DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

Accelerating
Development
Impact

September 2020
Condensed Interim Financial Statements

DEVELOPMENT BANK OF SOUTHERN AFRICA

The reports and statements set out below comprise the condensed interim financial statements.

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Building Africa's Prosperity

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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 and 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 that appear on pages 4 to 31 were approved by the Board of Directors on 26 November 2020 and are signed on its behalf by:

Enoch Godongwana	**Patrick Khulekani Dlamini**	**Martie Janse Van Rensburg**
Chairman of the Board	**Chief Executive Officer**	**Chairman of the Audit and Risk Committee**

in thousands of rands	Notes	30 September 2020 Reviewed	31 March 2020 Audited
Assets			
Cash and cash equivalents at amortised cost		8 508 132	3 458 836
Trade receivables and other assets		301 184	328 069
Investment securities		566 149	1 787 361
Investments under resale agreements at amortised cost		600 315	-
Derivative assets held for risk management purposes		824 707	812 053
Other financial asset		39 450	36 152
Development loans held at fair value through profit or loss	5	22 413	22 413
Equity investments held at fair value through profit or loss	6	5 242 903	5 993 951
Development bonds at amortised cost		1 288 277	1 288 278
Development loans at amortised cost	8	85 852 286	86 240 264
Property, equipment and right of use of assets		412 033	417 518
Intangible assets		76 028	80 220
Total assets		**103 733 877**	**100 465 115**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	9	999 148	696 324
Repurchase agreements at amortised cost	11	1 549 781	587 338
Derivative liabilities held for risk management purposes		355 322	784 835
Liability for funeral and post-retirement medical benefits		42 885	42 885
Debt funding designated at fair value through profit or loss	12	1 557 523	1 505 805
Debt funding held at amortised cost	13	60 725 664	59 040 495
Provisions and lease liabilities	10	173 783	229 856
Total liabilities		**65 404 106**	**62 887 538**
Equity			
Share capital		200 000	200 000
Retained income		23 596 463	23 005 253
Permanent government funding		11 692 344	11 692 344
Other reserves		350 220	191 749
Reserve for general loan risk		2 490 744	2 488 231
Total equity		**38 329 771**	**37 577 577**
Total equity and liabilities		**103 733 877**	**100 465 115**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

in thousands of rands	Notes	30 September 2020 6 Months Reviewed	30 September 2019 6 Months Reviewed
Interest income calculated using the effective interest rate	14	3 992 046	4 016 996
Other interest income	14	88 981	134 007
Interest expense calculated using the effective interest rate	15	(1 789 442)	(1 687 975)
Other interest expense	15	(58 573)	(289 411)
Net interest income	15	2 233 012	**2 173 617**
Net fee income	16	14 061	96 617
Net foreign exchange (loss)/gain		(353 879)	280 366
Net loss from financial assets and financial liabilities		(450 188)	(104 742)
Investment and other income		42 114	40 710
Other operating (loss)/income		(747 892)	**312 951**
Operating income		1 485 120	**2 486 568**
Project preparation expenditure		(23 261)	(25 592)
Development expenditure		(15 015)	(22 515)
Expected credit losses on financial assets held at amortised cost	17	(269 309)	(1 062 323)
Personnel expenses		(433 729)	(409 445)
General and administration expenses		(120 865)	(141 755)
Depreciation and amortisation		(16 094)	(14 604)
Profit from operations		606 847	810 334
Grants paid		(13 124)	(5 427)
Profit for the period		593 723	**804 907**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

in thousands of rands	30 September 2020 6 Months Reviewed	30 September 2019 6 Months Reviewed
Profit for the period	**593 723**	**804 907**
Items that will not be reclassified to profit or loss		
Movement due to changes in own credit risk on financial liabilities designated at fair value through profit or loss	**2 362**	**(18 552)**
Items that may be reclassified subsequently to profit or loss		
Unrealised gain/(loss) on cash flow hedges	**370 766**	(63 420)
(Gain)/loss on cash flow hedges reclassified to profit or loss	**(214 657)**	53 167
	156 109	**(10 253)**
Other comprehensive gain/(loss)	**158 471**	**(28 805)**
Total comprehensive income for the period	**752 194**	**776 102**

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

in thousands of rands	Share capital	Permanent government funding	Reserve for for general loan risk	Other reserves: Revaluation reserve on land and buildings	Other reserves: Cash flow hedge reserve	Other reserves: Own credit risk reserve	Total of other reserves	Retained income	Total equity
Balance as at 31 March 2019 (audited)	**200 000**	**11 692 344**	**2 268 456**	**203 756**	**25 918**	**64 134**	**293 808**	**22 717 646**	**37 172 254**
Net profit for the year							-	804 907	804 907
Other comprehensive income/(loss)							-		-
Movement due to changes in own credit risk on financial liabilities designated at fair value through profit or loss						(18 552)	(18 552)		(18 552)
Unrealised loss on cash flow hedges					(63 420)		(63 420)		(63 420)
Loss on cash flow hedges reclassified to profit or loss					53 167		53 167		53 167
Transfer to general loan risk reserve			28 432				-	(28 432)	-
Total changes	**-**	**-**	**28 432**	**-**	**(10 253)**	**(18 552)**	**(28 805)**	**776 475**	**776 102**
Balance as at 30 September 2019 - reviewed	**200 000**	**11 692 344**	**2 296 888**	**203 756**	**15 665**	**45 582**	**265 003**	**23 494 121**	**37 948 356**
Net loss for the period							-	(300 975)	(300 975)
Other comprehensive income/(loss)				(15 661)			(15 661)		(15 661)
Loss on revaluation of land and buildings									
Movement due to changes in own credit risk on financial liabilities designated at fair value through profit or loss						(13 242)	(13 242)		(13 242)
Remeasurement of funeral and post employment benefit liabilities							-	3 450	3 450
Unrealised loss on cash flow hedges					(70 023)		(70 023)		(70 023)
Loss on cash flow hedges reclassified to profit or loss					25 672		25 672		25 672
Transfer to general loan risk reserve			191 343				-	(191 343)	-
Total changes	**-**	**-**	**191 343**	**(15 661)**	**(44 351)**	**(13 242)**	**(73 254)**	**(488 868)**	**(370 779)**
Balance as at 31 March 2020 (audited)	**200 000**	**11 692 344**	**2 488 231**	**188 095**	**(28 686)**	**32 340**	**191 749**	**23 005 253**	**37 577 577**
Net profit for the period								593 723	593 723
Other comprehensive income/(loss)									-
Movement due to changes in own credit risk on financial liabilities designated at fair value through profit or loss						2 362	2 362		2 362
Unrealised gain on cash flow hedges					370 766		370 766		370 766
Gain on cash flow hedges reclassified to profit or loss					(214 657)		(214 657)		(214 657)
Transfer to general loan risk reserve			2 513				-	(2 513)	-
Total changes	-	-	2 513	-	156 109	2 362	158 471	591 210	752 194
Balance as at 30 September 2020 reviewed	200 000	11 692 344	2 490 744	188 095	127 423	34 702	350 220	23 596 463	38 329 771

DEVELOPMENT BANK OF SOUTHERN AFRICA
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

in thousands of rands	30 September 2020 6 Months Reviewed	30 September 2019 6 Months Reviewed
Net cash generated from operating activities	**2 578 454**	1 293 500
Net cash (used in)/generated from development activities	**(1 922 453)**	258 710
Net cash generated from investing activities	**690 192**	463 947
Net cash generated from/(utilised by) financing activities	**3 869 354**	(1 216 885)
Effect of exchange rate movement on cash balances	**(166 251)**	(34 028)
Net increase in cash and cash equivalents	**5 049 296**	**765 244**
Cash and cash equivalents at the beginning of the year	**3 458 836**	2 922 876
Cash and cash equivalents at the end of the period	**8 508 132**	**3 688 120**

1. Statement of compliance

The reviewed Condensed Interim Financial Statements for the period have been prepared in compliance with International Accounting Standard 34: Interim Financial Reporting 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 National Treasury Regulations. The reviewed condensed interim financial statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual financial statements. The first half year results for 2021 have not been audited, but have been independently reviewed by the Bank's external auditors.

2. Basis of preparation

The Condensed Interim 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;
- Land and buildings;
- Post-retirement medical aid benefit investment and
- Funeral benefit and post-retirement medical aid liability.

Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2020. 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. Significant accounting judgements, estimates and assumptions

As at year end, 31 March 2020, the Bank assessed the impact of COVID-19 on the following:
- The base credit models applied in finalising expected credit; losses;
- Forward looking information; models;
- Staging impact;
- Expansion of the master rating scale;
- Change in weightings;
- Liquidity risk management and
- The appropriateness of the cash flow hedging accounting.

3. 1 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 interim financial statements:

(a) 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 other comprehensive income 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 and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) 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.

3.2 Assumptions and estimation

(a) 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.

(b) 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.

(c) 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 expected credit losses.
• Forward-looking economic expectations are included in the ECL where adjustments are made based on the Bank's macroeconomic outlook such as specific event risk, have been taken into account in ECL estimates.
• Establishing relative weightings of forward looking information (best, base, and worst) for inclusion in the ECL calculation.

(d) Valuation of equity investments

Equity investments are held at fair value through profit or loss. Fair value is determined from observable market data in respect of similar financial instruments. Where market data is not observable, they are estimated based on appropriate assumptions. In addition, adjustments were made relating to risk premium within the equity exposures to ensure that all risks within the portfolio are considered in the determination of fair values. In the determination of fair value adjustment, the Bank complied with the approved valuation policy in terms of the applicable discount rates.

(e) Debt securities

Debt securities that are designated at fair value through profit or loss consist of bonds which are listed. At initial recognition of the debt securities, the fair value is estimated to be the purchase price. Fair value of debt securities are estimated using market observable prices from the Johannesburg Stock Exchange (JSE). In determining the changes in fair value of debt securities designated at fair value through profit or loss that is due to changes in the Bank's own credit risk, judgment is used in determining which portion of the change in spread is due to credit risk. Debt securities held at amortised cost consists of bonds, floating notes, commercial paper and bridging bonds. At initial recognition of the debt securities, the fair value is estimated to be the purchase price less transaction costs.

(f) Investment securities

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

(g) 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). During the year under review, the Bank enhanced the CVA/DVA valuation model to align with best practice principles aligned with the Basel standard approaches. The old model was based on current market method where the market value to the derivative is adjusted for an add-on factor based on nominal and time left to maturity counter party credit risk based on credit default swaps or NCD spreads and calculations were calculated at an individual deal level. This methodology was too simplistic and was enhanced to capture exposure at default by derivative type (swap, options and forwards) better than current mark to market method and aggregate deals by counterparty. The new methodology captures the exposure at default and capital charges using Basel 3 standardised approach for counterparty credit risk model and capital charge is used as a proxy for CVA/DVA adjustments and this methodology is appropriate for small banks with relatively smaller derivative portfolios. The changes to the methodology were reviewed by Market Risk team and Finance teams.

(h) Loan commitments

To the extent that the amount of the expected credit losses on loan commitment exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the amount of the credit losses is presented as a provision. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an asset at an amount less than the amount advanced.

4. 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);
• 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.

4.1 Financial assets

On initial recognition, the Bank classifies its financial assets into one of the following measurement categories at:
- amortised cost,
- fair value through profit or 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 as described below:

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

(a) Financial assets held at amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):
- 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;
- Investments under resale agreements;
- Cash and cash equivalents and
- Trade receivables and other assets.

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

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

(i) Debt instruments 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.

An entity may, at initial recognition irrevocably designate a financial asset as measured at fair value through profit or loss 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. These assets consist of development loans, other financial assets, equity investments, investment securities and derivatives.

(ii) 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 fair value through profit or loss. 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. These assets consist of equity investments, investment securities and derivatives.

4.2 Financial liabilities

The Bank accounts for its financial liabilities either as:
- held at fair value through profit or loss or
- held at amortised cost.

The Bank accounts for its financial liabilities either as financial liabilities held at fair value through profit or loss 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 are discussed under each category in the table below.

The classification of financial liabilities is detailed below:

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

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes debt securities and derivatives held for risk management. The Bank has designated financial liabilities 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 the derivatives used to hedge the interest rate risk are reported in net interest income in the statement of 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 fair value through profit or loss 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.

(c) 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 equity. 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.

(d) 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. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency swaps, currency options, options and forward rate agreements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. In measuring the fair value of the derivatives the Bank takes into account credit-value adjustment (CVA) and debit-value adjustment (DVA). CVA and DVA includes adjustment for the credit risk of the derivative counterparty (credit-value adjustment) as well as the Bank's own credit risk (debit-value adjustment). Collateral is taken into account in calculating the CVA/DVA, if any.

4.3 Impairment of financial instruments

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

(i) Expected credit losses

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

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

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

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

ii) Presentation of allowance for ECL in the statement of financial position

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

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

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

The Bank also considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis. The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual loan level basis.

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

(iv) Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:
• Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
• Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
• Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
• 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 a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
• PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
• EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
• LGD: The loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

When estimating the ECLs, the Bank considers three scenarios (base case, best case and worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs relevant to Bank's loan book, such as:
• CPI;
• GDP;
• Central Bank base rates (Jibar, Repo, Prime);
• Crude oil and
• Exchange rates (ZAR/USD).

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 financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

5. Hedge accounting

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

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

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.

6. 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 fair value through profit or loss in which case it is measured at fair value with changes in fair value recognised in profit or loss

7. Loan commitments

Loan commitments are recognised at the date that the Bank becomes a party to the irrevocable commitment (fixed commitment); that the date when all the conditions precedent (CPs) are met and the loan is on the implementation stage. We also assume this to be the date of origination of the loan. The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities if it is probable that the facilities will be drawn and results in recognition of an assets at an amount less than the amount advanced. The Bank will recognises ECL on loan commitments. Subsequently, they are measured at the higher of this amortised amount less the amount of expected credit loss 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.

8. Net Interest income

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

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

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

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired 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 expected credit losses (ECLs). For financial assets originated or purchased 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 includes 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 income and expense, 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.

9. Fee income and expense

Fee income and expenses include fees other than those that are an integral part of EIR (see above). The fees include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees. Fee income and expenses with regards 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.

10. Contingent liabilities

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

11. 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.

12. 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 financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

13. Segment information

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

1. New standards, amendments and interpretations

1.1. IFRS16: Leases: COVID-19-Related Rent Concessions:

On May 28, 2020, the IASB issued the amendments to IFRS 16 "Covid-19-Related Rent Concessions", aimed to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. Unlike most amendments to IFRS, application is also permitted in financial statements of earlier periods not yet authorised for issue at 28 May 2020. They are applied retrospectively, with an adjustment being made to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual period in which the lessee first applies the amendments.

This amendment has no effect on the Bank.

1.2 IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments: Interest Rate Benchmark Reform Phase 2

The Bank did not early adopt the IFRS 9 and IFRS 7 amendments on reference rate reforms. In order to ensure that the impact of reference rate reform is adequately evaluated, the Bank has commenced with a reference rate reform project. The project is in the early phase of its development and assessments will be conducted on all the impacted areas. The impact of the reference rate reforms cannot be reliably estimated at this point in time.

1.3 New standards, amendments and interpretations issued

The following new standards, amendments and interpretations are effective and assessment of the impact of these standards, amendments and interpretations on the Bank is ongoing and therefore have not been discussed in detail:

- IFRS 3: Business Combination
- IFRS 4: Insurance Contract
- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments
- IAS 1 Presentation of Financial Statements
- IAS 16: Property, Plant and Equipment
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- IAS 41: Agriculture

In thousands of rands	30 September 2020 Reviewed	30 September 2019 Reviewed
2. Condensed segmental information		
Total Interest Income		
RSA Municipalities	1 428 681	1 423 803
RSA Economic and Social	1 709 685	1 758 611
Rest of Africa	736 639	710 261
Infrastructure Delivery	-	-
Treasury and Balance Sheet Management	206 022	258 328
All other *	-	-
Total DBSA	4 081 027	**4 151 003**
Profit/(loss) for the period		
RSA Municipalities	556 647	485 740
RSA Economic and Social	498 138	592 753
Rest of Africa	(112 302)	(592 953)
Infrastructure Delivery	(18 088)	3 436
Treasury and Balance Sheet Management	(252 082)	381 921
All other *	(78 590)	(65 990)
Total DBSA	593 723	**804 907**

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
Total assets		
RSA Municipalities	31 402 416	27 510 442
RSA Economic and Social	37 987 903	40 807 385
Rest of Africa	23 018 723	25 230 322
Infrastructure Delivery	163 003	152 993
Treasury and Balance Sheet Management	10 591 000	6 193 632
All other *	570 832	570 341
Total DBSA	103 733 877	100 465 115
Total liabilities		
RSA Municipalities	17 063 652	13 728 326
RSA Economic and Social	22 481 444	25 799 065
Rest of Africa	16 132 335	18 231 632
Infrastructure Delivery	134 549	106 449
Treasury and Balance Sheet Management	5 175 675	684 697
All other *	4 416 451	4 337 369
Total DBSA	65 404 106	62 887 538

All revenue was derived from external customers and there are no inter-segmental revenues.
*The All Other segment includes Project Preparation, Agencies and Corporate assets.

3. Financial assets by category

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

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
30 September 2020				
Cash and cash equivalents at amortised cost	8 508 132	-	8 508 132	8 508 132
Trade receivables and other assets	149 356	-	149 356	149 356
Investment securities	-	566 149	566 149	566 149
Investments under resale agreements at amortised cost	600 315	-	600 315	600 583
Derivative assets held for risk management purposes*	-	824 707	824 707	824 707
Other financial asset	-	39 450	39 450	39 450
Development loans at fair value through profit or loss**	-	22 413	22 413	22 413
Equity investments held at fair value through profit or loss**	-	5 242 903	5 242 903	5 242 903
Development bonds at amortised cost	1 288 277	-	1 288 277	1 538 811
Development loans at amortised cost	85 852 286	-	85 852 286	95 206 441
	96 398 366	6 695 622	103 093 988	112 698 945

** 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 a fair value through profit or loss.*

In thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities	-	566 149	-	566 149
Derivative assets held for risk management purposes	-	824 707	-	824 707
Other financial asset	-	39 450	-	39 450
Development loans at fair value through profit or loss	-	-	22 413	22 413
Equity investments held at fair value through profit or loss	-	3 249 068	1 993 835	5 242 903
	-	4 679 374	2 016 248	6 695 622
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	8 508 132	-	8 508 132
Trade receivables and other assets	-	-	149 356	149 356
Investments under resale agreements at amortised cost	-	600 583	-	600 583
Development bonds at amortised cost	-	1 538 811	-	1 538 811
Development loans at amortised cost	-		95 206 441	95 206 441
	-	10 647 526	95 355 797	106 003 323
Total fair value of financial assets	-	15 326 900	97 372 045	112 698 945

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2020				
Cash and cash equivalents at amortised cost	3 458 836	-	3 458 836	3 458 836
Trade receivables and other assets	161 796	-	161 796	161 796
Investment securities	-	1 787 361	1 787 361	1 787 361
Derivative assets held for risk management purposes*	-	812 053	812 053	812 053
Other financial asset	-	36 152	36 152	36 152
Development loans at fair value through profit or loss**	-	22 413	22 413	22 413
Equity investments held at fair value through profit or loss**	-	5 993 951	5 993 951	5 993 951
Development bonds at amortised cost	1 288 278	-	1 288 278	1 202 477
Development loans at amortised cost	86 240 264	-	86 240 264	95 039 148
	91 149 174	8 651 930	99 801 104	108 514 187

** 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 a fair value through profit or loss.*

In thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at fair value				
Investment securities	544 185	1 243 176	-	1 787 361
Derivative assets held for risk management purposes	-	812 053	-	812 053
Other financial asset	-	36 152	-	36 152
Development loans at fair value through profit or loss	-	-	22 413	22 413
Equity investments held at fair value through profit or loss	-	3 817 616	2 176 335	5 993 951
	544 185	**5 908 997**	**2 198 748**	**8 651 930**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	3 458 836	-	3 458 836
Trade receivables and other assets	-	-	161 796	161 796
Development bonds at amortised cost	-	1 202 477	-	1 202 477
Development loans at amortised cost	-	-	95 039 148	95 039 148
	-	**4 661 313**	**95 200 944**	**99 862 257**
Total fair value of financial assets	**544 185**	**10 570 310**	**97 399 692**	**108 514 187**

4. Financial liabilities by category

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

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
30 September 2020				
Derivative liabilities held for risk management purposes*	-	355 322	355 322	355 322
Trade, other payables and accrued interest on debt funding	751 983	-	751 983	751 983
Debt funding designated at FVTPL	-	1 557 523	1 557 523	1 557 523
Debt funding held at amortised cost**	60 725 664	-	60 725 664	65 962 487
Repurchase agreements held at amortised cost***	1 549 781	-	1 549 781	1 551 477
	63 027 428	1 912 845	64 940 273	70 178 792

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

***The accrued interest portion of R543 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of R61.2 billion is made up of accrued interest of R543 million plus principal of R60.7 billion.*

****The accrued interest portion of R10 million on repurchase agreements held at amortised cost is presented under trade, other payables and accrued interest line. Total repurchase agreements at amortised cost inclusive of accrued interest of R1.56 billion is made up of accrued interest of R10 million plus principal of R1.55 billion.*

In thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Debt funding designated at FVTPL	-	1 557 523	-	1 557 523
Derivative assets held for risk management purposes	-	355 322	-	355 322
	-	1 912 845	-	1 912 845
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	553 318	198 665	751 983
Debt funding held at amortised cost	-	65 962 487	-	65 962 487
Repurchase agreements held at amortised cost	-	1 551 477	-	1 551 477
	-	68 067 282	198 665	68 265 947
Total fair value of financial liabilities	-	69 980 127	198 665	70 178 792

in thousands of rands	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2020				
Derivative liabilities held for risk management purposes*	-	784 835	784 835	784 835
Trade, other payables and accrued interest on debt funding	546 227	-	546 227	546 227
Debt funding designated at FVTPL	-	1 505 805	1 505 805	1 505 805
Debt funding held at amortised cost**	59 040 495	-	59 040 495	62 183 714
Repurchase agreements held at amortised cost***	587 338	-	587 338	529 858
	60 174 060	**2 290 640**	**62 464 700**	**65 550 439**

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

***The accrued interest portion of R422 million on funding debt securities held at amortised cost is presented under trade, other payables and accrued interest line. Total debt funding at amortised cost inclusive of accrued interest of R59.4 billion is made up of accrued interest of R422 million plus principal of R59 billion.*

****The accrued interest portion of R7million on repurchase agreements held at amortised cost is presented under trade, other payables and accrued interest line. Total repurchase agreements at amortised cost inclusive of accrued interest of R594million is made up of accrued interest of R7million plus principal of R587 million.*

In thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at fair value				
Debt funding designated at FVTPL	-	1 505 805	-	1 505 805
Derivative assets held for risk management purposes	-	784 835	-	784 835
	-	**2 290 640**	**-**	**2 290 640**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	429 459	116 768	546 227
Debt funding held at amortised cost	-	62 183 714	-	62 183 714
Repurchase agreements held at amortised cost	-	529 858	-	529 858
	-	**63 143 031**	**116 768**	**63 259 799**
Total fair value of financial liabilities	**-**	**65 433 671**	**116 768**	**65 550 439**

in thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
5. Development loans held at fair value through profit or loss		
Balance at beginning of the year	99 895	-
Movements for the year	3 320	99 895
Gross development loans at fair value through profit or loss	103 215	**99 895**
Fair value movements	(80 802)	(77 482)
Balance at end of the period	22 413	**22 413**
Movements during the period		
Loans disbursed	-	73 046
Interest accrued	9 464	10 862
Foreign exchange adjustments	(6 144)	15 987
	3 320	**99 895**
6. Equity investments held at fair value through profit or loss		
Equity investments held at fair value through profit or loss	5 242 903	**5 993 951**

Equity investments held at FVTPL consist of direct equity in ordinary shares and third-party managed private equity funds

	30 September 2020 Reviewed	31 March 2020 Audited
6.1 Equity investments held at fair value through profit or loss		
Cost		
Balance at beginning of the year	3 579 087	3 999 701
Acquisitions	45 541	80 104
Capital return	(170 512)	(500 718)
Balance at end of the period	3 454 116	**3 579 087**
Fair value adjustment		
Balance at beginning of the year	423 479	651 902
Current period fair value adjustments	(474 756)	(371 312)
Realised capital gain	25 915	142 889
Balance at end of the period	(25 362)	**423 479**
Foreign exchange adjustments		
Balance at beginning of the year	1 991 385	1 285 975
Unrealised (loss) gain	(177 236)	587 709
Realised gain	-	117 701
Balance at end of the period	1 814 149	**1 991 385**
Fair value at the end of the period	5 242 903	**5 993 951**
6.2. Sectoral analysis of equity investments		
Commercial infrastructure	2 915 515	3 451 151
Institutional infrastructure	999 500	985 201
Residential facilities	1 327 888	1 557 599
Balance at end of the period	5 242 903	**5 993 951**
6.3. Geographical analysis of equity investments		
South Africa	1 535 282	1 716 436
International (the rest of the Africa excluding South Africa)	3 707 621	4 277 515
Balance at end of the period	5 242 903	**5 993 951**
6.3. US dollar and Euro amounts included in the above Africa and International equity investment		
US Dollar amount included	141 191	**157 722**
Euro amount included	32 061	**32 637**

7. 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

Financial instruments 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

Financial instruments 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. Financial instruments valued using discounted cash flow analysis. This category includes only unlisted equity investments.

The table below shows the fair value hierarchy of the Bank's financial assets and financial liabilities.

In thousand of rands	Level 1	Level 2	Level 3	Total
30 September 2020				
Financial assets at fair value through profit or loss				
Investment securities	-	566 149	-	566 149
Derivative assets held for risk management purposes	-	824 707	-	824 707
Other financial asset	-	39 450	-	39 450
Development loans held at fair value through profit or loss	-		22 413	22 413
Equity investments held at fair value through profit or loss	-	3 249 068	1 993 835	5 242 903
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	8 508 132	-	8 508 132
Trade receivables and other assets	-	-	149 356	149 356
Investments under resale agreements at amortised cost	-	600 583	-	600 583
Development bonds at amortised cost	-	1 538 811	-	1 538 811
Development loans at amortised cost	-	-	95 206 441	95 206 441
Total financial assets	-	15 326 900	97 372 045	112 698 945
Financial liabilities held at fair value through profit or loss				
Derivative liabilities held for risk management purposes	-	355 322	-	355 322
Debt funding designated at fair value through profit or loss	-	1 557 523	-	1 557 523
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	553 318	198 665	751 983
Debt funding held at amortised cost	-	65 962 487	-	65 962 487
Repurchase agreements held at amortised costs	-	1 551 477	-	1 551 477
Total financial liabilities	-	69 980 127	198 665	70 178 792
March 2020				
Financial assets at fair value through profit or loss				
Investment securities	544 185	1 243 176	-	1 787 361
Derivative assets held for risk management purposes	-	812 053	-	812 053
Other financial asset	-	36 152	-	36 152
Development loans held at fair value through profit or loss	-		22 413	22 413
Equity investments held at fair value through profit or loss	-	3 817 616	2 176 335	5 993 951
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	3 458 836	-	3 458 836
Trade receivables and other assets	-	-	161 796	161 796
Development bonds at amortised cost	-	1 202 477	-	1 202 477
Development loans at amortised cost	-	-	95 039 148	95 039 148
Total financial assets	**544 185**	**10 570 310**	**97 399 692**	**108 514 187**
Financial liabilities held at fair value through profit or loss				
Derivative liabilities held for risk management purposes	-	784 835	-	784 835
Debt funding designated at fair value through profit or loss	-	1 505 805	-	1 505 805
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	429 459	116 768	546 227
Debt funding held at amortised cost	-	62 183 714	-	62 183 714
Repurchase agreements held at amortised costs	-	529 858	-	529 858
Total financial liabilities	**0**	**65 433 671**	**116 768**	**65 550 439**

There were no transfers between level 1 and level 2 fair values during the period.

In thousand of rands	30 September 2020 Reviewed	31 March 2020 Audited
Reconciliation of Level 3 financial assets held at fair value through profit or loss:		
Equity investments held at fair value through profit or loss		
Balance at the beginning of the period	2 176 335	2 221 796
Decrease in fair value of equity investments	(182 500)	(45 461)
Balance at the end of the period	1 993 835	**2 176 335**

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

In thousand of rands	30 September2020 Fair value	30 September2020 Fair value hierarchy	31 March 2020 Fair value	31 March 2020 Fair value hierarchy
Financial Instruments				
Derivative assets held for risk management purposes (a)	824 707	2	812 053	2
Investment securities (b)	566 149	2	1 787 361	1 and 2
Development loans held at fair value through profit or loss (f)	22 413	3	22 413	3
Equity investments held at fair value through profit or loss (c)	5 242 903	2 and 3	5 993 951	2 and 3
Other financial asset (d)	39 450	2	36 152	2
Total financial assets	6 695 622		**8 651 930**	
Derivative liabilities held for risk management purposes (a)	355 322	2	784 835	2
Debt funding designated at fair value through profit or loss (e)	1 557 523	2	1 505 805	2
Total financial liabilities	1 912 845		**2 290 640**	

Valuation techniques used to determine fair value

(a) 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).

(b) Investment securities

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.

(c) Equity investments

Valuation techniques for direct equity in ordinary shares

If the market for a financial instrument is not quoted, the Bank uses a valuation technique to establish what the transaction price would be in an arm's length exchange motivated by normal business considerations. The Bank uses valuation techniques that include price of recent investments, if available, discounted cash flow analysis based on free cash flows, earnings or dividends using a market-related adjusted discount rate, long-term valuation (rule of thumb price earnings growth (PEG)), and option pricing models. The Bank ensures that these valuation techniques optimise the use of market inputs and rely as little as possible on entity-specific inputs, incorporate all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments. In accordance with the best investment and valuation practice, a marketability and other discount is applied to direct equity investments. The guidelines provide that marketability and other discount in the range 10% to 30% should be factored into the valuation. Different factors are considered in setting the marketability and other discount and it is possible for the marketability and other discount for a particular instrument to be outside the guideline range.

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.

(d) Other financial asset

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

(e) Debt funding designated at fair value through profit or loss

Market observable bond prices from the interest rate market of the Johannesburg Stock Exchange. No adjustments are made to observable prices.

(f) Development loans at fair value through profit or loss

The Bank uses present value technique, which is an application of the income approach to calculate the fair value of the development loans. Valuations under the income approach, such as present value techniques converts expected future amounts to a single present 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.

in thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited

8. Development loans at amortised cost

8.1 Analysis of development loans

Balance at the beginning of the year	96 425 614	82 012 250
Movements during the period	(132 758)	14 413 364
Gross development loans	**96 292 856**	**96 425 614**
Provision for ECLs on development loans	(10 440 570)	(10 185 350)
Net development loans at the end of the period	**85 852 286**	**86 240 264**

8.2 Movements during the period

Loans disbursed – current year	9 136 556	15 568 306
Effective interest income on development loans	3 804 036	7 628 412
Contractual interest on stage 3	65 235	365 645
Development loans written off	(83 753)	(242 144)
Fees integral to loan	(30 283)	(180 328)
Foreign exchange adjustment	(1 677 506)	5 018 319
Gross loan repayments	(11 399 655)	(14 055 083)
Fees raised – current year	52 612	310 237
Loans derecognised due to substantial modification	-	(3 212 981)
New loans recognised after substantial modification	-	3 212 981
Movements for the period	**(132 758)**	**14 413 364**

8.3 Provision for expected credit losses on development loans reconciliation

Balance at the beginning of the year	**10 185 350**	**6 195 744**
Impairment of current period interest (refer to note 8.2)	65 235	365 645
Loans written off during the period (refer to note 8.2)	(83 753)	(242 144)
Expected credit losses	273 738	**3 866 105**
Stage 3	1 035 394	1 533 069
Stage 1 and 2	(761 656)	2 333 036
Balance at the end of period	**10 440 570**	**10 185 350**

8.4 Sectoral analysis of gross development loans

Commercial – fund	338 255	266 741
Commercial – manufacturing	85 071	245 611
Commercial – mining	111 000	111 000
Commercial – tourism	308 758	356 977
Commercial – other	275 113	291 024
Communication and transport infrastructure	9 682 054	11 844 654
Energy – electricity	51 262 248	51 460 649
Energy – non-grid standalone	54 661	1 210 398
Oil and gas*	5 449 512	-
Human resources development	1 442 215	1 477 865
Institutional infrastructure	34	56
Residential facilities	2 603 606	2 756 108
Roads and drainage	15 057 921	14 388 502
Sanitation	848 606	883 737
Social infrastructure	5 929 401	8 277 334
Water	2 844 401	2 854 958
Total	**96 292 856**	**96 425 614**

* In March 2020, oil and gas gross loan book amounted to R5.5 billion and was classified under the energy sector of R3.4 billion and social infrastructure sector of R2.1 billion. In September 2020, oil and gas was disclosed as separate sector to align to the sectors disclosed in the integrated annual report. During the period under review, the Bank's Audit and Risk Committee approved a specific Oil and Gas sector limit which includes financing of infrastructure relating to the identification of oil or gas deposits; transportation and/or storage of oil or gas; and refining and purification of oil or natural gas for commercial or industrial uses. Prior to the enhancement in disclosure, these exposures were disclosed under Energy and Transport sectors. The risks assumed in the Oil and Gas industry are however deemed to be fundamentally different requiring separate disclosure. The affected exposures for the comparative period been disclosed separately.

8.5 Geographical analysis of gross development loans

Eastern Cape	1 594 453	1 615 645
Free State	1 673 784	1 830 472
Gauteng	43 959 311	42 135 476
KwaZulu-Natal	5 140 684	5 494 711
Limpopo	938 638	1 049 683
Mpumalanga	695 641	741 084
North West	585 135	603 073
Northern Cape	9 240 694	9 199 153
Western Cape	5 185 982	4 873 816
Rest of Africa	27 278 534	28 882 501
Total	**96 292 856**	**96 425 614**

Rest of Africa

Angola	**6 047 814**	5 930 146
Congo	**1 432 965**	1 617 489
Cote d'Ivoire	**1 452 712**	1 457 597
Democratic Republic of Congo	**106 064**	-
Ethiopia	**809 402**	879 712
Ghana	**4 914 083**	5 145 540
Kenya	**330 995**	396 153
Lesotho	**401 121**	407 875
Madagascar	**377 411**	378 388
Mauritius	**759 220**	780 619
Mozambique	**366 758**	425 505
Namibia	**80 000**	80 000
Swaziland	**44 310**	46 986
Tanzania	**-**	157 755
Zambia	**6 781 503**	7 517 692
Zimbabwe	**3 215 447**	3 406 253
Multi-regional	**158 729**	254 791
Total	**27 278 534**	**28 882 501**

8.6 Client classification of gross development loans

Development finance institutions	**158 729**	254 791
Educational institutions	**1 122 714**	1 139 634
Local government	**29 868 208**	25 881 659
National and provincial government	**5 096 901**	4 117 586
Private sector intermediaries	**28 612 107**	29 860 221
Public utilities	**31 434 197**	35 171 723
Total	**96 292 856**	**96 425 614**

8.7 Fixed and variable interest rate gross development loans

Fixed interest rate loans	**42 237 656**	46 000 898
Variable interest rate loans	**54 055 200**	50 424 716
Total	**96 292 856**	**96 425 614**

8.8 Non-performing loans (included in total development loans)

8.8.1 Sectoral analysis of gross non-performing loans

Commercial – manufacturing	**85 071**	245 611
Commercial – mining	**111 000**	111 000
Commercial – tourism	**308 758**	356 977
Commercial – other	**229 489**	242 477
Communication and transport infrastructure	**1 154 100**	1 452 220
Energy*	**1 716 925**	1 736 795
Human resources development	**275 754**	278 253
Oil and gas*	**1 728 871**	-
Residential facilities	**249 718**	320 790
Roads and drainage	**798 895**	841 396
Sanitation	**165 894**	163 881
Social infrastructure	**843 123**	897 298
Water	**297 436**	299 691
Total	**7 965 034**	**6 946 389**

* In March 2020, oil and gas non performing loans amounted to R1.9 billion and was classified under the energy sector of R1.6 billion and communication and transport Infrastructure of R294 million. In September 2020, oil and gas was disclosed as separate sector to align to the sectors disclosed in the integrated annual report. During the period under review, the Bank's Audit and Risk Committee approved a specific Oil and Gas sector limit which includes financing of infrastructure relating to the identification of oil or gas deposits; transportation and/or storage of oil or gas; and refining and purification of oil or natural gas for commercial or industrial uses. Prior to the enhancement in disclosure, these exposures were disclosed under Energy and Transport sectors. The risks assumed in the Oil and Gas industry are however deemed to be fundamentally different requiring separate disclosure. The affected exposures for the comparative period been disclosed separately.

8.8.2 Geographical analysis of gross non-performing loans

Eastern Cape	**13 186**	15 476
Free State	**382 367**	437 885
Gauteng	**864 837**	895 650
Limpopo	**317 196**	388 895
Mpumalanga	**382 026**	409 947
North West	**159 980**	143 550
Northern Cape	**120 808**	111 259
Rest of Africa	**5 724 634**	4 543 727
Total	**7 965 034**	**6 946 389**

Rest of Africa

Congo	**1 432 965**	1 521 769
Lesotho	**388 976**	392 012
Mauritius	**759 220**	780 619
Mozambique	**343 673**	394 592
Tanzania	**-**	157 755
Zambia	**1 869 210**	317 427
Zimbabwe	**930 590**	979 553
Total	**5 724 634**	**4 543 727**

8.8.3 Client classification on gross non-performing loans

Educational institutions	17 131	2 436
Local government	784 036	823 675
Private sector intermediaries	4 910 764	4 944 179
Public utilities	2 253 103	1 176 099
Total	**7 965 034**	**6 946 389**

in thousands of rands	30 September 2020 Reviewed	30 September 2019 Reviewed
8.9 Analysis of impairment charge		
Stage 3 loans		
Stage 3 ECLs	1 035 394	991 223
Stage 1 and 2 loans		
Stage 1 ECL	150 368	(65 195)
Stage 2 ECL	(912 024)	376 279
Impairment charge for the period	**273 738**	**1 302 307**

8.10 Reconciliation of the net carrying amount of development loans at amortised cost

The tables below shows the reconciliation of the opening balance to the closing balance of the net carrying amount of development loans:

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
30 September 2020				
Balance at the beginning of the year	**58 980 023**	**30 499 202**	**6 946 389**	**96 425 614**
Transfer from Stage 1 to Stage 2	(656 033)	656 033	-	-
Transfer from Stage 2 to Stage 3	-	(1 578 091)	1 578 091	-
Transfer from Stage 3 to stage 2	-	1 017	(1 017)	-
New disbursements	9 087 342	49 214		9 136 556
Repayments	(7 857 963)	(3 128 257)	(413 435)	(11 399 655)
Effective interest on development loans during the year	2 256 439	1 288 771	258 826	3 804 036
Contractual interest on stage 3	-	-	65 235	65 235
Write-offs and waivers	-	-	(83 753)	(83 753)
Foreign exchange movements	(659 511)	(631 379)	(386 616)	(1 677 506)
Other movements- fees	49 484	1 302	1 826	52 612
Movements in fees that are integral to the loan	(29 772)	-	(511)	(30 283)
Gross carrying amount	**61 170 009**	**27 157 812**	**7 965 035**	**96 292 856**
Less provision for ECLs	(638 146)	(4 419 787)	(5 382 637)	(10 440 570)
Balance at 30 September 2019	**60 531 863**	**22 738 025**	**2 582 398**	**85 852 286**

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
31 March 2020				
Balance at the beginning of the year	**48 396 664**	**29 604 173**	**4 011 413**	**82 012 250**
Transfer from Stage 1 to Stage 2	(1 645 374)	1 645 374	-	-
Transfer from Stage 2 to Stage 3	-	(2 072 475)	2 072 475	-
Transfer from Stage 1 to Stage 3	(573 253)	-	573 253	-
Transfer from Stage 2 to stage 1	1 004 578	(1 004 578)	-	-
Transfer from Stage 3 to stage 2	-	4 496	(4 496)	-
New disbursements	15 352 173	158 626	57 507	15 568 306
Repayments	(10 236 723)	(3 013 885)	(804 475)	(14 055 083)
Effective interest on development loans during the year	4 472 425	2 921 537	234 450	7 628 412
Contractual interest on stage 3	-	-	365 645	365 645
Write-offs and waivers	-	-	(242 144)	(242 144)
Foreign exchange movements	2 097 918	2 255 339	665 062	5 018 319
Other movements - fees	291 908	595	17 734	310 237
New loans recognised after substantial modification	3 212 981	-	-	3 212 981
Loans derecognised due to substantial modification	(3 212 981)	-	-	(3 212 981)
Movements in fees that are integral to the loan	(180 293)	-	(35)	(180 328)
Gross carrying amount	**58 980 023**	**30 499 202**	**6 946 389**	**96 425 614**
Less provisions for ECLs	(487 777)	(5 331 811)	(4 365 762)	(10 185 350)
Balance at 31 March 2020	**58 492 246**	**25 167 391**	**2 580 627**	**86 240 264**

in thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
8.11 Maximum exposure to loss		
The gross carrying amount of development loans receivables and thus the maximum exposure to loss is as follows:		
Development loans receivable net of expected credit losses		
Stage 1 loans	61 170 009	58 980 023
Stage 2 loans	27 157 812	30 499 202
Stage 3 loans	7 965 035	6 946 389
Loss allowance	(10 440 570)	(10 185 350)
Development loans receivable net of expected loss	**85 852 286**	**86 240 264**

8.12 Reconciliation of expected credit losses on development loans

The tables below shows the reconciliation of provision for expected credit losses of development loans:

in thousands of rand	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
30 September 2020				
Balance at the beginning of the year	487 777	5 331 811	4 365 762	10 185 350
Transfer from Stage 1 to Stage 2	(27 202)	78 475	-	51 273
Transfer from Stage 2 to Stage 3	-	(994 236)	866 620	(127 616)
Transfer from Stage 3 to Stage 2	-	411	(411)	-
New disbursements	167 441	-	-	167 441
Repayments	-	-	117	117
Suspended interest	-	-	65 235	65 235
Write offs	-	-	(83 753)	(83 753)
Foreign exchange movements	(5 458)	(175 719)	(113 152)	(294 329)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)	15 588	179 045	282 219	476 852
Balance at 30 September 2020	638 146	4 419 787	5 382 637	10 440 570
ECL allowance recognised to income statement	150 368	(912 024)	1 035 394	273 738

in thousands of rands	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 March 2020				
Balance at the beginning of the year	**197 946**	**3 288 607**	**2 709 191**	**6 195 744**
Transfer from Stage 1 to Stage 2	(12 134)	47 335	–	35 201
Transfer from Stage 2 to Stage 3	–	(307 179)	1 097 187	790 008
Transfer from Stage 2 to Stage 1	45	(541)	–	(496)
Transfer from Stage 3 to Stage 2	–	1 092	(1 211)	(119)
Transfer from Stage 1 to Stage 3	(2 017)	–	149 109	147 092
New disbursements	100 577	–	–	100 577
Repayments	(1 695)	(305)	(4 126)	(6 126)
Suspended interest	–	–	365 645	365 645
New loans recognised after substantial modification	2 328	–	–	2 328
Loans derecognised due to substantial modification	(2 328)	–	–	(2 328)
Write offs	–	–	(242 144)	(242 144)
Foreign exchange movements	8 895	389 839	400 469	799 203
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)	196 160	1 912 963	(108 358)	2 000 765
Balance at 31 March 2020	**487 777**	**5 331 811**	**4 365 762**	**10 185 350**
ECL allowance recognised to income statement	**289 831**	**2 043 205**	**1 533 069**	**3 866 105**

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
9. Trade, other payables and accrued interest on debt funding		
Financial liabilities at amortised cost		
Accrued interest (financial market liabilities – amortised cost)	543 344	422 226
Accrued interest – Repurchase agreements	9 974	7 233
Deferred income	15 262	15 145
Trade payables	181 443	98 166
Current portion of lease liabilities	1 960	3 457
Balance at the end of the period	751 983	**546 227**
Non-financial liabilities		
Bonus provision	241 400	139 922
PAYE, VAT and Compensation Commissioner	5 765	10 175
Balance at the end of the period	247 165	**150 097**
Total trade, other payables and accrued interest on debt funding	999 148	**696 324**

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

10. Provisions and lease liabilities

10.1 Provisions

Reconciliation of provisions at 30 September 2020

In thousands of rands	Opening balance	Current period provision	Reversed/ utilised during the period	Closing balance
Development expenditure	72 382	823	(3 816)	69 389
Provision for expected losses on loan commitments	7 110	-	(4 269)	2 841
Strategic initiatives Covid-19	150 000	-	(48 706)	101 294
	229 492	823	(56 791)	173 524

Reconciliation of provisions at 31 March 2020

In thousands of rands	Opening balance	Current period provision	Utilised during the year	Closing balance
Development expenditure	62 992	16 691	(7 301)	72 382
Provision for expected losses on loan commitments	246 018	–	(238 908)	7 110
Strategic initiatives Covid-19	–	150 000	–	150 000
	309 010	**166 691**	**(246 209)**	**229 492**

10.2 Lease liabilities

Reconciliation of lease liabilities at 30 September 2020

In thousands of rands	Opening balance	Interest accrued	Repayments	Current portion	Closing balance
Leases	3 821	210	(1 812)	(1 960)	259

Reconciliation of lease liabilities at 31 March 2020

In thousands of rands	Opening balance	IFRS 16 Adjustments	Interest accrued	Repayments	Current portion	Closing balance
Leases	**-**	**7 215**	**403**	**(3 797)**	**(3 457)**	**364**

There are no other potential future cashflows to which the Bank is exposed to other than those that are reflected in the lease liabilities. Covid-19 IFRS 16: Leases: Rent concession amendment did not apply to the Bank.

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
10.3 Total of provisions and lease liabilities		
Provisions	173 524	229 492
Lease liabilities	259	364
Total provisions and lease liabilities	173 783	**229 856**

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
11. Repurchase agreements at amortised cost		
Repurchase agreement	1 549 781	587 338
Accrued interest	9 974	7 233
Balance at end of the period including accrued interest	1 559 755	**594 571**
Reconciliation of repurchase agreement held at amortised cost		
Balance at beginning of the year	587 338	–
Capital raised	2 469 708	587 338
Capital repaid	(1 507 265)	-
Balance per statement of financial position	1 549 781	**587 338**
Accrued interest	9 974	7 233
Balance at the end of the period including accrued interest	1 559 755	**594 571**
12. Debt funding designated at fair value through profit or loss		
Debt securities	1 557 523	**1 505 805**
Reconciliation of debt funding designated at fair value through profit or loss		
Balance at beginning of the year	1 505 805	6 469 451
Discounts and premiums	307	30 928
Fair value adjustments	122 611	318 443
Interest repayment	(71 200)	(451 017)
Capital repaid	-	(4 862 000)
Balance at the end of the period	1 557 523	**1 505 805**

13. Debt funding held at amortised cost

Debt securities	31 959 183	31 860 267
Lines of credit	28 766 481	27 180 228
Balance per statement of financial position	**60 725 664**	**59 040 495**
Accrued interest	543 344	422 226
Balance at end of the period including accrued interest	**61 269 008**	**59 462 721**
Reconciliation of debt funding held at amortised cost		
Balance at beginning of the year	59 040 495	44 516 190
Capital raised	13 157 572	24 755 028
Capital repaid	(10 250 660)	(14 608 027)
Discounts, premiums and transaction costs	163 523	308 814
Foreign exchange adjustments on lines of credit	(1 385 266)	4 068 490
Balance per statement of financial position	**60 725 664**	**59 040 495**
Accrued interest	543 344	422 226
Balance at end of the period including accrued interest	**61 269 008**	**59 462 721**

In thousands of rands	30 September 2020 Reviewed	30 September 2019 Reviewed
14. Interest income		
Interest income calculated using the effective interest rate		
Cash and cash equivalents	126 886	138 244
Development bonds	61 124	61 177
Effective interest income on development loans	3 804 036	3 817 575
Total interest income calculated using the effective interest rate	3 992 046	4 016 996
Other interest income		
Interest received on financial assets held at fair value through profit		
Derivative hedged assets	21 074	33 913
Development loans held at fair value through profit or loss	9 464	2 086
Equity investments – interest received from mezzanine instruments	382	11 836
Investment securities	58 061	86 172
Total other interest income	88 981	134 007
Total interest income	4 081 027	4 151 003

In thousands of rands	30 September 2020 Reviewed	30 September 2019 Reviewed
15. Interest expense		
Interest expense on financial liabilities calculated using the effective interest rate		
Bank and other payables	3 172	6 258
Debt funding held at amortised cost	1 786 270	1 681 717
Total interest expense on financial liabilities calculated using the effective interest rate	1 789 442	**1 687 975**
Other interest expense		
Interest expense on financial liabilities held at fair value through profit or loss		
Derivatives hedging liabilities	(13 176)	(31 382)
Funding: debt securities at fair value through profit or loss	71 749	320 793
Total other interest expense	58 573	**289 411**
Total interest expense	1 848 015	**1 977 386**
Net interest income (Note 14 less Note15)	2 233 012	**2 173 617**
16. Net fee income		
Gross fee income		
Lending fees	19 576	24 239
Management fees	56 198	97 626
Non-lending fees	173	1 472
Total fee income	75 947	**123 337**
Gross fee expense		
Fees on funding	8 476	5 938
Guarantee fees	19 991	19 951
Other fees	33 419	831
Total fee expense	61 886	**26 720**
Net fee income	14 061	**96 617**

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 performance obligation is completed.

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.

Contract assets and liabilities

As at 30 September 2020 the Bank had R58 million (30 March 2020: R50 million) in trade receivable assets as a result of contracts with customers relating to management fees. As at 30 September 2020 (30 March 2020: RNil), the Bank had no trade payables as a result of contracts with customers.

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
Reconciliation of contract assets		
Balance at the beginning of the year	49 769	38 844
Repayments during the period	(49 312)	(38 249)
Raised and not paid during the period	57 436	49 174
Balance at the end of the period	57 893	49 769

Impairment on fee receivables and contract assets

During the period under review, 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 30 September 2020, 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 period under review.

17. Expected credit losses on financial assets and commitments

Trade receivables and other assets	(160)	2 833
Development loans	273 738	1 302 307
Development bonds	-	(118)
Loan commitments	(4 269)	(242 699)
	269 309	1 062 323

18. Risk management

18.1 COVID-19 Impact

(a) Assets Portfolio

(i) Credit models

The Bank credit models applied in finalising the ECL remain consistent with the prior year and no changes to credit models in response to COVID-19 were considered necessary for interim reporting.

(ii) Forward looking information models

IFRS9 requires assessment of credit risk to incorporate forward looking information. Credit models should recognize ECL considering all reasonable and supportable information, including that which is forward looking. In the prior year, the model methodology was re-assessed to determine applicability in response to the COVID 19 pandemic. In the prior year, the Bank revised the Forward-Looking Model based on linear regression methodology because the COVID-19 and economic conditions, resulted in linear regression model being unreliable by under and overestimating ECL at various time periods. The Bank implemented Generalised Additive Model (GAM) nonlinear methodologies in the prior year and the methodology was consistently applied during the interim period under review. The Bank has consistently applied the approach in incorporating FLI in the determination of ECL for the interim period when compared to the prior year.

(iii) Review of credit risk rating scale

For March 2020 reporting, DBSA reviewed and expanded the MS17 (terminal) category of the Master Scale rating system to allow for more granularity within MS17; the MS17 risk grade was expanded into 4 subordinate grades using exponential extrapolation and the additional grades were benchmarked with rating agencies. The Bank has consistently applied the expanded risk rating grades for the interim period ended 30 September 2020 and there were no major changes.

(iv) Change in weightings

The Bank's weightings for its Base (50%), Best (5%) and Worst (45%) case scenarios remain unchanged from the prior reporting period end. The weightings were reviewed in the prior year and during the interim period under review in light to the COVID-19 pandemic. Based on the scenario analysis and stress testing conducted, the impact of the changing the weights are summarised below:

- Increase in worst case by 5% causes ECL to increase by 0.47% vs R10.45bn ECL
- Increase in worst case by 10% causes ECL to increase by 0.94%vs R10.45bn ECL
- Increase in worst case by 15% causes ECL to increase by 1.40% vs R10.45bn ECL

(v) Planning horizon for economic normalisation

As at the reporting period end date, the scale and duration of this pandemic remain uncertain but are expected to further impact the Bank's business. The main risk that result from the current uncertain situation regarding COVID-19 include volatility of impairments and impact on the Bank's profitability. During the prior reporting period the Bank increased its expected credit loss provisions on the performing loan book resulting in higher expected credit loss coverage and lower profitability levels when compared to prior periods. The Bank has taken the view that the return to normal will be gradual and not immediate and in order to preserve asset quality during this time the Bank continues to retain its credit loss coverage in line with the prior reporting period.

(vi) Impact of government support to borrowers

The Bank has not taken potential government support to borrowers into account when assessing factors such as significant increase in credit risk.

(vii) Stratification of borrowers into segments to perform the assessment on a collective basis

The Bank's client credit reviews and ECL assessments are performed on a loan by loan basis and collective assessments are not considered necessary. In keeping with the established internal protocol, loans are individually reviewed and rated. In addition, the Bank has taken a stance to collectively review and continuously monitor certain clients at a portfolio level, based on factors such as geographical dispersion. Significantly large exposures were reviewed, and proactive reviews and monitoring are ongoing. This is consistent with the approach applied in prior periods.

(viii) Changes to risk management practices

The Bank's risk management practices remain consistent with the prior period.

(ix) SICR assessment/Significant increase in credit risk assessment criteria

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).

The criteria for assessment of SICR remain consistent with the prior period, however in response to the impact of COVID-19 and considering the guidance issued by accounting and banking authorities, the Bank has applied the principle of distinguishing between permanent effects arising from COVID-19 related factors and temporary effects of COVID-19 on the loan portfolio. The temporary and permanent effects of COVID-19 on clients have been considered in assessing and applying SICR criteria to the loans as at interim period end. The Bank's criteria for the identification and classification of modifications and substantial modifications remains consistent with the prior period. The default definition has been applied consistently during the period under review. For exposures which have been rated as either in default or non-performing during the period under review, the key contributing factors arose prior to COVID-19, notwithstanding the exacerbating impact of the pandemic.

(x) Equity investments

The Bank consistently applied the valuation policy for unlisted investments when compared to March 2020. The Bank has listed equities which have been valued off the listed prices and for the listed portfolio, no adjustments were made to the listed price. The discount rates applied to the unlisted portfolio were benchmarked to market ranges and adjusted to include the COVID-19 pandemic. This is in response to elevated risks and uncertainty associated with sectors in which the unlisted equity investments are held. The impact of increasing the discount rates resulted in higher fair value adjustments which is disclosed in Note 6.

(b) Liabilities Portfolio

(i) Liquidity risk management

The Bank primarily sources funding from lines of credit with DFI's, debt capital market, local and international banks and asset managers. In response to COVID-19, DBSA established a dedicated EXCO sub – committee which has been meeting more regularly in response to manage the liquidity risk arising from effects of the COVID-19 lockdown when the country experienced a market dislocation and disruption of the local fixed income market. However, the Bank was successful in raising funding from international development finance institutions as well as international and local commercial banks. The liquidity management measures remained consistent with those applied in the prior year when COVID-19 pandemic broke out in the last month of the financial year, in addition the Bank increased the frequency of cash flow forecasting using different scenarios and assumptions. The Bank experienced an increase in cost of raising new liquidity considering the COVID-19 impact on markets and ability to raise long term funding. There has been no default or breaches relating to the borrowings recognised during and at the end of the reporting period. The cash and cash equivalents balance improved from R3.5bn to R8.5bn as 30 September 2020.

(ii) Hedging

The Bank continues to apply the provision of IFRS 9 in the management of risks associated with hedging activities and the hedging principles have been applied on a consistent basis when compared to the prior year. The Bank continues to use various derivative instruments for risk management and there was no change in the derivative instruments used for risk management and the instruments used during the interim period remain consistent when compared to the prior year. In applying hedge accounting, the Bank has considered appropriateness of the cash flow hedging accounting and despite the effects of the COVID-19 pandemic outbreak, the analysis indicated that the forecast transactions remain highly probable. The Bank's cashflow hedges comprises predominantly of currency swaps and currency options. Similar to the prior year, the transactions are highly probable and there is a minimal risk of uncertainty and these instruments have been effective in managing currency risk, no reclassification of irrecoverable losses from the cashflow hedge reserve to profit and loss.

19. Related parties

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.

The Bank has a 100% shareholding in Frandevco.

20. Contingencies

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.

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited
21. Commitments		
Capital commitments	193 614	202 081
Development expenditure	23 999	23 999
Development loan commitments	6 370 291	7 613 146
Equity investments commitments	678 637	734 255
Project preparation expenditure and other grants	213 523	247 951
Gross commitments	7 480 064	**8 821 432**
Less provision for ECLs	(2 841)	(7 110)
Net commitments at end of the period	7 477 223	**8 814 322**

The table below shows the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for expected credit losses for 30 September 2020:

In thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	6 362 720	-	1 250 258	168	7 613 146
Transfer from Stage 1 to Stage 2	(185 255)	185 255		-	-
New loan commitments issued	8 836 508	2 260	-	-	8 838 768
Disbursements	(9 087 342)	(49 214)	-	-	(9 136 556)
Withdrawals	(89 708)	-	(508 083)	-	(597 791)
Foreign exchange losses	(319 211)	(388)	(27 667)	(10)	(347 276)
Balance as at 30 September 2020	5 517 712	137 913	714 508	158	6 370 291

In thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	7 110	-	-	7 110
Transfer from Stage 1 to Stage 2	(103)	93	-	(10)
New loan commitments issued	16	-	-	16
Withdrawals	(1 662)	-	-	(1 662)
Subsequent changes in expected credit losses due to changes in risk parameters (PDs, LGDs, EAD)	(2 613)	-	-	(2 613)
Balance as at 30 September 2020	2 748	93	-	2 841
Expected credit losses				
Expected credit losses recognised in the income statement	(4 362)	93	-	(4 269)

The table below shows the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for expected credit losses for 31 March 2020:

In thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Reconciliation of carrying amount					
Balance at beginning of the year	7 463 250	593 772	435 745	-	8 492 767
Transfer from Stage 2 to Stage 3	-	(545 725)	545 725	-	-
Transfer from Stage 1 to Stage 3	(713 872)	-	713 872	-	-
New loan commitments issued	19 057 361	-	–	93 367	19 150 728
Disbursements	(15 510 799)	-	(57 507)	(73 046)	(15 641 352)
Withdrawals	(2 764 175)	(48 047)	(545 725)	-	(3 357 947)
Foreign exchange gains	(1 169 045)	-	158 148	(20 153)	(1 031 050)
Balance as at 31 March 2020	**6 362 720**	-	**1 250 258**	**168**	**7 613 146**

In thousands of rands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of provision for expected credit losses				
Balance at beginning of the year	1 933	244 085	-	246 018
New loan commitments issued	2 734	-	-	2 734
Withdrawals	-	(244 085)	-	(244 085)
Subsequent changes in expected credit losses due to changes in risk parameters (PDs, LGDs, EAD)	2 407	-	-	2 407
Foreign exchange movements	36	-	-	36
Balance as at 31 March 2020	**7 110**	**-**	**-**	**7 110**

In thousands of rands	30 September 2020 Reviewed	31 March 2020 Audited

22. Irregular, fruitless and wasteful expenditure

22.1 Irregular expenditure

Balance at beginning of the year	2 744	394
Incurred in the current period	-	2 744
Condoned	-	(388)
Removed – not irregular	-	(6)
Balance at end of the period	**2 744**	**2 744**

Details of irregular expenditure		
Contract increased in expenditure due to increase in scope	282	282
Contracts continued post expiry date	2 462	2 462
Total	**2 744**	**2 744**

Incidents of irregular expenditure occurred during the previous years. Appropriate corrective measures are being applied as relevant to each case.

23. Events after the reporting period

23.1 Adjusting events

There were no material adjusting events after the reporting date other that those already addressed in the note 18 of the interim financial statements.

23.2 Directors

New appointments

Mr. G Magomola, Mr. B Nqwababa, Advocate M Kganedi and Mr. P Matji were appointed as non-executive directors during the period for a term of 3 years effective from 2 October 2020 to 1 October 2023.

Reappointments of directors

Professor M Swilling, Ms A Sing, Ms P Nqeto, Ms Z Monnakgotla and Dr B Mudavanhu were reappointed as non-executive directors during the period for another term of 3 years effective from 2 October 2020 to 1 October 2023.

End of contract

Mr. L Nematswerani, Ms. B Ndamase and Ms L Noge-Tungamirai tenure ended on 1 October 2020.

24. Independent review by auditors

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

Abbreviations and acronyms

ALCO	Asset and Liability Management Committee
CP	Condition Precedent
CPI	Consumer Price Index
CVA	Credit Value Adjustment
COVID-19	Coronavirus disease 2019
DBSA	Development Bank of Southern Africa
DVA	Debit value adjustment
EAD	Exposure at default
ECL	Expected credit loss
EIR	Effective interest rate
EUR	Euro
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LGD	Loss given default
NAV	Net Asset Value
NII	Net Interest Income
OCI	Other Comprehensive Income
PD	Probability of default
PEG	Price earnings growth
PFMA	Public Finance Management Act
POCI	Purchased or originated credit impaired loans
ROU	Right of use
RSA	Republic of South Africa
SARB	South African Reserve Bank
SICR	Significant Increase in Credit Risk
SPPI	Solely Payment of Principal and Interest
SOE	State Owned Entity
USD	United States Dollar
ZAR	South African Rand