end of 2026. 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 and the observation period 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.

42.7.3.1 Updates on key developments on JIBAR reform

The updates on key developments on JIBAR reform is detailed below:

(a) 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.

(b) 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.

(a) Contract reviews and amendments

A preliminary review of contracts potentially in scope for JIBAR reform has been conducted. The repapering of contracts will commence once the SARB has formally announced the cessation date of JIBAR. The JIBAR linked contracts in scope for the reform are shown on the Note 42.7.3.3

(d) ICT Systems and models

The Bank has conducted preliminary systems gap analysis to assess the impact of the JIBAR reform on the ICT systems and models.

42.7 Impact of macro-economic shock events on the Bank (continued)
42.7.3 Assets portfolio (continued)
42.7.3.2 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 because of the JIBAR 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 in-house counsel that has access to external counsel to ensure that all the contracts have been repapered.

(c) Operational risk

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

Risk Mitigation

All key systems will be upgraded for JIBAR reform 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 ZARONIA.

(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.

42.7.3.3 Exposure of significant IBORs subject to interest rate reform

The Bank predominately has ZAR, USD and EUR exposure to financial instruments and the table below shows the Bank's exposure at 31 March 2025 year end to JIBAR subject to reform that have yet to transition to ZARONIA as at the current year end. The non-derivative financial liabilities of R4.8 billion relates to only lines of credit subject to contract repapering.

(a) Reference rate reform exposure

The tables below shows JIBAR and IBOR exposure in ZAR:

in thousands of rands	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Derivatives Nominal amount
31 March 2025			
JIBAR tenors			
JIBAR (1 month)	5 414 864	-	-
JIBAR (3 months)	26 288 647	4 800 000	19 750 272
JIBAR (6 months)	6 896 748	-	-
JIBAR (12 months)	152 827	-	-
Total	**38 753 086**	**4 800 000**	**19 750 272**

in thousands of rands	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Loan commitments	Derivatives Nominal amount
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**	**-**

(b) IBOR exposure in USD currency amount

The table below shows IBOR exposure in USD currency amount:

in thousands of rands	Non-derivative financial assets - carrying value	Non-derivative financial liabilities - carrying value	Loan commitments	Derivatives 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**	**-**

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 R22 billion (31 March 2024: R25 billion). None of these loans are non-performing. Of the loan commitments disclosed in note 45, R9.7 billion (31 March 2024: R4.7 billion) relates to national public entities.

43.2.2 National mandates

The net amount outstanding at year end amounted to R306 million (31 March 2024: R223 million) (refer to note 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	2025	2024
At the reporting date, the Bank had the following commitments:		
Capital commitments	105 000	150 081
Development expenditure	25 000	69 000
Development loan commitments	21 087 178	15 900 863
Equity investments commitments	453 630	248 868
Project preparation expenditure	517 889	456 379
Gross carrying amount	**22 188 697**	**16 825 191**
Provision for ECL	(61 083)	(36 086)
Net commitments at end of the year	**22 127 614**	**16 789 105**

in thousands of rands	2025	2024

45.1 Development loan commitments

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.

45.1.1 Client classification of development loan commitments

	2025	2024
Educational institutions	-	21 121
Local government	129 924	464 240
National and provincial government	3 443 457	1 769 418
Private sector intermediaries	7 263 869	8 126 570
Public utilities	10 249 928	5 519 514
Total	**21 087 178**	**15 900 863**

45.1.2 Geographical analysis of development loan commitments

	2025	2024
Eastern Cape	100 000	-
Free State	4 250 000	4 250 000
Gauteng	5 531 535	1 125 218
KwaZulu-Natal	271 275	718 979
North West	-	21 121
Northern Cape	750 149	1 369 246
Western Cape	3 663 563	3 928 611
Rest of Africa	6 520 656	4 487 688
Total	**21 087 178**	**15 900 863**

Rest of Africa	2025	2024
Angola	275 274	296 920
Cote d'Ivoire	243 078	213 792
Gabon	207 463	306 447
Ghana	64 976	67 171
Mozambique	815 635	1 124 985
Nigeria	2 153 605	-
Namibia	2 159 000	-
Senegal	167 237	1 597 022
Sierra Leone	173	-
Tanzania	304 262	786 744
Uganda	91 516	94 607
Kenya	38 437	-
Total	**6 520 656**	**4 487 688**

45. COMMITMENTS (continued)

45.1 Development loan commitments (continued)

in thousands of rands	2025	2024

45.1.3 Sectorial analysis of development loan commitments

	2025	2024
Commercial	91 516	94 795
Communication and transport	4 892 142	1 223 904
Education	243 078	1 673 174
Energy - electricity	5 180 969	7 327 112
Energy – non-grid standalone	143 554	131 400
Institution building	-	98
Oil and gas	431 040	445 599
Roads and drainage	100 000	-
Social infrastructure	341 436	341 338
Water	9 663 443	4 663 443
Total	**21 087 178**	**15 900 863**

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 2025:

Reconciliation of carrying amount

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Balance at beginning of the year	15 492 511	408 352	-	-	15 900 863
Disbursements	(14 824 798)	(1 503 944)	(5 009)	-	(16 333 751)
Foreign exchange movement	(294 921)	(32 629)	-	172	(327 378)
New loan commitments issued	18 123 938	-	-	-	18 123 938
Transfer from stage 1 to stage 2	(1 776 670)	1 776 670	-	-	-
Transfer from stage 1 to stage 3	(13 388)	-	13 388	-	-
(Withdrawals/capital reduction)/adjusted/reinstated	3 731 885	-	(8 379)	-	3 723 506
Balance at end of the year	**20 438 557**	**648 449**	**-**	**172**	**21 087 178**

Reconciliation of provision for expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	9 833	26 253	-	36 086
New loan commitments issued	322	-	-	322
Transfer from stage 1 to stage 2	(6 808)	21 638	-	14 830
Subsequent changes in ECLs due to changes in risk parameters (PDs, LGDs, EAD)	(1 300)	11 145	-	9 845
Balance at end of the year	**2 047**	**59 036**	**-**	**61 083**

Expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
ECLs recognised in the income statement excluding interest in suspense and write-off	(7 786)	32 783	-	24 997

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:

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 movement	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)	-	-	-
(Withdrawals/capital reduction)/adjusted/reinstated	2 150 462	(142 194)	(370 865)	(179)	1 637 224
Transfer from stage 2 to stage 3	-	(351 826)	351 826	-	-
Balance at end of the year	**15 492 511**	**408 352**	**-**	**-**	**15 900 863**

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

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	2025	2024
Minimum lease payments due (IFRS 16)		
Within 1 (one) year	3 378	5 707
Within 2 (second) to 5 (fifth) year inclusive	3 133	6 127
Total	**6 511**	**11 834**

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	-	-
Total	**-**	**-**

There were no incidents of irregular, fruitless and wasteful expenditure during the current period.

48. FUNDS ADMINISTERED ON BEHALF OF THIRD PARTIES

Balance at beginning of the year	2 557 177	2 785 760
Funds disbursed	(5 318 976)	(5 593 535)
Funds received	5 668 019	5 149 437
Interest, foreign exchange and other movements	(179 176)	215 515
Balance at end of the year	**2 727 044**	**2 557 177**

48.1 Reconciliation of funds administered on behalf of third parties:

in thousands of rands	Balance as at 1 April 2024	Funds disbursed	Funds received during the year	Interest, foreign exchange and other movements	Balance as at 31 March 2025
SA Government funded	1 837 413	(5 107 967)	5 201 817	(104 886)	1 826 377
Other funders	719 764	(211 009)	466 202	(74 290)	900 667
Balance at end of the year	**2 557 177**	**(5 318 976)**	**5 668 019**	**(179 176)**	**2 727 044**

Mandates, agencies and programmes refers to activities where DBSA is appointed as an agent by third parties to implement projects or programmes on behalf of the third party principals. The DBSA acts as an implementing agent for projects and programmes on behalf of the South African Government and any other funders of mandates, agencies and programmes. The principals make funds available for the DBSA to implement the programmes by means of a ring-fenced bank account that is used for the specific programme or project activities as directed or instructed by the principals in the legal agreement signed between DBSA and the third party principals. This means that the funds which are in the ring fenced bank accounts are restricted and are utilised for specific purposes and are not available to the DBSA for any other use except as instructed in the agreements with third parties. The funds are not disclosed in the DBSA's statement of financial position as they do not meet the definition of an asset as per the accounting framework. The DBSA is not a deposit taking financial institution and does not accept deposits from the public because it is not regulated by the South African Banks Act 94 of 1990.

in thousands of rands	2025	2024

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 R49 million (31 March 2024: R45 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)	6 988	6 053
Department of Agriculture Land Reform	-	10 500
Department of Water and Sanitazation	144	-
District Development Model (DDM)	7 642	22 550
Global Environment Facility (GEF)	479	1 595
Infrastructure Delivery Management System (IDMS)	385	904
Infrastructure Fund	50 625	45 228
Infrastructure Investment Programme for South Africa (IIPSA)	1	-
Jobs Fund	656	1 970
KFW SADC Water Fund	2 945	2 545
National Department of Basic Education for Accelerated Infrastructure Schools Programme	355	2 911
National Department of Energy - Independent Power Producer Office (IPPO)	102 959	59 169
National Department of Health	-	14
National Treasury Cities Support Programme (NTCSP)	1 722	10 184
Non-Sewered Sanitation Programme	1 506	-
Northern Cape Provincial Treasury	5 805	-
South African Road Agency SOC	9 793	-
Student Housing Infrastructure Programme (SHIPMO)	-	2 082
Water Partnership Office	5 602	2 002
Total costs recovered	**197 607**	**167 707**
Third party managed funds managed per division		
Coverage	7 642	22 550
Finance	57 613	51 281
Infrastructure Delivery	21 149	27 058
Project Preparation	111 203	66 818
Total	**197 607**	**167 707**
Cost recovery per division		
Corporate Services	175 455	81 719
Finance	5 152	6 053
Infrastructure Delivery	16 243	27 059
Project Preparation	757	52 876
Total	**197 607**	**167 707**

in thousands of rands	2025	2024

50. DIVIDENDS

Dividends approved	48 295	-
Dividends paid	(48 295)	-
Total	**-**	**-**

During the current financial year, the shareholder at the AGM approved the proposed dividends of R48 Million (31 March 2024: R Nil Million) in line with the DBSA Act. The dividend is calculated as a percentage of net profit for the year.

51. 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.

52. EVENTS AFTER THE REPORTING PERIOD

52.1 Adjusting event

(a) There were no material adjusting events after the reporting date.

52.1 Non-adjusting events

(a) On 26 June 2025, the Board authorised an annual dividend of R160 million (31 March 2024:R48 million) to be distributed to the shareholder (National Treasury). The payment of the dividend is subject to approval by Shareholder at the next AGM in line with the DBSA Act.

ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
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
CFO	Chief Financial Officer
CPI	Consumer Price Index
CVA	Credit Value Adjustment
DBSA	Development Bank of Southern Africa Limited
DDM	District Development Model
DFI	Development Finance Institution
DPD	Days Past Due
DSSI	Debt Service Suspension Initiative
DVA	Debit Value Adjustment
EAD	Exposure at Default
EAR	Enhanced Auditor Reporting
ECL	Expected Credit Loss
EIR	Effective Interest Rate
Etc	Et cetera
EUR	Euro (currency)
FVTPL	Fair Value Through Profit or Loss
GAM	Generalised Additive Model
GDP	Gross Domestic Product
GNU	Government of National Unity
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
ISSB	International Sustainability Standards Board
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KfW	The German Agency, Kreditanstalt für Wiederaufbau
KZN	KwaZulu-Natal
LGD	Loss Given Default

LIBOR	London Interbank Offered Rate
MISA	Municipal Infrastructure Support Agency
MoA	Memorandum of Agreement
NAV	Net Asset Value
NCD	Negotiable Certificate of Deposit
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
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
SICR	Significant Increase in Credit Risk
SOC	State-Owned company
SOE	State-Owned Entity
SOFR	Secured Overnight Financing Rate
SPPI	Solely Payment of Principal and Interest
TTC	Through The Cycle
USD	United States Dollar (currency)
VAT	Value Added Taxation
ZAR	South African Rand (currency)
ZARONIA	South African 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 1258 Lever Road Midrand Johannesburg South Africa
Business address	1258 Lever Road Headway Hill Halfway House 1685 South Africa
Postal address	PO Box 1234 Halfway House 1685 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	Standard Bank
Primary Debt Listing	JSE Limited
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LinkedIn	www.linkedin.com/company/dbsa/
X	x.com/DBSA Bank
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Notes

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Building on Strength, **Expanding Impact**