Development Bank of Southern Africa Limited
Registration number: 1600157FN
JSE alpha code: DIDBS
("**DBSA**" or the "**Company**")

NOTICE OF AVAILABILITY OF INTERIM FINANCIAL STATEMENTS

DBSA hereby notifies its debt investors that it has publicly released its reviewed interim financial statements for the six months ended 30 September 2019. DBSA is a development finance institution; whose only shareholder is the Government of the Republic of South Africa. This notice is published on SENS to provide information to the holders of the Bank's listed debt instruments.

The interim financial statements and the auditor's unmodified review conclusion are available for inspection at DBSA's registered office at Headway Hills, 1258 Lever Road, Midrand, Johannesburg, 1685 and on the Company's website at https://www.dbsa.org. DBSA's auditor, the Auditor General of South Africa conducted the interim review in accordance with International Standard on Review Engagements 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.*

PERFORMANCE HIGHLIGHTS

- Net profit for the year R805m (30 September 2018: R2.3bn).
- Foreign exchange gain R280m (30 September 2018: R628m).
- Expected credit loss/impairment charge for the half year R1.1bn (30 September 2018: R501m).
- Total cost to income ratio 27% (30 September 2018: 22%).
- Gross non-performing loans ratio increased to 6.6% (31 March 2019:4.9%).
- Total assets increase marginally to R90bn (31 March 2019: R89bn).
- Debt to equity ratio 88% (31 March 2019: 90%) against a regulatory limit of 250%.

FINANCIAL RESULTS COMMENTARY:

FINANCIAL PERFORMANCE

The Bank continues to be profitable despite slowed economic growth. The Bank achieved a net profit for the interim period of R805m (30 Sept 2018: R2.3bn). Impairment charge increased by R559m to R1.1bn compared to R501m in the prior interim period. When compared to 30 September 2018, the net increase in impairment of R559m resulted from risk migration of clients from stage 2 to stage 3 (non-performing status). Operating costs remain under control, with cost to income ratio at 27% (30 Sept 2018: 22%). Net interest margin of 5.3% reflects a 3.6% decrease compared to the prior period margin of 5.5%. The foreign exchange gains as a result of the ZAR depreciating against the USD, amounted to R280m (Sep 2018: R628m).

FINANCIAL POSITION

Total Assets

The Bank's total assets marginally increased to R89.7bn (31 March 2019: R89.5bn), while development loans decreased by 1% YTD on the back of low disbursements and impairment charges. Cash and cash equivalents increased from R2.9bn (31 March 2019) to R3.7bn (30 September 2019).

Asset quality

IFRS 9 requires entities to be proactive and recognise expected credit losses earlier by taking into account current and forward-looking information, which introduces an element of volatility in the determination of expected credit losses. The total expected credit loss provision on the gross development loan book held at amortised cost increased during the interim period by approximately R1.1bn from R6.4bn as at 31 March 2019, to R7.5bn as at 30 September 2019. The increase in the expected credit loss provision from March 2019 to 30 September 2019 comprised of an increase in expected credit loss provision of R68m on stage 1 and stage 2 performing loans, and a R990 million increase in stage 3 non-performing loans, resulting in a non-performing loan ratio of 6.6% as at 30 September 2019 (31 March 2019: 4.9%). The expected credit loss gross coverage ratio on stage 3 loans as at 30 September 2019 was 66% (31 March 2019: 68%). The loan book asset quality remains acceptable.

Treasury and funding activities

The total outstanding debt funding reduced from R50.9bn as at 31 March 2019 to R50.5bn as at 30 September 2019. DBSA's DV22 bond with an original issued nominal value of R9.2bn matures in February 2020. To date, the Bank has bought back a total R4.8bn of the R9.2bn leaving a balance of approximately R4.4bn.

Capital adequacy

DBSA remained well capitalised. As at 30 September 2019, the Bank's regulatory debt to equity ratio amounted to 88% down from 90% as at 31 March 2019. The Bank's regulatory debt to equity limit is 250%.

GOVERNANCE AND INTERNAL CONTROL SYSTEM

DBSA continues to maintain an effective internal control environment, strong financial position and good governance.

OUTLOOK

The Mid Term Budget Policy Statement (MTBPS) issued by the Minister of Finance in October 2019 underscored the challenges facing the South African economy, evidenced in GDP growth forecast revision downwards from 1.5% to 0.5% for the 2019 fiscal year. Notwithstanding these economic challenges that have impacted disbursements in the first half of the year, the Bank remains profitable and will continue to focus on enhancing its developmental impact in line with its mandate and maintaining financial sustainability.

21 November 2019

Debt Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited