

**The Development Bank of Southern Africa**  
**(Registration number 1600157FN)**  
**JSE Company code: BIDBS**

**Reviewed interim results for the half year ended 30 September 2016**

#### **Preparation of this report**

The Chief Financial Officer, Kameshni Naidoo CA (SA) was responsible for the preparation of the interim results.

#### **Basis of preparation**

Accounting policies adopted and methods of computation are consistent with those applied to the annual financial statements at 31 March 2016. The condensed interim financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit and loss, available-for-sale financial assets, land and buildings, post-retirement medical benefit and funeral benefit obligations measured at actuarial values. The interim financial statements are in conformity with IAS 34, Interim Financial Reporting. The preparation of interim financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

#### **Key financial performance**

- Total assets declined by 1.1% from 31 March 2016
- Development bonds and loan book net growth of 0.4% from 31 March 2016
- Profit for the interim period R1.04bn
- Included in profit is foreign exchange loss amounting to R474m
- Cash flow from operations R1.8bn

#### **Six months overview**

The DBSA generated a profit of R1.04bn, a 27% decrease from the profit reported as at 30 September 2015. The decrease in profit was primarily due to foreign exchange losses amounting to R474m as well as the revaluation losses on financial instruments which amounted to R131m. Total assets declined by 1.1% from R82.3bn (March 2016) to R81.4bn (Sept 2016). This was due to a sale of O3b Networks equity investment and excess cash surplus which was used to fund disbursements.

## Independent review of results by Auditors

The condensed interim financial results of DBSA for the six months ended 30 September 2016 have been reviewed by the Bank's auditor, Nkonki Inc. In their review report, which is available for inspection at the Company's registered office, Nkonki Inc. stated that the review was conducted in accordance with International Standard on Review Engagements 2410, *Review of Interim Information Performed by the Independent Auditor of the Entity*, and have expressed an unmodified conclusion on the condensed interim financial statements.

## Outlook

The success to the year ending 31 March 2017 hinges on the DBSA's ability to continue delivering on its mandate, within the uncertain economic environment. The responsive initiatives that have been put in place would see the targeted results been achieved.

## Condensed Income Statement for the six months ended 30 September 2016

<b>in thousands of rand</b>	Six months ended 30 Sept 2016 Reviewed	Six months ended 30 Sept 2015 Reviewed
<b>Net interest income</b>	<b>1 777 647</b>	<b>1 406 102</b>
Other income	673 471	235 873
Net foreign exchange (loss)/gain	(473 714)	680 261
Grants	(7 299)	(6 858)
Net impairment loss on financial assets	(442 768)	(453 978)
Personnel expenses	(335 149)	(320 436)
Other expenses	(133 642)	(96 020)
Depreciation and amortisation	(17 688)	(15 299)
Profit for the period	1 040 858	1 429 645

## Condensed Statement of Comprehensive Income for the six months ended 30 September 2016

	Six months ended 30 Sept 2016 Reviewed	Six months ended 30 Sept 2015 Reviewed
Profit for the period	1 040 858	1 429 645
Other comprehensive profit/(loss)	69 375	(56 243)
Total comprehensive income	1 110 233	1 373 402

**Statement of Financial Position as at 30 September 2016**

<b>in thousands of rand</b>	As at 30 Sept 2016 Reviewed	As at 31 March 2016 Audited
<b>Assets</b>		
Cash and cash equivalents	1 806 468	2 084 565
Other receivables	124 084	138 533
Investment securities	1 021 167	1 265 218
Derivative assets held for risk management	1 020 910	1 163 533
Post-retirement medical benefits investment	46 126	49 978
Equity investments	5 853 128	6 278 575
Development bonds	1 290 490	1 290 296
Development loans	69 744 654	69 494 954
Property and equipment	493 125	501 202
Intangible assets	74 300	79 142
<b>Total assets</b>	<b>81 474 452</b>	<b>82 345 996</b>
<b>Liabilities</b>		
Other payables	887 339	894 795
Provisions	144 513	152 533
Liability for funeral benefits	3 100	3 100
Liability for post-retirement medical benefits	88 508	239 289
Funding: debt securities	33 310 064	35 271 135
Funding: lines of credit	16 541 288	16 371 534
Derivative liabilities held for risk management	124 349	148 551
<b>Total liabilities</b>	<b>51 099 161</b>	<b>53 080 937</b>
<b>Equity</b>		
Share capital	200 000	200 000
Retained earnings	15 632 263	14 544 861
Permanent government funding	11 692 344	11 692 344
Revaluation reserve on land and buildings	269 256	269 256
Hedging reserve	192 796	123 050
Reserve for general loan risks	2 389 814	2 436 358
Fair value reserve	(1 182)	(810)
<b>Total equity</b>	<b>30 375 291</b>	<b>29 265 059</b>
<b>Total liabilities and equity</b>	<b>81 474 452</b>	<b>82 345 996</b>

**Condensed statement of changes in equity for the six months period ended 30 September 2016**

<b>in thousands of rand</b>	Six months ended 30 Sept 2016 Reviewed	Six months ended 30 Sept 2015 Reviewed
Balance at beginning of the year	29 265 059	23 682 685
National Treasury capital injection		1 000 000
Profit for period	1 040 858	1 429 645
Net unrealized gain on cash flow hedges	69 746	(55 608)
Change in value of available for sale financial assets	(372)	(635)
Total equity at end of the period	30 375 291	26 056 087

**Condensed statement of cash flow for the six months period ended 30 September 2016**

	Six months ended 30 Sept 2016 Reviewed	Six months ended 30 Sept 2015 Reviewed
Cash flows generated from operating activities	1 856 545	1 178 393
Cash flows used in development activities	(1 084 132)	(6 009 365)
Cash flows (used in)/generated from investing activities	(329 787)	505 971
Cash flows (used in)/ generated from financing activities	(705 321)	4 193 794
Effect of exchange rate movement on cash balances	(15 403)	24 969
Net decrease in cash and cash equivalents	(278 098)	(106 237)
Cash and cash equivalents at the beginning of the year	2 084 565	3 901 663
Cash and cash equivalents at the end of the period	1 806 468	3 795 426

25 November 2016

Debt sponsor: The Standard Bank of South Africa Limited