

Development Bank of Southern Africa Limited

(Reconstituted and incorporated in terms of section 2 of the Development Bank of Southern Africa Act, 1997)

Registration number: 1600157FN

JSE company code: DIDBS

LEI code: 25490071AZ4HOFUNIH94

(the "DBSA" or the "Bank")

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

Overview

The DBSA is a development finance institution; whose only shareholder is the Government of the Republic of South Africa. This summary of the annual audited financial results for the year ended 31 March 2025 (the "results") is published on the JSE Limited ("JSE") Stock Exchange News Service ("SENS") to provide the financial information to the holders of the Bank's listed debt securities. The results are prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB"), the presentation requirements of IAS 1 and the requirements of sections 27 to 31 of the Companies Act of South Africa (Act No.71 of 2008) (the "Companies Act"), these being the relevant and corresponding sections specified in the Development Bank of Southern Africa Act (Act No. 13 of 1997) (the "DBSA Act") and the JSE Debt and Specialist Securities Listings Requirements (the "JSE DSS Requirements"). The annual financial statements and annual report of the Bank for the year ended 31 March 2025 ("annual financial statements" or "AFS") are available on the DBSA website at: <https://www.dbsa.org/investor-relations>

Key impressions of the financial results and activities- building on strength and permanent impact

Highlights from the financial results:

The key financial indicators for the year under review are:

Solid earnings and continued profitability

- Net interest income increased by 8.6% to R8.4 billion (31 March 2024: R7.7 billion).
- Operating income increased by 12.3% to R8.8 billion (31 March 2024: R7.8 billion).
- Net profit increased by 14.4% to a new record of R5.3 billion (31 March 2024: R4.6 billion).
- Sustainable earnings increased by 13.7% to R5.1 billion (31 March 2024: R4.5 billion).
- ROE on sustainable earnings increased to 9.3% (31 March 2024: 9.0%).
- ROE on net profit increased to 9.7% (31 March 2024: 9.3%).

Effective cost optimization strategies

- Cost to income ratio marginally increased to 22.0% (31 March 2024: 21.0%).

Asset growth and strong disbursements levels

- Total assets increased by 2.3% to R120.9 billion (31 March 2024: R118.3 billion).
- Total development loans and development bonds marginally decreased by 0.5% to R114.6bn (31 March 2024: R115.2bn).
- Total disbursements (loans and equities) increased by 2.9% to R17.5 billion (31 March 2024: R17 billion).

Strong and record cash collections from loan book

- Cash flow generated from operations significantly increased by 24.5% to R6.8 billion (31 March 2024: R5.4 billion).
- Total loan book repayments increased by 19% to a new record of R27.4bn (31 March 2024: R23bn).

Asset quality - resilient asset portfolio under difficult operating environment

- Gross NPL% ratio decreased to 3.2% (31 March 2024: 3.9%).
- Net NPL% ratio marginally decreased to 1.2% (31 March 2024: 1.5%).
- Impairment losses marginally increased to R1.5 billion (31 March 2024: R1.4 billion).

Capital adequacy and leverage ratios well within regulatory limits.

- Debt-to-equity ratio excluding R20 billion callable capital improved to 105% (31 March 2024: 123%).
- Debt-to-equity ratio including R20 billion callable capital significantly improved to 78% (31 March 2024: 89%).
- Callable capital is authorised shares but not yet issued. Debt to equity ratio is within the Bank's regulatory limit of 250%.

Audit of the annual financial statements

The annual financial statements have been audited by the Bank's auditor, the Auditor-General of South Africa (hereafter referred to as the "AG"). The AG in her audit report, which is available for inspection at the Bank's Registered Office and in the annual financial statements that are available on the DBSA website, stated that her audit was conducted in accordance with the International Standards on Auditing and has expressed an unqualified audit opinion on the annual financial statements with no modifications and no restatements from the previous year.

Context of the annual financial statements

In 2025 the macroeconomic landscape deteriorated with the global growth outlook revised lower, as reciprocal tariffs introduced new challenges, changed the global trade dynamics, increased geopolitical tensions, higher costs of doing business, disruption in market access and global supply chain disruptions. Debt vulnerabilities remain elevated on the rest of the African continent, impacting long-term growth and social fabric as more resources are channeled toward debt service rather than investment in social and human capital development, coupled with lower oil prices which placed additional pressure on the fiscus of oil exporting countries.

In South Africa, economic growth rate remains unsatisfactory, with risk factors including long standing structural constraints such as the port and railway challenges that created bottlenecks and curbed mineral exports. Weak state capacity to implement policies negatively impacting business and financial sentiment. In addition, challenges associated with the US-South Africa relations and early-stage challenges around the Government of National Unity threatened to constrain economic growth. Municipal credit risk remains elevated, as municipalities continue to face significant financial distress, with issues such as financial mismanagement, poor service delivery, and budgetary constraints remaining prevalent. These challenges call for businesses to re-assess business strategies and evaluate their strategic, operational and financial vulnerabilities.

Despite these global and domestic risks, the DBSA's growth strategy remains focused on catalyzing development, fostering partnerships, and mobilizing resources to address developmental challenges and unlocking the full potential of the African continent. The DBSA aims to create lasting sustainable development outcomes through infrastructure development and strategic partnerships within the confines of our balance sheet.

Preparation of the announcement

The directors take full responsibility for the preparation of this announcement and confirm that financial information has been correctly extracted from the underlying audited annual financial statements for inclusion in this announcement.

Basis of preparation

The annual financial statements have been prepared in accordance with the recognition, measurement and disclosure requirements of IFRS, the Public Finance Management Act of South Africa (Act No. 1 of 1999) (the “PFMA”), sections 27 to 31 of the Companies Act, the DBSA Act and the JSE DSS Requirements . Except for where indicated in the annual financial statements available on the DBSA website, the accounting policies and practices applied during the financial year ended 31 March 2025 (“current year” or “year under review”) are in all material respects consistent with those applied in the annual financial statements for the financial year ended 31 March 2024 (“prior year”, “last year” or “2024 financial year”).

The annual financial statements are prepared on a historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments held at fair value through profit and loss, financial instruments designated at fair value through profit and loss, land and buildings and equity investments. The preparation of the annual financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Income statement commentary

Profitability & efficiency

The overall operating environment continues to remain volatile and challenging to navigate despite the improved investor sentiment following the establishment of the Government of National Unity in 2024. Despite the uncertainty regarding the trade tariffs US/China trade relations and tensions between South Africa-US relations, the exchange value of the rand improved between March 2024 and March 2025 and interest rates declined on the back of relatively lower inflation. The Bank generated record levels of profitability at R5.3bn. The net profit for the current year increased by 14.4% from R4.6 billion to R5.3 billion. The increase in the net profit for the current year stems from a solid increase in net interest income, positive fair value adjustments, offset by a currency loss reported following ZAR appreciation against the USD. Net interest income increased by 8.6% during the current year. The return on equity for the current year increased to 9.7% when compared to 9.3% for the prior year due to higher levels of profitability and increased equity base when compared to the prior year.

The Bank has financial assets and financial liabilities that are denominated in USD and Euro. DBSA predominantly funds projects in USD and Euro in rest of Africa outside of South Africa. Consequently, the Bank has a net foreign currency asset position (i.e. total foreign currency asset minus total foreign currency liabilities) amounting to equivalent USD151 million for both foreign currencies (31 March 2024: USD179 million). Given the ZAR appreciation against the USD and Euro during the current year when compared to the prior year; foreign currency exchange rate losses in the income statement amounted to R55 million (R128 million gain in the prior year). Whilst the net foreign currency position is not fully hedged, the Bank closely monitors and manages its exposure to foreign exchange rate risk using natural hedges and derivative hedging strategies. The Bank remains efficient in managing operational costs and the cost optimization strategy continues to be effective. The total cost-to-income ratio for the current year increased marginally to 22% (31 March 2024: 21%) and the ratio continues to be well below the limit of 35%.

Balance sheet commentary

Funding and liquidity management

The Bank's liquidity and capital position remains strong, despite the challenging operating environment. DBSA continues to raise funding from a diverse pool of funding sources which include debt capital markets, bilateral engagements with commercial banks and international development finance institutions, bond market, money market and private placements. As at 31 March 2025, the 30-day liquidity coverage ratio amounted to 1 510% (31 March 2024: 266%). In 2025, the Bank's total debt redemptions amounted to approximately R13.2bn. Liquidity holdings remained within policy parameters with total liquid assets of R15.0bn as at 31 March 2025, up from R10.8bn as at 31 March 2024. The Bank's total outstanding debt funding decreased by R2.9bn from R63.7bn as at 31 March 2024 to R60.8bn as at 31 March 2025. The DBSA's loan book remained resilient in a difficult environment. The cash collections from the loan book for the year under review amounted to a record R27.4 billion (comprising interest R11.1 billion and capital R16.3 billion) with total loan cash disbursements amounting to R16.3 billion when compared to the R17 billion in the prior year.

Leverage ratio and capital adequacy.

The Bank continues to have strong capital buffers for unexpected loss events. The Bank's capital base increased by R5.9 billion (to a total equity base of R58 billion). During the year under review net profit increased by 14.4% when compared to prior year R4.6 billion increase in the equity base. As a result, the debt-to-equity ratio, including the R20 billion callable capital as at 31 March 2025, improved to 78% (31 March 2024: 89%), and remains well below the Bank's regulatory debt-to-equity ratio cap of 250%. The debt-to-equity ratio without callable capital improved to 105% (31 March 2024: 123%). Callable capital refers to shares authorized but not yet issued. The Bank's capital ratio, expressed as a percentage of balance sheet shareholder capital to unweighted total assets (per statement of financial position), increased to 48% as at 31 March 2025 from approximately 44% as at 31 March 2024. The capital to unweighted development loans (loan book exposure) ratio increased from 52% to 59% . Overall, the Bank remains well capitalized.

Loan asset quality and expected credit loss provisions (impairments)

The single largest risk that the DBSA faces from its lending activities is credit risk. The Bank has continued to be aggressive when it comes to cash collections and equally conservative in its approach to provisioning in response to any significant increase in credit risk observed in the portfolio and operating environment. DBSA remains proactive in the loan management and monitoring given the current economic environment and negative outlook skewed to the downside. Further, in terms of IFRS 9, the Bank is required to consider forward looking information in the estimation of expected credit losses on the development loan and bond book. In doing so, the DBSA is required to make reasonable forward - looking assumptions. However, forecasting under the current environment is complex and expected credit loss provisions by nature have a potential for variability because of many factors including the sovereign debt challenges faced by several rest of African countries, geopolitical tensions, tariffs on African exports to US, subdued GDP growth, slow pace of debt reform for the G20 OCC sovereign loan restructures, climate risks and high consumer indebtedness and currency movements.

For the year ended 31 March 2025, the Bank experienced an increase in expected credit loss balance sheet provisions (on development loans and bonds) approximately R1.1 billion from R13.8 billion (31 March 2024) to R14.9 billion (31 March 2025). The increase is in response to changes in the credit risk profile, growth in the loan book and the challenging macro-economic environment. The DBSA's loan book remained resilient in a difficult environment. As indicated above under Funding and Liquidity Management, the cash collections from the loan book for the current year amounted to a record R27.4 billion (comprising interest R11.1 billion and capital R16.3 billion) and development loan cash disbursements amounted to R16.3 billion when compared to the R17 billion in the prior year. Including non-cash equity disbursements, the total disbursements amounted to R17.5bn. In South Africa, the municipal sector continues to face headwinds. Overall, in response to the novel risks associated with the sectors DBSA operates in, the Bank continues to make use of overlays to ensure proactive responsiveness to emerging risk during the year end reporting.

The expected credit loss coverage ratio on the total development loan and bonds book increased from 12.0% (31 March 2024) to 13.0% (31 March 2025) in response to the changes in the risk profile of the book. The loans that were restructured successfully in the prior year ended March 2024 continue to perform. The IFRS 9 stage 1 loans decreased marginally to 48% of the loan book from 49% as at 31 March 2024 due to risk migration and loan book growth. The IFRS 9 Stage 2 loans ratio increased marginally from 46% as at 31 March 2024 to 48% (31 March 2025); and South African exposures in the transport, municipal, energy sectors comprise a significant proportion of the stage 2 loans.

IFRS 9 stage 3 net non-performing loan ratio (net non-performing loans to net development loan book) decreased from 1.53% as at 31 March 2024 to 1.23% of the total loan book as at 31 March 2025. The IFRS 9 Stage 3 gross non-performing loan ratio (gross non-performing loans to total gross development loan book) decreased from 3.98% as at 31 March 2024 to 3.25% as at 31 March 2025 due to successful loan restructures, loan migration and strong cash collections. As at 31 March 2025, the total municipal portfolio comprises 31% of the total credit portfolio (31 March 2024: 32%)

The metropolitan (Tier 1) exposures as at 31 March 2025 decreased marginally to 87% of total municipal exposures (31 March 2024: 88%). The intermediary municipalities (Tier 2) exposures increased marginally to 12% of total municipal exposures (31 March 2024: 11%). The under resourced municipalities (Tier 3) remained unchanged at 1% (31 March 2024: 1%). IFRS 9 stage 3 gross Non-Performing Loan ratio (gross non-performing municipal loans as a percentage of total municipal loans and bonds) decreased from 0.84% as at 31 March 2024 to 0.13% as at 31 March 2025, while the net non-performing loan ratio (net non-performing municipal loans to net municipal loans and bonds) decreased from 0.59% as at 31 March 2024 to 0.07% as at 31 March 2025. These ratios have been trending downwards due to effective portfolio management, strong cash collections and resilient asset performance in difficult operating environment.

The total cash collections from the municipal portfolio amounted to R8.24 billion (collections from Stage 1 loans of R4.59 billion, collections from Stage 2 loans amounted to R3.63 billion and collections from Stage 3 and POCI loans amounted to R20 million). The expected credit loss coverage ratio for total Stage 3 (non-performing) loans increased to 67% as at 31 March 2025 from 66% as at 31 March 2024, mainly due to a combination of factors including valuation of collateral, credit risk movements, collections, and currency movements. The coverage ratio for total stage 1 assets remains largely unchanged at 2% (31 March 2024: 2%) and coverage ratio for Stage 2 loans increased to approximately 20% (31 March 2024: 18%). The total impairments charge in the income statement increased by 5.1%, from approximately R1.4 billion in the prior year, to approximately R1.5 billion for the current year.

As at 31 March 2025, 67% (63%: 31 March 2024) of the total loan portfolio remains medium risk rated (MS8-MS13 rating) and 27% (28%: 31 March 2024) of the portfolio is high risk rated (MS14-MS17.1) and 5% (9%: 31 March 2024) of the loan portfolio remain low risk rated (MS1-MS7). The expected credit loss provisions remain adequately, and appropriately conservative and the Bank continues focus on cash collections, proactive monitoring, and management of the portfolio.

Total assets

The Bank's total asset base increased by 2.3% from R118 billion (31 March 2024) to R121 billion as at 31 March 2025 mainly due to cash and cash equivalents which increased by 39% from R10.8 billion to R15.0 billion in line with the Bank liquidity risk management policy and loan disbursement requirements. Currency appreciation resulted in the gross loan book net reduction of R860 million. Development loan disbursements decreased from R17 billion in the prior year to R16.3 billion in the current year. As at 31 March 2025, the equity investment portfolio decreased by 4.7%, from R4.8 billion as at 31 March 2024 to R4.6 billion due to fair value adjustments, capital redemption and currency movements.

Development impact performance – building on strength and permanent impact.

The development impact highlights are summarized in the table below:

Total infrastructure Development Support

R91.3bn	Total infrastructure development support
R22.9bn	Funds catalysed
R17.5bn	Total loans and equity disbursements
R5.2bn	Infrastructure implementation support delivered
R42.3bn	Value of prepared projects approved
R2.6bn	Infrastructure unlocked for under-resourced municipalities
R0.8bn	Infrastructure unlocked in district municipal spaces adopted for programmatic approach

Development outcomes

7 623	Learners benefitted from 15 newly built schools
5 757	Learners benefitted from 9 refurbished schools
22 722	Learners benefitted from improved sanitation facilities built in 98 schools funded from 165 DBE SAFE programme
11 397	Learners benefitted from improved sanitation facilities constructed in 67 schools funded from provincial budget allocations
956	Local SMMEs and subcontractors employed in the construction of projects
R4.0 billion	Value of infrastructure delivered by black-owned entities, of which R2.6 billion was delivered by black women-owned entities
R584 million	Benefit accrued to local small, medium, and micro enterprises (SMMEs) and subcontractors employed in the construction projects
35 154	Temporary and permanent jobs facilitated
1643	Youth trained in future skills through the DLabs programme
544	Start-up enterprises supported through the DLabs programme

Fund managers contribution

3 858 409	Tonnes of food and food-related products delivered
109 336	Total smallholder farmers and microentrepreneurs impacted
15 430	Permanent jobs sustained in the different sectors sector
47 674	Kilometres of fibre built
548 623	Towers built and acquired

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025		
in thousands of rands	31 March 2025 Audited	31 March 2024 Audited
Assets		
Cash and cash equivalents at amortised cost	15 017 755	10 803 772
Trade receivables and other assets	320 172	238 723
Investment securities	608 667	493 175
Derivative assets held for risk management purposes	223 981	9 545
Other financial assets	38 534	37 534
Development loans held at fair value through profit or loss	12 877	20 784
Equity investments held at fair value through profit or loss	4 581 600	4 808 783
Development bonds at amortised cost	1 542 364	2 065 754
Development loans at amortised cost	98 142 797	99 329 694
Property, equipment and right of use of assets	450 485	456 060
Intangible assets	52 794	51 051
Total assets	120 992 026	118 314 875
Equity and Liabilities		
Liabilities		
Trade, other payables, and accrued interest on debt funding	1 280 726	1 309 114
Repurchase agreements at amortised cost	-	1 194 651
Derivative liabilities held for risk management purposes	94 578	476 741
Liability for funeral and post-employment medical benefits	47 184	47 984
Debt funding held at amortised cost	60 769 422	62 499 696
Provisions and lease liabilities	154 175	167 548
Deferred income	702 447	578 495
Total liabilities	63 048 532	66 274 229
Equity and reserves		
Share capital	200 000	200 000
Retained income	43 489 498	37 865 501
Permanent government funding	11 692 344	11 692 344
Other reserves	182 392	(448 989)
Reserve for general loan risk	2 379 260	2 731 790
Total equity and reserves	57 943 494	52 040 646
Total equity, reserves and liabilities	120 992 026	118 314 875

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2025

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2025

in thousands of rands	31 March 2025 Audited	31 March 2024 Audited
Profit for the year	5 318 917	4 648 799
Items that will not be reclassified to profit or loss		
Gain on revaluation of land and buildings	82	-
Remeasurement of funeral and post-employment medical benefit liabilities	845	(2 794)
Total items that will not be reclassified to profit or loss	927	(2 794)
Items that may be reclassified subsequently to profit or loss		
Unrealised gain/(loss) on cash flow hedges	239 805	(555 835)
Loss on cash flow hedges reclassified to profit or loss	391 494	318 432
Total items that may be reclassified subsequently to profit or loss	631 299	(237 403)
Other comprehensive gain/ (loss)	632 226	(240 197)
Total comprehensive income for the year	5 951 143	4 408 602

CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2025

in thousands of rands	31 March 2025 Audited	31 March 2024 Audited
Balance as at 1 April	52 040 646	47 632 044
Profit for the year	5 318 917	4 648 799
Gain on revaluation of land and buildings	82	-
Remeasurement of funeral and post-employment medical benefit liabilities	845	(2 794)
Unrealised gain/(loss) on cash flow hedges	239 805	(555 835)
Loss on cash flow hedges reclassified to profit or loss	391 494	318 432
Dividend Paid	(48 295)	-
Balance at end of year	57 943 494	52 040 646
CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2025		
in thousands of rands	31 March 2025 Audited	31 March 2024 Audited
Cash flows from operating activities	6 757 797	5 426 355
Cash flow from development activities	198 558	(3 816 504)
Cash flow from investing activities	(201 793)	(201 123)
Cash flow from financing activities	(2 464 574)	3 016 193
Net increase in cash and cash equivalents	4 289 988	4 424 921
Effect of exchange rate movements on cash balances	(76 005)	212 782
Movement in cash and cash equivalents	4 213 983	4 637 703
Cash and cash equivalents at the beginning of the year	10 803 772	6 166 069
Cash and cash equivalents at the end of the year	15 017 755	10 803 772

Outlook

Despite the challenging economic environment, a strong leadership and management team has steered the Bank through these challenges, whilst following the principles of good corporate governance. The Bank has a resilient balance sheet and continues to play a significant role in infrastructure development through lending and non- lending activities. The Bank's continued success hinges on its ability to increase developmental impact using its own balance sheet and partnering with others. Both domestic and global economic factors are critical to the achievement of the Bank's objectives. The Bank has a healthy pipeline of projects that forms a solid foundation for future sustainability. The Bank will continue to focus on disbursing for infrastructure projects within its mandate, that stimulates economic development.

3 September 2025

Debt Sponsor: The Standard Bank of South Africa Limited