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 2026

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 2026 (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 2026 ("annual financial statements" or "AFS") are available on the DBSA website at: https://www.dbsa.org/investor-relations and may also be viewed or downloaded from the JSE Cloudlink at the following link:
https://senspdf.jse.co.za/documents/2026/JSE/ISSB/BIDBS/DBSAAFS2026

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

<u>Highlights from the financial results:</u>

The key financial indicators for the year under review are:

Solid earnings and continued profitability

- Net interest income increased by 5.6% to R8.9 billion (31 March 2025: R8.4 billion).
- Operating income increased by 21.7% to R10.6 billion (31 March 2025: R8.8 billion).
- Net profit increased by 47.0% to R7.8 billion (31 March 2025: R5.3 billion).
- Sustainable earnings increased by 44.6% to R7.4 billion (31 March 2025: R5.1 billion).
- ROE on sustainable earnings increased to 12.0% (31 March 2025: 9.3%).
- ROE on net profit increased to 12.7% (31 March 2025: 9.7%).

- Interest expense decreased by 11.2% to R4.5 billion (31 March 2025: R5.1 billion).

Effective cost optimization strategies

- Cost to income ratio improved to 20.3% (31 March 2025: 22.0%).

Asset growth and strong disbursements levels

- Total disbursements (loans and equities) increased by 18.3% to R20.7 billion (31 March 2025: R17.5 billion).
- Total assets increased by 7.8% to R130.5 billion (31 March 2025: R120.9 billion).
- Total gross development loans and development bonds held at amortised cost increased by 5.1% to R120.4 billion (31 March 2025: R114.6 billion).
- Equity investments increased by 20.8% to R5.5 billion (31 March 2025: R4.6 billion).

Strong cash collections from development loan book

- Cash flow generated from operations increased by 3.0% to R7.0 billion (31 March 2025: R6.8 billion).
- Total loan book repayments decreased by 12.1% to R24.1 billion (31 March 2025: R27.4 billion).
- Total Liquidity holdings decreased by 8.8% to R13.7 billion (31 March 2025: R15.0 billion)

Asset quality - continued resilience of asset portfolio under challenging operating environment

- Gross NPL% ratio increased to 3.9% (31 March 2025: 3.2%).
- Net NPL% ratio improved to 1.17% (31 March 2025: 1.2%)
- Impairment losses decreased to R930 million (31 March 2025: R1.5 billion).
- Unrealised fair value adjustments on equity investments amounted to a gain of R832 million (31 March 2025: loss R215 million).

Capital adequacy and leverage ratios well within regulatory limits.

- Debt-to-equity ratio excluding R20 billion callable capital improved to 95% (31 March 2025: 105%).
- Debt-to-equity ratio including R20 billion callable capital improved to 73% (31 March 2025: 78%).
- Capital ratio, as a percentage to unweighted total assets, increased to 50% (31 March 2025: 48%)
- Capital asset ratio, as a percentage to unweighted development loans increased to 64% (31 March 2025: 59%).
- 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

The macroeconomic landscape deteriorated with the global growth outlook revised lower, as reciprocal tariffs introduced new challenges in 2025, changed the global trade dynamics, increased geopolitical tensions, led to higher costs of doing business, disrupted market access and global supply chain. This was worsened by the sharp escalation of the geopolitical tensions in early 2026 which culminated in the war within the Gulf Region. This resulted in damage to oil infrastructure, disrupted the key trade route of the Strait Hormuz and disrupted trade, resulting in oil price increases which pushed global inflation above central bank targets.

The sovereign 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. Additionally, the oil price shocks for importers has placed additional pressure on the fiscus of oil importing countries. In South Africa, economic growth remains unsatisfactory, with reforms underway in sectors with long standing structural constraints such as the port and railway challenges that until the recent past created bottlenecks and curbed mineral exports. Leveraging the private sector participation and other reforms in the sectors currently underway should mitigate these challenges.

There were additional challenges associated with the geopolitics and in particular the US-South Africa relations which impact on sentiment and future economic growth. Municipal credit risk remains elevated, as municipalities continue to face significant financial distress, with issues such as financial mismanagement, poor audit outcomes, infrastructure vandalism, 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 risks, financial market indicators showed some resilience. The rand strengthened on the back of a weaker US dollar, government bond yields declined, foreign bond inflows increased, and business confidence improved.

The DBSA's growth strategy remains focused on catalysing development, fostering partnerships, and mobilising 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 2026 (“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 2025 (“prior year”, “last year” or “2025 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

Net profit for the current year increased by 47.0% from R5.3 billion to R7.8 billion. The increase in net profit for the current year stems from an increase in net interest income of 5.6%, increase in operating income of 21.7%, increase in the Bank's asset base of 7.8% and a 38% reduction in impairment provisions of approximately R570 million. Other interest income for the year increased by 133.2% to R469 million (31 March 2025: R201 million), coupled with positive fair value gains of R1.4 billion (31 March 2025: R31 million) that arose from the Bank's financial instruments measured at fair value through profit and loss. Return on equity on net profit increased to 12.7% when compared to 9.7% for the prior year due to higher levels of profitability and increased equity base.

The Bank, by virtue of business operations, has a net foreign currency asset position (i.e. total foreign currency asset minus total foreign currency liabilities) amounting to equivalent USD144 million (31 March 2025: USD151 million). Given the ZAR appreciation against the USD and Euro during the current year when compared to the prior year, foreign currency exchange rate loss in the income statement amounted to R78 million (31 March 2025 :R55 million loss). 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 improved to 20.3% (31 March 2025: 22.0%) 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 2026, the 30-day liquidity coverage ratio amounted to 256% (31 March 2025: 1 510%). In 2026, the Bank's total debt redemptions amounted to approximately R11.3 billion. Liquidity holdings remained within policy parameters with total liquid assets of R13.7 billion as at 31 March 2026, down from R15.0 billion as at 31 March 2025.

Leverage ratio and capital adequacy.

The Bank continues to have strong capital buffers for unexpected loss events. The Bank's capital base increased by R7.7 billion (to a total equity base of R65.6 billion). As a result, the debt-to-equity ratio, including the R20 billion callable capital as at 31 March 2026 improved to 73% (31 March 2025: 78%), and remains well below the Bank's regulatory debt-to-equity ratio cap of 250%. The Bank's capital ratio increased to 50% as at 31 March 2026 from 48% as at 31 March 2025. The capital to unweighted ratio increased from 59% to 64%. Overall, the Bank remains well capitalized.

Unlisted equity investments-valuation

The Bank's equity portfolio comprises predominately of unlisted equity investments and is denominated in ZAR, EUR and USD. As at 31 March 2026 the equity portfolio increased by 20.8% to R5.5 billion (31 March 2025: R4.6 billion). Unrealised fair value adjustments for the year amounted to a gain of R832 million when compared to the R215 million loss reported in the prior year. The appreciation of the Rand against the Dollar and Euro resulted in foreign currency loss of R113 million (R134 million loss in the prior year), which was partially offset by new disbursements of R323 million (31 March 2025 R166 million).

Loan asset quality and expected credit loss provisions (impairments)

The single largest risk faced by DBSA from its lending activities is credit risk. The Bank has continued to be proactive in cash collections and equally conservative in credit loss provisioning. DBSA remains proactive in loan portfolio management given the current economic environment. The Bank has considered IFRS 9 forward looking information in the estimation of expected credit losses on the development loan and bond book. In doing so, the Bank 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 (eg. war in the gulf region and impact on oil price, increased risk in the municipal sector in RSA, tariff risk, threatening export revenues and exacerbating job losses in vulnerable sectors, continued 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 2026, the Bank experienced an increase in expected credit loss (on development loans and bonds) of approximately R795 million from R14.9 billion (31 March 2025) to R15.8 billion (31 March 2026). The increase is in response to changes in the credit risk profile, growth in the loan book and the challenging macro-economic environment. The cash collections from the loan book for the year under review amounted to R24.1 billion (comprising interest R10.2 billion and capital R13.9 billion) with total loan cash disbursements amounting to R20.4 billion when compared to R16.3 billion in the prior year. In South Africa, the municipal sector continues to face headwinds.

The expected credit loss coverage ratio on the total development loan and bonds book increased from 13.0% (31 March 2025) to 13.1% (31 March 2026) in response to the changes in the risk profile of the book. The IFRS 9 stage 1 loans decreased to 46% of the loan book from 48% in prior year due to risk migration and loan book growth. The IFRS 9 Stage 2 loans ratio increased marginally to 50% (31 March 2025: 48%) in prior year and South African exposures in the transport, municipal, energy sectors comprise a significant proportion of the stage 2 loans.

The IFRS 9 Stage 3 gross non- performing loan ratio for development loans increased to 3.85% (31 March 2025: 3.25%) due to loan migration. IFRS 9 stage 3 gross municipal loans non-performing loan ratio increased from 0.13% as at 31 March 2025 to 0.17% as at 31 March 2026. Despite the increase in the respective ratios, the Bank remains committed to effective portfolio management, ensuring strong cash collections in a difficult operating environment. 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 provisions remain adequately, and appropriately conservative.

Total assets

The Bank's total asset base increased by 7.8% from R120.9 billion (31 March 2025) to R130.5 billion as at 31 March 2026. Cash and cash equivalents decreased by 8.8% from R15.0 billion to R13.7 billion, in line with the Bank's liquidity risk management policy and loan disbursement requirements. The decrease in cash and cash equivalents was offset by an increase in investment securities of R4.4 billion mainly due to the acquisition of government bonds.

Development Results – Delivering impact in a challenging environment

The highlights of development results are summarised in the table below:

Total infrastructure Development Support

R62.4 billion	Total infrastructure development support comprising of: • Infrastructure valued at R6.5 billion delivered • R20.7 billion loans and equity disbursements • R17.0 billion in prepared projects approved, and programmes enabled • R3.5 billion Infrastructure unlocked for under-resourced municipalities • R14.7 billion funds catalysed

Development Outcomes

11 867	Learners benefitted from 27 newly built schools
12 869	Learners benefitted from 20 refurbished schools
6 854	Learners benefitted from 83 improved sanitation facilities through DBE SAFE programme
2 606	Learners benefitted from improved sanitation facilities in 18 schools financed through provincial budget allocations
586	Local SMMEs and contractors employed in the construction of projects
R5.3 billion	Value of infrastructure delivered by black-owned entities, of which R4.0 billion was delivered by black women-owned entities
R510 million	Benefit accrued to local small, medium, and micro enterprises (SMMEs) and subcontractors employed in the construction projects
19 963	Temporary and permanent jobs facilitated
1 046	Youth trained in future skills through the DLabs programme
165	Start-up enterprises supported through the DLabs programme

Fund managers contribution

3 800 000	Tonnes of food and food-related products delivered
110 940	Total smallholder farmers and microentrepreneurs impacted
15 499	Permanent jobs sustained in the different sectors sector
47 545	Kilometres of fibre built

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2026

in thousands of rands	31 March 2026 Audited	31 March 2025 Audited
Assets		
Cash and cash equivalents at amortised cost	13 692 162	15 017 755
Trade receivables and other assets	349 905	320 172
Investment securities	5 052 363	608 667
Derivative assets held for risk management purposes	574 684	223 981
Other financial assets	42 229	38 534
Development loans held at fair value through profit or loss	42 134	12 877
Equity investments held at fair value through profit or loss	5 533 013	4 581 600
Development bonds at amortised cost	1 455 009	1 542 364
Development loans at amortised cost	103 225 662	98 142 797
Property, equipment and right of use of assets	464 112	450 485
Intangible assets	51 578	52 794
Total assets	**130 482 851**	**120 992 026**
Equity and Liabilities		
Liabilities		
Trade other payables and accrued interest on debt funding	1 486 620	1 280 726
Derivative liabilities held for risk management purposes	103 503	94 578
Liability for funeral and post-employment medical benefits	50 803	47 184
Debt funding held at amortised cost	62 365 972	60 769 422
Provisions and lease liabilities	74 356	154 175
Deferred income	783 433	702 447
Total liabilities	**64 864 687**	**63 048 532**
Equity and reserves		
Share Capital	200 000	200 000
Retained income	50 658 771	43 489 498
Permanent government funding	11 692 344	11 692 344
Other reserves	201 892	182 392
Reserve for general loan risk	2 865 157	2 379 260
Total equity and reserves	**65 618 164**	**57 943 494**
Total equity reserves and liabilities	**130 482 851**	**120 992 026**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2026

in thousands of rands	31 March 2026 Audited	31 March 2025 Audited
Interest income	13 353 906	13 448 739
Interest expense	(4 503 265)	(5 068 902)
Net interest income	**8 850 641**	**8 379 837**
Other operating income	1 798 491	372 062
Operating income	**10 649 132**	**8 751 899**
Total expenditure	(2 830 182)	(3 432 982)
Profit for the year	**7 818 950**	**5 318 917**

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2026

in thousands of rands	31 March 2026 Audited	31 March 2026 Audited
Profit for the year	**7 818 950**	**5 318 917**
Items that will not be reclassified to profit or loss		
Gain on revaluation of land and buildings	-	82
(Loss)/ Gain on remeasurement of funeral and post-employment medical benefit liabilities	(4 212)	845
Total items that will not be reclassified to profit or loss	**(4 212)**	**927**
Items that may be reclassified subsequently to profit or loss		
Unrealised gain on cash flow hedges	601 766	239 805
(Gain)/loss on cashflow hedges reclassified to profit or loss	(582 266)	391 494
Total items that may be reclassified subsequently to profit or loss	**19 500**	**631 299**
Other comprehensive gain	**15 288**	**632 226**
Total comprehensive income for the year	**7 834 238**	**5 951 143**

CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2026

in thousands of rands	31 March 2026 Audited	31 March 2025 Audited
Balance as at 1 April	**57 943 494**	**52 040 646**
Profit for the year	7 818 950	5 318 917
Gain on revaluation of land and buildings	-	82
(Loss)/ Gain on remeasurement of funeral and post-employment medical benefit liabilities	(4 212)	845
Unrealised gain on cash flow hedges	601 766	239 805
(Gain)/loss on cashflow hedges reclassified to profit or loss	(582 266)	391 494
Dividend Payable/ Paid	(159 568)	(48 295)
Balance at end of year	**65 618 164**	**57 943 494**

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2026

in thousands of rands	31 March 2026 Audited	31 March 2025 Audited
Cash flows from operating activities	6 958 860	6 757 797
Cash (used in)/generated from development activities	(6 752 032)	198 558
Cash flow from investing activities	(4 346 799)	(201 793)
Cash flow from/(utilised by) financing activities	3 126 728	(2 464 574)
Net (decrease)/ increase in cash and cash equivalents	**(1 013 243)**	**4 289 988**
Effect of exchange rate movements on cash balances	(312 350)	(76 005)
Movement in cash and cash equivalents	**(1 325 593)**	**4 213 983**
Cash and cash equivalents at the beginning of the year	15 017 755	10 803 772
Cash and cash equivalents at the end of the year	**13 692 162**	**15 017 755**

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.

14 September 2026

Debt Sponsor: The Standard Bank of South Africa Limited