UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH ENDED 30 SEPTEMBER 2018

Bending the arc of history towards shared prosperity

DEVELOPMENT BANK OF SOUTHERN AFRICA

The reports and statements set out below comprise the condensed interim financial statements presented to the DBSA Board:

Contents **Page**

Contents	Page
Directors responsibility statement	3
Condensed Statement of financial position as at 30 September 2018	4
Condensed Statement of comprehensive income for the period ended 30 September 2018	5
Condensed Statement of other comprehensive income for the period ended 30 September 2018	6
Condensed Statement of changes in equity for the period ended 30 September 2018	7
Condensed Statement of cash flows for the period ended 30 September 2018	8
Condensed Accounting policies and notes to the condensed interim financial statements	9-21

DBSA
Development Bank of Southern Africa

DIRECTORS' RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

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

In preparing the Interim Financial Statements:

- The Development Bank of Southern Africa Act, No 13 of 1997 (Amended Act No 41 of 2014) has been adhered to.
- International Financial Reporting Standards and its interpretations as adopted by the International Accounting Standards Board and the presentation requirements of IAS 34: Interim Financial Reporting have been adhered to.
- Sections 27 to 31 of the Companies Act of South Africa, No 71 of 2008 being the relevant and corresponding sections of those specified in the Development Bank of Southern Africa Act, have been adhered to.

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 Interim Financial Statements and to safeguard, verify and maintain the accountability of the Bank's assets;
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going- concern basis; and
- The Audit and Risk Committee as well as the internal auditors review the financial and internal control systems, accounting policies, reporting and disclosure.

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

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

The Interim Financial Statements were approved by the Board of Directors on 22 November 2018 and are signed on its behalf by:

Phillip Jabulani Moleketi

Chairman of the Board

Patrick Khulekani Dlamini

Chief Executive Officer

DEVELOPMENT BANK OF SOUTHERN AFRICA

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

in thousands of rand	Notes	30 September 2018 Reviewed	31 March 2018 Audited
ASSETS			
Cash and cash equivalents at amortised cost		4 330 078	3 741 853
Trade and other receivables at amortised cost		458 851	399 621
Investment securities held at fair value through profit and loss		1 354 923	1 420 920
Derivative assets held for risk management held at fair value through profit and loss		791 867	1 240 445
Post-retirement medical benefits investment		44 369	45 446
Equity investments held at fair value through profit and loss	*6*	6 266 188	5 535 351
Development bonds at amortised cost		1 290 731	1 290 361
Development loans at amortised cost	*7*	73 572 619	75 047 479
Property and equipment		395 777	398 760
Intangible assets		92 553	91 710
Total Assets		88 597 956	**89 211 946**
EQUITY AND LIABILITIES			
Liabilities			
Trade and other payables at amortised cost		1 116 681	1 204 264
Provisions		75 155	66 640
Employee benefits		46 756	46 756
Debt funding designated at fair value through profit and loss*	8	6 367 565	6 473 055
Debt funding held at amortised cost*	8	44 386 898	47 040 916
Derivative liabilities held for risk management held at fair value through profit and loss		320 145	59 240
Total Liabilities		52 313 200	**54 890 871**
Equity			
Share capital		200 000	200 000
Retained earnings		21 966 304	19 472 969
Permanent government funding		11 692 344	11 692 344
Reserve for general loan risks		2 180 894	2 611 976
Other reserves**		245 214	343 786
Total Equity		36 284 756	**34 321 075**
Total Liabilities and Equity		88 597 956	**89 211 946**

* Funding has been presented by category. In the previous year's statement of financial position, funding was shown under instrument types, which are now shown in the notes.

** Revaluation reserve on land and buildings, cash flow hedge reseve and avaliable-for-sale reserve have been combined and presented as Other reserves in the condensed statement of financial position.

DEVELOPMENT BANK OF SOUTHERN AFRICA

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

in thousands of rand	30 September 2018 6 months Reviewed	30 September 2017 6 months Reviewed
Interest income	4 246 134	3 825 374
Interest expense	(2 011 390)	(1 911 696)
Net interest income	**2 234 744**	**1 913 678**
Net fee income	87 352	73 338
Net foreign exchange gain	628 247	110 487
Net gain on revaluation of financial assets and financial liabilities	289 614	39 726
Other income	40 381	108 250
Other operating income	**1 045 594**	**331 801**
Operating income	**3 280 338**	2 245 479
Project preparation expenditure	(2 417)	(4 922)
Development expenditure	(1 640)	(8 898)
Net impairment loss on financial assets	(501 449)	(272 210)
Personnel expenses	(380 602)	(376 290)
General and administration expenses	(132 304)	(108 665)
Depreciation and amortisation	(9 908)	(12 101)
Profit from operations	**2 252 018**	**1 462 394**
Grants	(8 129)	(8 045)
Profit for the period	**2 243 889**	**1 454 348**

DEVELOPMENT BANK OF SOUTHERN AFRICA

DBSA Development Bank of Southern Africa

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

in thousands of rand	30 September 2018 6 months Reviewed	30 September 2017 6 months Reviewed
Profit for the period	**2 243 889**	**1 454 348**
Items that may not be reclassified subsequently to profit and loss		
Movement due to changes in own credit risk on financial liabilities designated at fair value through profit and loss	(8 809)	-
Items that may be reclassified subsequently to profit and loss		
Unrealised loss on cash flow hedges	(170 491)	(82 578)
Loss on cash flow hedges reclassified to profit and loss	88 822	71 631
Unrealised gain on available- for sale- financial assets	-	3 895
	(81 669)	(7 052)
Other comprehensive loss	**(90 478)**	**(7 052)**
Total comprehensive income for the period	**2 153 411**	**1 447 296**

DEVELOPMENT BANK OF SOUTHERN AFRICA

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

in thousands of rand	Note	Share capital	Retained earnings	Permanent government funding	Reserve for general loan risk	Total other reserves	Revaluation reserve on land and buildings	Cash flow hedge reserve	Available-for-sale reserve	Total equity
Balance at 1 April 2017		**200 000**	**17 514 577**	**11 692 344**	**2 287 491**	**336 964**	**198 322**	**141 680**	**(3 038)**	**32 031 376**
Net profit for the period		-	1 454 348	-	-	-	-	-	-	1 454 348
Other comprehensive income/ (loss)										
Unrealised loss on cash flow hedges*		-	-	-	-	(82 578)	-	(82 578)	-	(82 578)
Loss on cash flow hedges reclassified to profit and loss		-	-	-	-	71 631	-	71 631	-	71 631
Unrealised gain on available-for-sale financial assets		-	-	-	-	3 895	-	-	3 895	3 895
Transfer to reserve for general loan risks		-	(111 736)	-	111 736	-	-	-	-	-
Balance at 30 September 2017 - Reviewed		**200 000**	**18 857 189**	**11 692 344**	**2 399 227**	**329 912**	**198 322**	**130 733**	**857**	**33 478 672**
Net profit for the period		-	828 529	-	-	-	-	-	-	828 529
Other comprehensive income/ (loss)										
Loss on revaluation of land and buildings		-	-	-	-	(14 513)	(14 513)	-	-	(14 513)
Unrealised gain on cash flow hedges*		-	-	-	-	204 194	-	204 194	-	204 194
Gain on cash flow hedges reclassified to profit and loss		-	-	-	-	(183 044)	-	(183 044)	-	(183 044)
Unrealised gain on available-for-sale financial assets		-	-	-	-	7 237	-	-	7 237	7 237
Transfer to reserve for general loan risks		-	(212 749)	-	212 749	-	-	-	-	-
Balance at 31 March 2018 - Audited		**200 000**	**19 472 969**	**11 692 344**	**2 611 976**	**343 786**	**183 809**	**151 883**	**8 094**	**34 321 075**
Impact of adopting IFRS 9										
- Increase in expected credit loss adjustment on development loans	**5.2**	-	(202 774)	-	-	-	-	-	-	(202 774)
- Increase in expected credit loss adjustment on loan commitments	**5.2**	-	(3 377)	-	-	-	-	-	-	(3 377)
- Reclassification of investments securities from available-for-sale to fair value through profit and loss	**5.2**	-	8 094	-	-	(8 094)	-	-	(8 094)	-
- Adjustment for lending fees included in deferred income previously recognised on a straight line basis but now recognised as part of the effective interest rate on a reducing balance method	**5.2**	-	16 421	-	-	-	-	-	-	16 421
Restated opening balance under IFRS 9 as at 1 April 2018 - Reviewed		200 000	19 291 333	11 692 344	2 611 976	335 692	183 809	151 883	-	34 131 345
Net profit for the period		-	2 243 889	-	-	-	-	-	-	2 243 889
Other comprehensive income/ (loss)										
Unrealised loss on cash flow hedges*		-	-	-	-	(179 300)	-	(179 300)	-	(179 300)
Loss on cash flow hedges reclassified to profit and loss		-	-	-	-	88 822	-	88 822	-	88 822
Transfer from reserve for general loan risks		-	431 082	-	(431 082)	-	-	-	-	-
Balance at 30 September 2018 - Reviewed		200 000	21 966 304	11 692 344	2 180 894	245 214	183 809	61 405	-	36 284 756

** Unrealised loss on cash flow hedges includes own credit risk adjustments on debt securities at FVTPL.*

DEVELOPMENT BANK OF SOUTHERN AFRICA

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

in thousands of rand	30 September 2018 6 months Reviewed	30 September 2017 6 months Reviewed
Net cash flows generated from operating activities	**1 910 240**	1 730 457
Net cash flows generated from/(used in) development activities	**3 819 424**	(2 045 309)
Net cash flows used in investing activities	**(2 829)**	(285 557)
Net cash flows (used in)/ generated from financing activities	**(5 188 052)**	1 376 361
Effect of exchange rate movement on cash balances	**49 442**	4 906
Net increase in cash and cash equivalents	**588 225**	**780 858**
Cash and cash equivalents at the beginning of the year	**3 741 853**	2 299 247
Cash and cash equivalents at the end of the period	**4 330 078**	**3 080 105**

1 Statement of compliance

The reviewed condensed interim financial statements for the period have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, the requirements of the PFMA and sections 27 to 31 of the Companies Act of South Africa (Act No 71 of 2008) being the relevant and corresponding sections specified in the DBSA Act and Treasury Regulations. The first half year results for 2018 have not been audited, but have been independently reviewed by the Bank's external auditors.

2 Basis of preparation

Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2018, except for the adoption of IFRS 9: Financial Instruments. The condensed interim financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at fair value: land and buildings, post retirement medical benefit, financial instruments at fair value through profit or loss, derivative financial instruments and non current assets held-for-sale. The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

3 Adoption of New Standards

IFRS 9: Financial Instruments

The Bank has adopted IFRS 9: Financial Instruments as issued in July 2014 with a date of initial application for DBSA on 1 April 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The Bank has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) basis. The Bank did however align certain disclosures to provide comparable data. The impact of adopting IFRS 9 has been applied retrospectively with an adjustment to the opening 1 April 2018 reserves as per note 5.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and the contractual cash flows characteristics of a financial assets. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:
. the amount of change in the fair value that is attributable to changes in the Bank's own credit risk of the liability is presented in other comprehensive income and
. the remaining amount of the change in the fair value is presented in profit or loss.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

IFRS 15: Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers, with effect from 1 January 2018, replaces the existing revenue standards including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The Bank adopted IFRS 15 on 1 April 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. IFRS 15 does not impact the majority of the bank's revenue as the standard does not apply to revenue associated with financial instruments.

4 Significant accounting policies

4.1 Financial Instruments

Financial assets and financial liabilities are recognised on 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 fair value through profit and loss 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 fair value through profit and loss are recognised immediately in profit or loss.

(a) Financial assets

Policy applicable before 1 April 2018

Prior to 1 April 2018, the Bank classified its financial assets into the following categories:
. Financial assets held at fair value through profit and loss;
. Loans and receivables;
. Held-to-maturity financial assets, and
. Available-for-sale financial assets.

Policy applicable from 1 April 2018

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are:
. assets with contractual cash flows that are not SPPI; and/or
. assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
. assets designated at fair value through profit and loss using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified either as:
. held at fair value through profit or loss or
. amortised cost.

Policy applicable after 1 April 2018

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Bank's own credit risk is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit and loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through profit and loss.

A financial liability is classified as held for trading if the Bank has designated financial liabilities at fair value through profit or loss in the following circumstances:
. it has been incurred principally for the purpose of repurchasing it in the near term; or
. on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
. it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit and loss upon initial recognition if:
. such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
. the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
. it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through profit and loss.

Amortised cost

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4.2 Impairment

Policy before 1 April 2018

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter business rescue or liquidation, the disappearance of an active market for a security or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

Policy applicable after 1 April 2018

The Bank recognises expected credit losses on the following instruments:
. Financial assets held at amortised costs.
. Financial guarantees issued, and
. Loan commitments issued.

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.

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

(a) Three stages

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

Stage 1: 12-months ECL

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

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

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

Evidence that a financial asset is credit-impaired include 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; or
. The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

4.3 Equity investments

Equity investments are initially recognised at fair value plus transaction costs. After initial recognition, the Bank measures equity investments at fair value through profit or loss. Unquoted equity instruments whose fair values cannot be reliably measured are held at cost. 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 arm's length transaction motivated by normal business considerations.

4.4 Development loans

Development loans are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, development loans are measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

4.5 Debt funding

Designated at fair value through profit and loss

Debt securities are held at fair value through profit and loss. The Bank has designated debt securities at fair value through profit or loss 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 recognised in the statement of comprehensive income. Changes in fair value of liabilities due to changes in the Bank's own credit risk is recognised in other comprehensive income.

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 asset or 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.

4.6 Contingent liabilities

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

4.7 Loan commitments

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 assets at an amount less than the amount advanced.

Policy after 1 April 2018

The financial asset would be assessed for expected credit loss quarterly based on the total value of the facility that has been made available counterparty. The date that the Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. To the extent that the amount of the expected credit losses on a loan commitment contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the impairment allowance should be presented as a provision. Where there has been a significant increase in the credit risk of that specified counterparty the expected credit losses calculation would be based on the expected lifetime credit losses.

4.8 Financial guarantees

Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Policy after 1 April 2018

Financial guarantee contracts issued by the Bank are initially measured at their fair value and, if not designated as at fair value through profit and loss and not arising from a transfer of a financial asset, are subsequently measured at the higher of:
. the amount of the expected credit losses 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.

The expected credit loss 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 expected credit losses requirements. To the extent that the amount of the expected credit losses on a financial guarantee contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the expected credit loss is presented as a provision in the statement of financial position.

4.9 Related parties

The Bank operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties. Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Bank. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Bank. Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Bank.

4.10 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue. Adjusting event: An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. Non-adjusting event: An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

4.11 Segment reporting

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

5 New Standards

5.1 IFRS 9: Financial Instruments

The Bank has adopted IFRS 9 Financial Instruments (IFRS 9) as issued in July 2014, which resulted in a change in accounting policy and adjustments to the amounts recognised in the financial statements. The Bank did not early adopt this standard.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated and adjustment has been made to the opening retained earnings figures as at 1 April 2018.

The classification of financial assets depends on the Bank's business model for managing financial assets and their contractual cash flow characteristics. IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments.

Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The change in fair value of financial liabilities that are designated at fair value through profit and loss due to changes in own credit risk will be required to be to be recognised within other comprehensive income.

For impairment IFRS 9 introduces an 'expected credit loss model' for the measurement of impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, so it is no longer necessary to recognise a credit loss only when a credit loss event occurs.

IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The Bank has elected to apply the IFRS 9 hedge accounting requirements from the date of transition. IFRS 9 Financial Instruments added significant new disclosure requirements for hedge accounting to IFRS 7.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

5.2 Transition disclosures - IFRS 9

(a) Reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 April 2018 is, as follows:

	IAS39 Measurement				IFRS 9 Measurement	
in thousands of rand	**Category**	**Amount**	**Reclassification**	**Remeasurement - ECL**	**Amount**	**Category**
Financial assets						
Cash and cash equivalents (note 2)	Loans and receivable	3 741 853	-	-	3 741 853	Amortised cost
Trade and other receivables (note 2)	Loans and receivable	399 621	-	-	399 621	Amortised cost
Investment securities held at fair value through profit and loss	FVTPL	1 195 665	225 255		1 420 920	FVTPL
Investment securities - available-for-sale (note 1)	Available-for-sale	225 255	(225 255)	-	-	-
Derivative assets held for risk management	FVTPL	1 240 445	-	-	1 240 445	FVTPL
Equity investments held at fair value through profit and loss	FVTPL	5 535 351	-	-	5 535 351	FVTPL
Development loans (note 2)	Loans and receivable	75 047 479	-	(202 774)	74 844 705	Amortised cost
Development bonds (note 3)	Held-to-maturity	1 290 361	-	-	1 290 361	Amortised cost
		88 676 030	-	(202 774)	88 473 256	
Financial liabilities						
Trade and other payables (note 4)	Amortised cost	1 204 264	-	-	1 204 264	Amortised cost
Debt funding designated at fair value through profit and loss (note 4)	Designated at FVTPL	6 473 055	-	-	6 473 055	Designated at FVTPL
Debt funding held at amortised cost (note 4)	Amortised cost	47 040 916	-	-	47 040 916	Amortised cost
Derivative liabilities held for risk management (note 4)	Designated at FVTPL	59 240	-	-	59 240	Designated at FVTPL
		54 777 475	-	-	54 777 475	

(1) A portfolio of sovereign bonds previously classified as available-for-sale financial assets under IAS 39 have been reclassified under IFRS 9 to financial assets held at fair value through profit or loss. The Bank's business model for the financial assets is achieved by realising cash flows through the sale of the assets. The fair value of these instruments on 31 March 2018 is R 225m. Had these instruments not been reclassified, a loss of R13m would have been recognised in other comprehensive income for the period. Total interest income recognised during the period is R10m.

(2) Cash and cash equivalents, trade and other receivables and development loans will now be classified as held at amortised cost which represents a change from the previous category of loans and other receivable. These financial assets are still measured at amortised cost however the impairment allowance is calculated using expected credit loss model. The IAS 39 was using the incurred loss model for impairment calculation. The calculation of the gross carrying amount will remain the same.

(3) Development bonds will now be classified as held at amortised cost which represents a change from the previous category of held to maturity however, this financial assets are still measured at amortised cost. The impairment allowance is calculated using the expected credit loss model in IFRS 9 as compared with the incurred loss model under IAS 39. The calculation of the gross carrying amount will remain the same.

(4) There were no changes in the classification and measurement of financial liabilities. The Bank already recognises changes in fair value of liabilities in its own credit risk adjustment in other comprehensive income under the cash flow hedge reserve.

(b) The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Retained earnings	Available-for-sale reserve
Opening retained earnings as at 31 March 2018 (IAS 39)	19 472 969	8 094
Impact as a result of initial adoption of a new accounting standard – IFRS 9		
- Increase in expected credit loss adjustment on development loans	(202 774)	-
- Increase in expected credit loss adjustment on commitments	(3 377)	-
- Reclassification of investments securities from available-for-sale to fair value	8 094	(8 094)
- Adjustment for lending fees included in deferred income previously recognised on a straight line basis but now recognised as part of the effective interest rate on a reducing capital balance method	16 421	-
Restated opening retained earnings as at 1 April 2018 (IFRS 9)	19 291 333	-

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the closing impairment allowance for financial assets in accordance to with IAS 39 and provisions for loan commitment and financial guarantees contracts in accordance with IAS 37 Provisions, Contingent liabilities and Contingent assets as at 31 March 2018 to the opening balance loss allowance on credit losses determined in accordance with IFRS 9 as at 1 April 2018.

	Loss provision under IAS39/IAS37 at 31 March 2018	Remeasurement	Expected credit losses under IFRS 9 at 1 April 2018
Trade and other receivables	(3 112)	-	(3 112)
Development bonds	(246)	-	(246)
Development loans	(4 823 167)	(202 774)	(5 025 941)
Provision for commitments	-	(3 377)	(3 377)
	(4 826 525)	(206 151)	(5 032 676)

in thousands of rand	30 September 2018 Reviewed	30 September 2017 Reviewed
d) Fees that form part of the effective interest rate		
Interest income	18 758	9 416
Net fee income	(18 758)	(9 416)
Net effective on the statement of comprehensive statement	-	-

In the prior years, fee income was disclosed under net fee income. Fees form part of the effective interest rate. They are now disclosed under interest income.

e) Statement of other comprehensive income

In the prior years, movements due to changes in own credit risk on financial liabilities designated at fair value through profit and loss was disclosed as part of the cash flow hedge reserve movement. In the current year, the movement is shown under items that may not be reclassified subsequently to profit and loss as a separate line item.

6 Equity Investments

	30 September 2018	30 September 2017
Equity investments designated at fair value through profit and loss	6 266 188	5 535 351
Cost		
Balance at beginning of the year	4 160 421	4 582 256
Acquisitions	58 167	286 288
Capital return	(61 098)	(708 123)
Balance at end of the period/year	4 157 490	4 160 421
Fair value adjustment and impairment		
Balance at beginning of the year	588 425	362 275
Current year fair value adjustments	290 361	50 835
Realised capital gain	-	175 315
Balance at end of the period/year	878 786	588 425
Foreign exchange adjustments		
Balance at beginning of the year	786 505	1 027 978
Unrealised gain/(loss)	431 048	(265 157)
Realised gain	12 359	23 684
Balance at end of the period/year	1 229 912	786 505
Total equity investments designated at fair value through profit and loss	6 266 188	5 535 351

DBSA Development Bank of Southern Africa

in thousands of rand	30 September 2018 Reviewed	31 March 2018 Reviewed
7 Development loans		
Balance at the beginning of the year	79 870 646	75 667 226
Movements during the period/year	(762 510)	4 203 420
Gross development loans	79 108 135	79 870 646
Allowance for credit losses on development loans (refer to note 5.1)	(5 535 516)	(4 823 167)
Net development loans at the end of the period/year	73 572 619	**75 047 479**
Movements during the period/year:		
Loans disbursed	4 116 103	11 922 527
Interest accrued	3 919 206	7 191 847
Loans waiver	-	(25)
Impairment of current year interest	83 298	118 319
Development loans written off	(64 900)	(79 548)
Foreign exchange	3 054 289	(1 968 313)
Gross repayments	(11 917 283)	(13 352 612)
Fees raised	50 662	371 225
Transfer adjustments	(3 885)	-
	(762 510)	4 203 420
7.1 Allowance for credit losses on development loans reconciliation		
Balance at the beginning of the year - IAS 39	4 823 167	4 162 048
IFRS 9 Transition adjustments	202 774	-
Restated opening balance as at 1 April 2018 - IFRS 9	5 025 941	**4 162 048**
Impairment of interest	83 298	118 319
Loans written off	(64 900)	(79 548)
Loans waiver	-	(25)
Impairment charge	491 177	622 373
Balance at the end of period/year	5 535 516	**4 823 167**
Impairment Charge		
Non Performing Loans		
Stage 3 loans	245 119	-
Performing Loans		
Stage 2 loans	200 330	-
Stage 1 loans	45 728	-
Identifiable impairments		
Non-performing book	-	555 549
Performing book	-	(150 329)
Unidentifiable impairments		
Model driven-performing book	-	217 153
	491 177	**622 373**

DBSA Development Bank of Southern Africa

7.2 Reconciliation on allowance for expected credit losses on development loans

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 April 2018	47 435 432	28 840 103	3 595 111	79 870 646
Transfer from Stage 1 to Stage 2	(1 110 374)	1 110 374	-	-
Transfer from Stage 2 to stage 3	-	(387 150)	387 150	-
Transfer from Stage 2 to stage 1	375 036	(375 036)	-	-
New financial assets	4 116 103	-	-	4 116 103
Financial assets derecognised during the period other than write-offs	(9 548 529)	(2 169 694)	(199 060)	(11 917 283)
Changes in interest accrual	2 329 667	1 494 022	178 814	4 002 503
Write-offs	-	-	(64 900)	(64 900)
Foreign exchange adjustments	2 506 512	344 968	202 809	3 054 289
Other movements-fees	45 331	3 837	1 494	50 662
Other transfers	(1 816)	-	(2 069)	(3 886)
Gross carrying amount as at 30 September 2018	46 147 361	28 861 424	4 099 349	79 108 135

	30 September 2018 Reviewed	31 March 2018 Audited
Development loans receivable net of expected credit losses		
Non-performing		
Stage 1 loans	46 147 362	47 435 432
Stage 2 loans	28 861 423	28 840 103
Stage 3 loans	4 099 350	3 595 111
Allowance for expected credit losses on development loans	(5 535 516)	(4 823 167)
Net development loans at the end of the period/year	73 572 619	75 047 479
Impairment releases/(charges), claims and recoveries		
Net impairments raised to the statement of comprehensive income	491 177	622 373

Allowance for expected credit losses on development loans reconciliation	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Expected credit losses allowance as at 1 April 2018	397 650	2 024 748	2 400 769	4 823 167
IFRS 9 Adjustments	(182 102)	382 200	2 676	202 774
Restated opening balance as at 1 April 2018 - IFRS 9	215 548	2 406 948	2 403 445	5 025 942
Transfer from Stage 1 to Stage 2	(42 290)	289 890	-	247 600
Transfer from Stage 2 to Stage 3	-	(92 703)	132 716	40 013
Transfer from Stage 2 to Stage 1	31 978	(68 593)	-	(36 615)
New financial assets	1 466	-	-	1 466
Financial assets derecognised during the period other than write offs	(745)	(72)	-	(817)
Impairment of interest	-	-	83 298	83 298
Write-offs	-	-	(64 900)	(64 900)
Net growth in loan book	55 320	71 807	112 402	239 529
Expected credit losses allowance as at 30 September 2018	261 277	2 607 277	2 666 962	5 535 516

8 Debt funding

	30 September 2018 Reviewed	31 March 2018 Audited
Debt funding designated at fair value through profit and loss		
- Debt securities	6 367 565	6 473 055
Debt funding held at amortised cost		
- Debt securities	29 154 624	33 363 703
- Lines of credit	15 232 274	13 677 213
	44 386 898	47 040 916
Total debt funding	50 754 463	53 513 971

9 Fair value hierarchy disclosures

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.

Level 3

Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The Bank holds financial assets and liabilities for which quoted prices are not available, such as over the counter (OTC) derivatives. For these financial instruments the Bank uses valuation techniques to estimate fair value. The valuation techniques used 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. These valuation techniques use as their basis independently sourced market parameters, such as interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

The Bank uses generally accepted valuation models to determine the fair value of simple and liquid financial instruments, such as interest rate and Currency swaps in G7 currencies and equity swap and option contracts on listed securities or indices, that use only observable market data and involve minimum judgement. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on general conditions and specific events in the financial markets.

The Bank holds complex financial instruments, such as structured OTC derivatives, securities (both debt and equity) not quoted in active markets and interests in securitisations. The fair value of these instruments is determined using internally generated valuation models, which are usually developed from generally accepted valuation models. The majority of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. The selection of the appropriate valuation model, as well as the determination of key inputs used such as the expected future cash flows on the financial instrument, the probability of counterparty default and the appropriate discount rate to be used, require management judgement and estimation. For determining the fair value of unquoted equity instruments the Bank uses a combination of market and income approaches. The market approach and the income approach are common valuation techniques for equity investments that are not publicly traded. Under the market approach, the Bank uses prices and other relevant information generated by market transactions involving identical or comparable securities. Under the income approach, future amounts are converted into a single present amount (e.g. a discounted cash flows model). The market approach is preferred as the main inputs used are typically observable.

The Bank adjusts fair value estimates derived from models for any factors, such as credit risk, liquidity risk or model uncertainties. For measuring derivatives that might change classification from being an asset to a liability or vice versa e.g. interest rate swaps – fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants would take this into consideration in pricing the derivatives. CVA and DVA adjustments are typically reduced where collateral is paid or received. The valuation of collateralised derivatives typically reflect a valuation adjustment to incorporate the cost of funding collateral payments, referred to as funding valuation adjustment (FVA). Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped by fair value hierarchy level.

	Valuations with reference to observable prices Level 1	Valuations based on observable input Level 2	Valuations based on unobservable input Level 3	Total
September 2018				
Financial assets designated at fair value through profit and loss				-
Investment securities	557 423	797 500	-	1 354 923
Derivative assets held for risk management	-	791 867	-	791 867
Equity investments	-	3 911 703	2 354 486	6 266 188
Financial assets held at amortised cost for which fair values are disclosed				
Development loans	-	-	79 463 441	79 463 441
Development bonds	-	1 379 927	-	1 379 927
Cash and cash equivalents	-	4 330 078	-	4 330 078
Trade receivables and other assets	-	-	458 851	458 851
Total financial assets	557 423	11 211 075	82 276 778	94 045 276
Financial liabilities designated at fair value through profit and loss				
Funding: debt securities	-	6 367 565	-	6 367 565
Derivative liabilities held for risk management	-	320 145	-	320 145
Financial liabilities held at amortised cost for which fair values are disclosed				
Funding: debt securities	-	30 861 684	-	30 861 684
Funding: lines of credit	-	15 813 444	-	15 813 444
Trade and other payables	-	-	1 116 681	1 116 681
Total financial liabilities	-	53 362 838	1 116 681	54 479 519
March 2018				
Available-for-sale financial assets				
Investment securities	225 255	-	-	225 255
Financial assets designated at fair value through profit and loss				-
Investment securities	1 195 665	-	-	1 195 665
Derivative assets held for risk management	-	1 240 445	-	1 240 445
Equity investments	-	3 192 132	2 343 219	5 535 351
Financial assets held at amortised cost for which fair values are disclosed				
Development loans	-	-	86 770 598	86 770 598
Development bonds	1 253 048	-	-	1 253 048
Cash and cash equivalents	-	3 741 853	-	3 741 853
Trade receivables and other assets	-	-	399 621	399 621
Total financial assets	2 673 968	8 174 430	89 513 438	100 361 836
Financial liabilities designated at fair value through profit and loss				
Funding: debt securities	6 473 055	-	-	6 473 055
Derivative liabilities held for risk management	-	59 240	-	59 240
Financial liabilities held at amortised cost for which fair values are disclosed				
Funding: debt securities	30 828 652	5 296 530	-	36 125 182
Funding: lines of credit	-	15 742 988	-	15 742 988
Trade and other payables	-	-	1 204 264	1 204 264
Total financial liabilities	37 301 707	21 098 758	1 204 264	59 604 729

Transfers between level 1 and level 2 fair values, are outlined in the table below.

	30 September 2018 Transfers from level 1 to level 2	30 September 2018 Transfers from level 2 to level 1	31 March 2018 Transfers from level 1 to level 2	31 March 2018 Transfers from level 2 to level 1
Financial assets designated at fair value through profit and loss				
Investment securities	797 500	-	-	-
Financial liabilities designated at fair value through profit and loss				
Funding: debt securities	6 367 565	-	-	-

The Bank's assesses each item for which fair value is disclosed at each reporting date and discloses transfers between levels should the assessment result in a change in level. Municipal bonds, Corporate bonds and Funding: debt securities were transferred from level 1 to level 2 during the period due to the volume or level of activity close to measurement date not supporting a level 1 fair value classification.

The following table summarises information about how the fair values of financial assets and financial liabilities (both recurring and non-recurring) which are categorised as Level 2 and Level 3 are determined:

	30 September 2018 Fair value hierarchy	30 September 2018 Fair value	31 March 2018 Fair value hierarchy	31 March 2018 Fair value
Financial assets				
Net derivatives	2	471 722	2	1 181 205
Investment securities	2	797 500		-
Equity investments	2 and 3	6 266 188	2 and 3	5 535 351
		7 535 410		6 716 556
Financial liabilities				
Funding: debt securities	2	6 367 565		-

Valuation techniques used to determine fair value

Derivatives

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).

Investment securities

Market observable bond prices from the Johannesburg Stock Exchange.

Equity investments

(a) 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 provides that marketability and other discount in the range 10% to 30% should be factored into the valuation. Different factors are considered in setting the marketability and other discount and it is possible for the marketability and other discount for a particular instrument to be outside the guideline range.

(b) Valuation techniques for third party managed private equity

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 guidelines also 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.

Funding: debt securities

Market observable bond prices from the Johannesburg Stock Exchange.

in thousands of rand	**30 September 2018 Reviewed**	**31 March 2018 Audited**
10 Commitments		
Development loan commitments	8 337 014	7 295 957
Development expenditure	-	5 649
Project preparation expenditure	99 965	83 149
Equity investments commitments	889 165	894 519
Capital commitments	90 342	98 473
Gross commitments	9 416 486	8 377 747
Development loan commitments expected credit losses	(13 207)	-
Net commitments at the end of the period/year	9 403 279	8 377 747

Reconciliation of development loan commitments	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Lifetime expected credit loss
Gross carrying amount as at 1 April 2018	7 295 957	-	-	7 295 957
New loan commitments issued	5 280 762	593 772	425 434	6 299 968
Disbursements	(4 116 103)	-	-	(4 116 103)
Withdrawals	(1 112 071)	-	-	(1 112 071)
Foreign exchange losses	(30 738)	-	-	(30 738)
Gross carrying amount as at 30 September 2018	7 317 808	593 772	425 434	8 337 014

Reconciliation of development loan commitments expected credit losses	Stage 1 12-month expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Expected credit losses allowance as at 1 April 2018	-	-	-	-
IFRS 9 Adjustments	3 377	-	-	3 377
Restated opening balance as at 1 April 2018 - IFRS 9	3 377	-	-	3 377
New loan commitments issued during the year	574	9 173	8	9 755
Net growth in loan book	75	-	-	75
Expected credit losses allowance as at 30 September 2018	4 026	9 173	8	13 207

in thousands of rand	30 September 2018 Reviewed	31 March 2018 Audited
Impairment Charge		
Stage 1 loans	649	-
Stage 2 loans	9 173	-
Stage 3 loans	8	-
	9 830	-
Impairment releases/(charges), claims and recoveries		
Net impairments raised to the statement of comprehensive income	9 830	-

11 Segmental Information

Below are the operating reportable segments following the operating model review

	30 September 2018 Reviewed	31 March 2018 Audited
Interest income****		
RSA Municipalities	1 410 107	1 451 504
RSA Economic and Social	1 743 031	1 552 832
Rest of Africa	863 907	647 738
Treasury	229 089	173 300
Total operating segment interest income	4 246 134	3 825 374
Intersegment interest income	-	-
Total DBSA	4 246 134	3 825 374
Net profit		
RSA Municipalities	575 525	531 681
RSA Economic and Social	932 668	773 649
Rest of Africa	329 854	354 230
Infrastructure Delivery	(3 211)	1 545
Treasury	738 648	105 449
Corporate ***	(329 595)	(312 206)
Total operating segment net profit	2 243 889	1 454 348
Intersegment net profit	-	-
Total DBSA	2 243 889	1 454 348
Total assets		
RSA Municipalities	28 638 025	29 941 743
RSA Economic and Social	32 637 697	35 522 856
Rest of Africa	19 855 925	16 409 891
Infrastructure Delivery	190 030	135 760
Treasury	6 722 384	6 643 327
Corporate ***	553 895	558 369
	88 597 956	89 211 946
Total liabilities		
RSA Municipalities	16 394 897	17 384 770
RSA Economic and Social	19 223 577	21 030 135
Rest of Africa	10 018 907	7 050 041
Infrastructure Delivery	173 104	115 623
Treasury	2 669 298	5 734 242
Corporate ***	3 833 417	3 576 060
	52 313 200	54 890 871

There has been realignment of the organisational structure and new operating model, to improve organisational efficiencies and position the Bank to be both more responsive to the growing need for its products and services, and more proactive in sculpting innovative solutions to the many development challenges encountered daily. The comparative segment information has been restated to align to the new operating model.

*** Corporate include the following divisions : Finance, Financing Operations, Risk, Project Preparation, Corporate Services and Office of the CE.

**** All revenue is derived from external customers and there are no inter-segmental revenues.

DBSA Development Bank of Southern Africa

12 Related parties

DBSA is one of the 21 Schedule 2 major public entities 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 the Ministry of Finance, is the parent of the Bank and exercises ultimate control.

13 Contingencies

Contingent liabilities

The Bank operates in a legal and regulatory environment that exposes it to litigation risks. As a result, it is involved in disputes and legal proceedings which arise in the ordinary course of the business. The Bank does not expect the ultimate resolution of any of the proceedings to have a significant adverse effect on its' financial position. These claims cannot be reasonably estimated at this time.

in thousands of rand	30 September 2018 Reviewed	31 March 2018 Audited
Guarantees		
The Bank has approved and issued guarantees on behalf of borrowers amounting to:	-	**28 217**

14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	3	7
Details of fruitless and wasteful expenditure		
Interest on late payments	1	3
Lost foreign currency	-	4
Missed flights	2	-
	3	7

The interest on late payments will be recovered from the employee. No displinary action was taken against the employee regarding the missed flights. This will be recovered from the employee. There were no incidents of irregular expenditure during the half year under review.

15 Events after the reporting period

There were no adjusting events that occurred after the reporting date.

16 Independent review by auditors

These condensed interim financial statements have been reviewed by Auditor General of the Republic of South Africa who expressed a conclusion on the condensed interim financial statements. A copy of the auditor's report is available for inspection at the registered office of the Bank.