INSTITUTIONAL
STRENGTH

ANNUAL FINANCIAL STATEMENTS 2023

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

CONTENTS

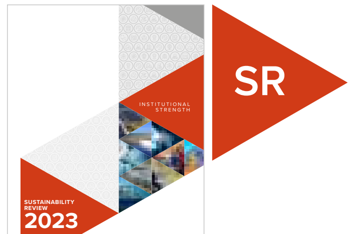
Our suite for the year ended 31 March 2023 consists of three reports.

Integrated Annual Report

The 2023 Integrated Annual Report, which is our primary communication with our stakeholders.

Annual Financial Statements

The 2023 Annual Financial Statements, which includes the directors' report and the independent auditor's report.



Sustainability Review

The 2023 Sustainability Review, which provides further information on our sustainability performance

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder:

REPORTS

STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

REFERENCE INFORMATION

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The executive directors, whose names are stated below, hereby confirm that:

a) The Annual Financial Statements set out on pages 19 to 171, fairly present in all material respects the financial position, financial performance and cash flows of the Bank in terms of IFRS;
b) No material facts have been omitted or untrue statements furnished that would make the Annual Financial Statements false or misleading;
c) Internal financial controls have been put in place to ensure that material information relating to the Bank has been provided to effectively prepare the Annual Financial Statements; and
d) The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements.

Boitumelo Mosako
Chief Executive Officer

Ntombizodwa Petunia Mbele
Acting Chief Financial Officer

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 31 MARCH 2023

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

In preparing the Annual 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);
- The Public Finance Management Act, No. 1 of 1999 (PFMA);
- International Financial Reporting Standards (IFRS);
- 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; and
- JSE Limited Debt Listings Requirements.

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 Annual 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;
- The Audit and Risk Committee, as well as the internal auditor's, review the financial and internal control systems, accounting policies, reporting and disclosure; and
- Internal audit performed a review on the adequacy and effectiveness of the internal controls and systems implemented by management in the financial reporting processes (month end and year end). The assessment included governance, risk management and control environment in the three process descriptions (other financial accounts, financial assets and liabilities, and development assets and liabilities). Segregation of duties, management reviews, delegations of authority and appropriate approval committees processes were also assessed. The review did not include the assessment of the financial statements assertions (accuracy, occurrence, completeness, cut-off, rights and obligations, disclosure, etc.) per the individual accounts in the trial balance. This was performed by the external auditor.

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 year 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 Annual Financial Statements.

The Annual Financial Statements that appear on pages 19 to 171 were approved by the Board of Directors on 29 June 2023 and are signed on its behalf by:

Prof M Swilling
Chairman of the Board

Boitumelo Mosako
Chief Executive Officer

Martie Janse Van Rensburg
Chairman of the Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA

FOR THE YEAR ENDED 31 MARCH 2023

Report on the audit of the Annual Financial Statements

Opinion

1. I have audited the Annual Financial Statements of the Development Bank of Southern Africa (the Bank) set out on pages 19 to 171, which comprise the statement of financial position as at 31 March 2023, statement of comprehensive income and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the Annual Financial Statements, including a summary of significant accounting policies.

2. In my opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA), the Development Bank of Southern Africa Act 13 of 1997 (Amended Act 41 of 2014) (DBSA Act) and sections 27 to 31 of the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the Annual Financial Statements section of my report.

4. I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of the most significance in my audit of the Annual Financial Statements of the current period. These matters were addressed in the context of my audit of the Annual Financial Statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of development loans: expected credit losses (ECL) on development loans	
The Bank determines the ECL relating to development loans in line with the requirements of IFRS 9, *Financial instruments* (IFRS 9). This determination is complex and requires a high level of judgement and assumptions. The Bank uses various models and assumptions to estimate the ECL. It applies judgement to identify the most appropriate model for each type of asset and determine the assumptions used in these models, including assumptions that relate to key credit risk drivers. The Bank uses a series of quantitative and qualitative criteria to determine if a loan has experienced a significant increase in credit risk. It incorporates forward-looking information (FLI) into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition. The ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset, discounted at its original effective interest rate.	In line with the requirements of ISA 540 (Revised), *Auditing accounting estimates and related disclosures* (ISA 540 Revised), I performed: • enhanced risk assessment procedures relating to obtaining an understanding of the expected credit losses • separate risk assessment procedures for inherent risk and control risk relating to expected credit losses and its related disclosures using the principles from IFRS 9. After considering the requirements of ISA 540 (Revised) and ISA 330, *The auditor's responses to assessed risks* (ISA 330), a combined audit approach was followed to respond to the risk identified in ECL on development loans. My audit procedures included assessing the appropriateness of the ECL in terms of the requirements of IFRS 9. I evaluated the design, implementation and operating effectiveness of the following controls: • The governance processes for credit models, inputs and overlays (addition or reduction in impairments that are over and above the numbers generated by the impairment models) • The post-investment monitoring forums where key judgements are considered • Accounting authority oversight over ECL

Key audit matter	How the matter was addressed in the audit
Valuation of development loans: Expected credit loss (ECL) on development loans (continued)	
The major components of the ECL include the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The PD is defined as an estimate of the likelihood of default over a given time horizon. The EAD is an estimate of the exposure at a future default date considering expected changes in the exposure after the reporting date. The LGD is an estimate of the loss arising in the case where default occurs at a given time. The Bank's PD estimates incorporate an FLI component determined based on a multivariate non-linear generalised additive model. The model-significant FLI drivers are historical macroeconomic variables and observed default rates. Management completed the re-calibration of the base credit models during the current year. The LGD is determined based on the Bank's exposures, historical default rates and financial factors. Adjustments are often effected based on the latest information. Due to the continuing impact of the covid-19 pandemic, the deteriorating economic climate and the effects of the Russia-Ukraine war in the emerging markets and developing economies, the Bank provided for approximately R2,5 billion as an IFRS 9 overlay in the current year. This overlay covered additional industry and country risk in the Bank's portfolio not captured by the base ECL model output. Management believed these overlays were necessary in response to the base model output that recommended a reversal of the expected credit losses. The Bank's base ECL models were recalibrated in the current year, which resulted in a decrease in the overall overlay by R849 million. The disclosures associated with the expected credit loss allowance on development loans are set out in the following notes to the Annual Financial Statements: • Note 14 – Development loans • Note 43 – Risk management Due to the high degree of estimation, management judgement and magnitude of the development loans, which constituted the majority of total assets, the expected credit loss allowance is considered a matter of most significance for our audit.	I assessed the controls related to management's annual credit reviews. This included confirming that the credit reviews were performed in accordance with the Bank's policy and that the investment committee approved the assigned credit risk ratings. I critically evaluated the significant increase in credit risk triggers and assumptions applied by management in determining expected credit losses for loans. I also evaluated management's assessment of the recoverability of loans and collateral. I found these estimates to be within a reasonable range of my expectations. In addition, I engaged an auditor's expert to assess the appropriateness and reasonability of the credit risk models and assumptions used by management in determining the ECL using a challenger model. An assessment of the independence and competence of the expert was performed in line with ISA 620, *Using the work of an auditor's expert* (ISA 620). The expert's assessment included the following: • Gaining an understanding of the nature of the underlying assets • Reviewing the ECL methodology for compliance with IFRS 9 principles and best practices • Independently reviewing the ECL model calculations for accuracy and consistency with the DBSA methodology • Performing a challenger ECL model, using independent inputs for the PDs, EADs, LGDs and FLI • Performing benchmarking, trend analysis and providing feedback on the ECL methodologies The Bank's base ECL models were recalibrated during the current year. I noted that management only reviewed 73% (Top 20 exposures) of the loan book and will complete the reviews for the rest of the loan book in the coming financial year. I found management's credit risk models and the assumptions used to determine the ECL reasonable and consistent with my expectations. I determined management's estimate to be within a reasonable range of my expectations, including the overlays applied. I assessed the IFRS 9 and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) disclosures included in the Annual Financial Statements, and I am satisfied that the disclosures are consistent with the explicit requirements of IFRS.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Key audit matter	How the matter was addressed in the audit
Valuation of equity investments held at fair value through profit or loss	
The Bank measures equity investments at fair value through profit or loss. The equity investments portfolio does not have an active market; therefore, the Bank uses valuation techniques to establish fair value. A net asset value approach is used to determine the fair value of equity investments. Furthermore, marketability discounts are applied where appropriate to adjust for any identified investment risks. The determination of net asset value using fair value techniques includes estimates that are susceptible to management judgement and bias that may result in a misstatement. Due to the significance of the judgements made in determining the fair value of equity investments and the extent of work required to address this matter, the valuation of equity investments was identified as a matter of significance in the audit of the Bank's current year Annual Financial Statements. Equity investments held at fair value consist of direct investments in equity and third-party managed funds. The Bank normally uses market references to measure the instruments. Management's adjustments consider the impact of market uncertainty due to recovery after covid-19 and the ongoing Russia-Ukraine war, which affected estimates of resale values, marketability discounts and premiums, and the cost of debt. I considered these adjustments to be subjective and therefore requiring further attention. The disclosures associated with the equity investments held at fair value through profit or loss are set out in the following note: • Note 11 – Equity investments held at fair value through profit or loss	In terms of the requirements of ISA 540 (Revised), I performed separate risk assessment procedures for inherent risk and control risk relating to equity investments and their related disclosures using the principles of IFRS 13, *Fair Value Measurement* (IFRS 13). As per the requirements of ISA 540 and in conjunction with ISA 330, a combined audit approach was followed to respond to the risk identified in equity investments through profit and loss. My audit procedures included assessing the appropriateness of the valuation technique used by management to value equity investments held at fair value through profit or loss, including performing reasonability tests on the use of the net asset value valuation technique and applying marketability discounts based on comparable industry norms and practices. I evaluated the design, implementation and operating effectiveness of the governance processes in place to approve the valuation of equity investments. I obtained third-party confirmations from fund managers to confirm the participatory interest of the Bank in the funds. I evaluated the applicability of the three methods that can be used for fair value private equity, namely the income approach, market approach and net asset value approach. Based on the nature of the investments held by the Bank, I concluded that the net asset value approach adopted by management is appropriate to value the equity investments. I evaluated the reasonability of the net asset value and the marketability discount, considering market uncertainty due to recovery after covid-19 and the Russia-Ukraine war. Where audited valuations were available, I assessed the reasonableness of the funds statement by comparing the valuations to audited Annual Financial Statements. Where audited valuations were not available, I used the latest audited valuations to confirm the objectivity and reasonability of the previous estimates from the fund managers. I assessed the appropriateness of adjustments made by the Bank to the fund's net asset values by using an independent market benchmark. I performed an assessment of the fair value hierarchy levels as disclosed using the principles of IFRS 13 on an investment level and was able to conclude alignment with the Bank's view on the appropriateness of the fair value hierarchies assigned to each investment.

Key audit matter	How the matter was addressed in the audit
Derivative assets/liabilities held for risk management	
There is a risk of incorrect valuation of derivatives at fair value because of the level of judgement required and the complexity of assumptions used in determining the appropriate valuation techniques. Valuation of derivatives requires significant judgement in determining the appropriate valuation techniques. Fair value calculations depend on various sources of external and internal data and sophisticated modelling techniques used to value derivative financial instruments. Due to the significance of the judgements made in determining the fair value of the complex financial instruments and the extent of work required to address this matter, this has been identified as a matter of most significance in the current year's audit of the Annual Financial Statements. In measuring the fair value of the derivatives, the Bank considers credit value adjustments (CVA) and debit value adjustments (DVA). CVA is the adjustment made to the value of a derivative to provide for the probability of a counterparty defaulting (adjustments for the credit risk of the derivative counterparty). DVA is the adjustment made to provide for the probability of the holder of the derivative's own default for the credit risk of the derivative counterparty (the Bank's own credit risk). The disclosures associated with derivatives are set out in the following notes - to the Annual Financial Statements: • Note 8.1 – Derivative assets held for risk management purposes • Note 8.2 – Derivative liabilities held for risk management purposes	In terms of the requirements of ISA 540 (Revised), I performed separate risk assessment procedures for inherent and control risk relating to derivatives and the related disclosures using the principles of IFRS 13. After considering the requirements of ISA 540 (Revised) and ISA 330, a combined audit approach was followed to respond to the risk identified in derivatives through profit and loss. My audit procedures included assessing the appropriateness of the valuation technique used by management to value derivatives. I engaged an auditors' expert to assess the appropriateness and reasonableness of the assumptions used by management in determining the valuation of derivatives. An assessment of the independence and competence of the expert was performed in line with ISA 620. The expert's assessment included the following: • A valuation review of the derivative instruments held by the Bank • The calculation of fair value adjustments, i.e. CVA and DVA at portfolio level, including the assumptions and methodology used in determining the CVA and DVA adjustments. I evaluated the design, implementation and operating effectiveness of controls over the appropriateness of data and inputs used in the valuation of derivative financial instruments. In respect of the derivatives population, I performed an independent recalculation of the fair values of derivative asset / liability positions. I assessed the completeness, accuracy and adequacy of the disclosures. In addition, I also assessed the classification as a hedging instrument in line with IFRS 9. I found management's valuation of the derivative to be within range and consistent with my expectations. I assessed the disclosure relating to derivatives and concluded that it is in line with the requirements of IFRS 9 and IFRS 13.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Breach of information systems

8. I draw attention to note 52.2 to the Annual Financial Statements, which deals with subsequent events and specifically the breach of the Bank's information systems. Management described how they planned to deal with these events and circumstances.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

National Treasury Instruction Note 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022, the National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised, irregular and fruitless, and wasteful (UIFW) expenditure. Among the effects of this framework is that irregular, and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the Annual Financial Statements. Only the current year and prior year figures are disclosed in note 48 to the Annual Financial Statements. The movements regarding irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the Annual Financial Statements of the Bank. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

11. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the Annual Financial Statements

12. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with the IFRS and the requirements of the PFMA, the DBSA Act and the Companies Act; and for such internal control as the board of directors determines is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the Annual Financial Statements, the board of directors, which constitutes the accounting authority is responsible for assessing the Bank's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the Annual Financial Statements

14. My objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

15. A further description of my responsibilities for the audit of the Annual Financial Statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

17. I selected the following objectives presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected objectives that measure the Bank's performance on its primary mandated functions and that are of significant national, community or public interest.

Objectives	Page numbers	Purpose
Financial sustainability	17 - 18	To ensure the ability to grow quality and profitable disbursements, increasing self-originated disbursement opportunities and improving the bank's operational efficiencies as part of cost optimisation.
Sustainable growth		To measure all funding activities made to clients (excl. grants and equities) as part of the bank's core mandate of mobilising funding for development projects.
Increase self-originated disbursement opportunities		To measure the bank's contribution to preparing projects for bankability. This reflects a commitment to mobilise funding for development projects.
Increase SA fixed capital formation		To drive infrastructure delivery through the work done by the infrastructure delivery division as an implementing agent for government across all its spheres.

Objectives	Page numbers	Purpose
Municipal support	17 - 18	To unlock the value of infrastructure through the delivery of non-financial support activities in under-resourced municipalities to improve developmental impact and eradicate infrastructure backlogs.
Unemployment reduction		To reflect the DBSA's commitment to addressing unemployment as articulated in the DBSA's development position.
Increase SA fix capital formation		To drive infrastructure delivery through the Infrastructure Fund
Increased sustainable developmental outcomes in SA districts		To develop a whole municipality (fully integrated) approach that ensures delivery of integrated services whilst strengthening monitoring and evaluation, and impact at district and local levels. Allows for co-production and alignment of resources at the disposal of all participating partners at all points in the system. Enable adopted municipalities to deliver integrated services and maximise impact by aligning resources and infusing long-term strategic planning.
Increase outcomes through programme outputs		To measure the extent of progress with programmes where the bank is acting as an implementing agent, specifically, the student housing infrastructure programme where there are shortages in student accommodation.
Increasing sustainable finance impact through leveraging third party capital		The purpose is to provide dedicated advisory, investment, and implementation support to access funds from climate funding mechanisms and blend this with the DBSA and other third-party funding. The long-term intention is to emerge with a DBSA portfolio that is progressively greener. The objective enhances the resilience of infrastructure investments and supports the government in meeting its SDG targets and commitments to the revised nationally determined contributions.
Innovation Initiatives		To focus on driving development impact for the underserved youth and local communities by seeking to realise inclusive growth, community empowerment, improved quality of life and enhanced well-being. To address social impact and invest in innovative projects that will enable financial inclusion, new venture creation, economic emancipation, and access to finance to previously marginalised people.
Empowerment support		To increase the transformation impact of the bank's activities where black-owned entities and black women entities participate in large infrastructure projects equity structure. To empower SMMEs and township enterprises where the bank seeks to build an inclusive, productive, and labour-absorbing economy.

18. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Bank's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the Bank's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

21. I did not identify any material findings on the reported performance information of the selected objectives.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets.

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the Bank's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Bank, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

27. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report and the audit committee's report The other information referred to does not include the Annual Financial Statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

28. My opinion on the Annual Financial Statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the Annual Financial Statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the Annual Financial Statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

32. I did not identify any significant deficiencies in internal control.

Auditor General

Pretoria
30 June 2023

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the Annual Financial Statements and the procedures performed on reported performance information for selected objectives and on the Bank's compliance with selected requirements in key legislation.

Annual Financial Statements

In addition to my responsibility for the audit of the Annual Financial Statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the Annual Financial Statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Bank to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Annual Financial Statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the Annual Financial Statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the Bank to cease operating as a going concern
- evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and determine whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the Annual Financial Statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DEVELOPMENT BANK OF SOUTHERN AFRICA (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management act 1 of 1999 (PFMA)	Section 50(3); Section 50(3)(a); Section 50(3)(b) Section 51(1)(a)(ii); Section 51(1)(a)(iii); Section 51(1)(a)(iv); Section 51(1)(b);Section 51(1)(b)(i); Section 51(1)(b)(ii); Section 51(1)(e)(iii) Section 52(b) Section 54(2)(c) Section 54(2)(d) Section 55(1)(a); Section 55(1)(b); Section 55(1)(c)(i) Section 56; Section 57(b) Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; Regulation 29.1.1(a); Regulation 29.1.1(c); Regulation 29.2.1; Regulation 29.2.2; Regulation 29.3.1 Regulation 31.2.5; Regulation 31.2.7(a) Regulation 33.1.1; Regulation 33.1.3
Preferential Procurement Policy Framework Act 5 of 2000	Section 1(i); Section 2(1)(a); Section 2(1)(b); Section 2(1)(f)
Preferential procurement regulation of 2017 (PPR)	Regulation 4(1); Regulation 4(2) Regulation 5(1); Regulation 5(3); Regulation 5(6); Regulation 5(7) Regulation 6(1); Regulation 6(2); Regulation 6(3); Regulation 6(5); Regulation 6(6); Regulation 6(8) Regulation 7(1); Regulation 7(2); Regulation 7(3); Regulation 7(5); Regulation 7(6); Regulation 7(8) Regulation 8(2); Regulation 8(5) Regulation 9(1); Regulation 9(2) Regulation 10(1); Regulation 10(2) Regulation 11(1); Regulation 11(2) Regulation 12(1) and Regulation 12(2)
Preferential procurement regulation of 2022 (PPR)	Regulation 3(1) Regulation 4(1); Regulation 4(2); Regulation 4(3); Regulation 4(4) Regulation 5(1); Regulation 5(2); Regulation 5(3); Regulation 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
National Treasury SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
National Treasury SCM Instruction 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
National Treasury SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2; Paragraph 4.3.2; 4.3.3.
Competition Act 89 of 1998	Section 4(1)(b)(ii)
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury instruction 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum National Treasury instruction 5 of 202/21	Paragraph 1
Erratum National Treasury instruction 5 of 202/21	Paragraph 2
National Treasury instruction note 5 of 2020/21	Paragraph 5.1 and 5.3
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	Regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors have pleasure in presenting this report on the Annual Financial Statements of Development Bank of Southern Africa (DBSA) for the year ended 31 March 2023.

Nature of business

The Bank was reconstituted in terms of the Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014), as a development finance institution wholly owned by the South African government. The geographic mandate of the Bank has been extended beyond the Southern African Development Community (SADC) to any country on the African continent and its oceanic islands. The Bank aims to deepen its development impact in South Africa, SADC and the rest of the African continent by expanding access to development finance while effectively integrating and implementing sustainable development solutions. Since being founded in 1983, the Bank has expanded its role to serve as financier, adviser, partner, implementer and integrator to the benefit of its clients and communities. There have been no material changes to the nature of the business from the prior years.

Corporate governance

The directors embrace the principles of King IV and the Companies Act and endeavour to comply with these recommendations as far as they are not in conflict with the DBSA Act.

Financial results and activities

The financial results of the Bank are fully disclosed on pages 19 to 171. The key financial indicators for the year under review are:

- Net profit of R5.2 billion (31 March 2022: R3.8 billion).
- Sustainable earnings of R4.2 billion (31 March 2022: R3.6 billion).
- Net interest income increased by 13% to R6.5 billion (31 March 2022: R5.8 billion).
- Impairment losses increased to R1.1 billion (31 March 2022: R1.0 billion).
- NPL% ratio on gross loan book of 3.3% (31 March 2022: 4.6%).
- Net NPL% ratio of 1.2% (31 March 2022: 1.8%).
- Operating income increased by 13% to R6.9 billion (31 March 2022: R6.1 billion).
- Cost to income ratio marginally improved to 23.5% (31 March 2022: 23.7%).
- Cash flow generated from operations increased to R5.1 billion (31 March 2022: R4.5 billion).
- Total assets increased to R108.6 billion (31 March 2022: to R100.0 billion).
- Development loans, development bonds and equity disbursements amounted to R13.7 billion (31 March 2022: R13.2 billion).
- ROE on sustainable earnings 9.3% (31 March 2022: 8.8%).
- ROE on net profit 11.5% (31 March 2022: 9.3%).
- Debt-to-equity ratio excluding R20 billion callable capital of 124% (31 March 2022: 130%).
- Debt-to-equity ratio including R20 billion callable capital 87% (31 March 2022: 88%). Callable capital is authorised shares but not yet issued. Debt to equity ratio is within the Bank's regulatory limit of 250%.

Summarised information on the financial performance of the Bank is included in the unaudited financial overview section of the Integrated Annual Report.

Impact of macro-economic shock events on the Bank

DBSA entered the year under review with the Ukraine-Russia war compounding a number of pre-existing adverse global economic trends, including rising inflation, extreme poverty, increasing food insecurity, globalization, and worsening environmental degradation and increased climate change risk. Previously COVID-19 had created an unprecedented health and economic crisis that saw most countries closing borders and implementing lockdown measures to contain the spread of the virus. Various authorities across the globe continued to unwind the unconventional monetary and fiscal policy measures across the world.

On the back of the unwind of policy measures, the global economy initially appeared poised for a gradual recovery from the COVID-19 pandemic and Russia-Ukraine war. However, the major forces that shaped the world economy in 2022 seem set to continue into 2023, but with changed intensities. The tightening in global financial conditions is hampering recovery and many economies are likely to experience slower income growth in 2023, amid rising joblessness. Risks to the outlook remain heavily skewed to the downside, with the chances of a hard landing having risen sharply.

Financial sector stress after collapse of regional banks in the US could amplify, and contagion could take hold, weakening the real economy through a sharp deterioration in financing conditions and compelling central banks to re-consider their policy paths. The Ukraine conflict could lead to more food and energy price spikes thereby pushing inflation up. Core inflation could turn out more persistent than anticipated, requiring even more monetary tightening. The risk of banking instability in the US remain a concern following collapse of three banks on the back of increased interest rates.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Risks and uncertainties associated with Ukraine-Russia war

Ongoing hostilities in eastern Europe have been a major driver of risk and uncertainty across the globe and the end date of the hostilities remain unknown. Disruption to international supply chains continue to have a negative impact on risk of food security, notably in countries dependent on Ukrainian agricultural exports. The initial fuel shortages driven by the initial loss of the Russian supply contributed to inflation in both developed and developing countries, outside policymakers' desired target ranges and inflation remain at high levels as at year end.

Against the backdrop of a continued South Africa's negative economic outlook coupled with subdued economic growth rate, risks associated with high interest rate, high inflation, increased municipal risk, China's economic performance, deteriorating sovereign debt situations of some African countries, pace of debt restructuring discussions, energy security and reliability challenges are continuing risks the Bank faces.

While oil producing countries continue to benefit from elevated price levels, energy importing economies have seen significant increases in fuel and gas prices, contributing the noted rise in headline inflation and worsening debt affordability. Continued through-the-cycle approach monitoring of economic developments will remain key in ensuring that risks associated with financial and economic shocks continue to be proactively and effectively managed.

Dividend

The Bank is currently revising its dividend policy, post-repeal, in consultation with its shareholder, the National Treasury. No dividends were declared for the current reporting period.

Share capital

Authorised capital amounts to R20.2 billion, which is divided into two million and twenty thousand ordinary shares of R10 000 each. The Board may from time to time, with the approval of the shareholders previously given at a meeting of shareholders, increase the issued share capital of the Bank. The Minister may, after consultation with the board and by notice in the *Government Gazette*, adjust the amount of the authorised share capital of the Bank and the number of ordinary shares.

Authorised capital

2 020 000 ordinary shares (31 March 2022: 2 020 000) at par value of R10 000 each.

Callable capital (authorised but unissued share capital)

2 000 000 ordinary shares (31 March 2022: 2 000 000) at a par value of R10 000 each.

Issued share capital

20 000 ordinary shares (31 March 2022: 20 000) at a par value of R10 000 each.

Going concern

The Annual Financial Statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Directors have reasonable belief that the Bank has adequate resources to continue as a going concern for the foreseeable future, based on forecasts and available cash resources. The directors have assessed the impact of macro-economic shock events and the effects of the Ukraine-Russia war on the Bank's ability to continue as a going concern. The directors have concluded that there are no material uncertainties that could cast significant doubt over the Bank's ability to continue as a going concern.

Borrowing powers

As per Regulation 44 of the regulations made under section 17 of the DBSA Act, the Directors may in their discretion borrow or raise funding for the purposes of the Bank subject to the leverage ratio not exceeding 2.5 times the permanent capital and accumulated reserves. An annual borrowing programme, based on projections of business activity for the following financial year, is submitted to National Treasury for approval. The current year debt raised was within the approved programme, and the overall borrowings remained within the leverage ratio limit.

Overall borrowing limit (R billion)	Limit	Borrowing
Regulatory per DBSA Act	119	58
Annual borrowing programme*	6	2.2
Foreign currency borrowing	29	26
Domestic Medium Term Note Programme	80	17

** The net repayment of R2.2 billion was made during the year (31 March 2022: R3.5 billion).*

Directorate and Secretariat

Details pertaining to the names of Board members and the Secretariat appear in the Integrated Annual Report.

Non-executive directors are subject to retirement by rotation. They hold office for a period of three years and are eligible for reappointment. Non-executive directors are eligible for appointment for a maximum of three terms. Details of the directors' current service contracts are shown in the table below:

Name	Position	Number of terms served (including current term)	Current service contract	
Current			From	To
Ms B Mosako [1&2]	Chief Executive Officer and Managing Director	1	1 April 2023	31 March 2028
Prof M Swilling	Independent Non-executive Director, Chairman	3	2 October 2020	1 October 2023
Dr G Magomola [6]	Independent Non-executive Director, Deputy Chairman	1	2 October 2020	31 October 2023
Mr K Brown [5]	Shareholder representative	1	30 November 2022	29 November 2025
Ms M Janse Van Rensburg	Independent Non-executive Director	3	1 April 2022	31 March 2025
Ms D Lerutla [5]	Independent Non-executive Director	1	30 November 2022	29 November 2025
Mr P Matji	Independent Non-executive Director	1	2 October 2020	1 October 2023
Mr B Mudavanhu	Independent Non-executive Director	2	2 October 2020	1 October 2023
Mr B Nqwababa	Independent Non-executive Director	1	2 October 2020	1 October 2023
Ms P Nqeto	Independent Non-executive Director	2	2 October 2020	1 October 2023
Mr E Rasool [5]	Independent Non-executive Director	1	30 November 2022	29 November 2025
Ms A Sing	Independent Non-executive Director	3	2 October 2020	1 October2023
During the year				
Mr P K Dlamini [3]	Chief Executive Officer and Managing Director	2	1 September 2017	31 March 2023
Adv M Kganedi [4]	Independent Non-executive Director	1	2 October 2020	30 April 2022

1 *Ms B Mosako was Chief Financial Officer and was appointed the Chief Executive Officer of the Bank, effective from 1 April 2023. The former CEO's term of office came to an end.*

2 *Ms NP Mbele was appointed as the Acting Chief Financial Officer of the Bank, effective from 1 April 2023 to 30 September 2023, to allow the Bank to finalise the permanent CFO recruitment process. The appointment does not cover the responsibilities of being an executive director on the Board of Directors.*

3 *Term of office ended on 31 March 2023.*

4 *Resigned with effect from 30 April 2022.*

5 *Appointed for a term of 3 years, effective from 30 November 2022 to 29 November 2025.*

6 *Appointed as Deputy Chairman with effect from 07 February 2023 until 31 October 2023.*

The details of the Directors' emoluments and related party transactions are set out in notes 42 and 44 of the Annual Financial Statements. The governance structure is detailed in the Annual Integrated Report.

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Remuneration policy

The DBSA Remuneration Policy, which is approved by the Human Resources Committee (HRC) and the Board, forms the basis of how the Bank remunerates its employees. It is aligned to the strategic direction and specific drivers of the businesses within the Bank, supporting operational excellence, continuous improvement and innovation. The aspect of remuneration continues to be fundamental in respect of the attraction, development, retention of employees as well as continued motivation of a high performance culture, in furtherance of the Bank's ability to deliver on its mandate. In execution of a fore-mentioned, the Audit and Risk Committee, as well as the Human Resources Committee provide the necessary oversight in respect of the Bank's performance and employee remuneration.

Business and registered address

The Bank's business and registered address details appear on page 175.

Taxation status

The Bank is exempt from normal taxation in terms of section 10(1)(t)(x) of the Income Tax Act, No. 58 of 1962, as amended. The Bank is subject to and complies with all other South African taxes, including employees' tax and value added tax. The Bank paid net VAT amounting to R69 million (31 March 2022: R40 million).

Changes in accounting policies

The accounting policies applied during the year ended 31 March 2023 are in all material respects consistent with those applied in the Annual Financial Statements for the year ended 31 March 2022.

Events after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial year which will have a significant effect on the operations or the financial position of the Bank other than that disclosed in note 52 of the Annual Financial Statements on page 171.

Litigation

The directors are not aware of any litigation against the Bank other than that disclosed under contingent liabilities in note 45 of the Annual Financial Statements on page 165.

Related party transactions

Details of the Bank's related party transactions are set out in note 44 of the Annual Financial Statements on page 164.

Information presented in terms of Section 55(2)(B) of the PFMA

i) **Particulars of material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year:** There were no instances where the Bank sustained material losses. Refer to note 48 of the Annual Financial Statements on page 169.

ii) **Particulars of any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure:** There were no instances where the Bank sustained material losses.

iii) **Particulars of any losses recovered or written off:** No material losses were recovered or written off other than in the ordinary course of business.

iv) **Particulars of any financial assistance received from the state and commitments made by the state on behalf of the Bank:** No financial assistance was received.

ANNUAL PERFORMANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The annual performance report and indicators for the Bank are set out below:

HIGH LEVEL PERFORMANCE OVERVIEW

The DBSA's strategy pursues the maximisation of development impact while maintaining financial sustainability. The Balanced Scorecard (BSC) translates key strategic objectives into measurable outcomes as approved by the Board of Directors. The BSC is the key instrument used to implement and monitor the achievement of predetermined strategic objectives. The table below compares the planned and realised performance on the high-level corporate performance objectives for the year ended 31 March 2023.

The DBSA worked towards achieving exceptional results even in the extremely difficult global, regional and domestic economic conditions during the 2022/23 financial year, meeting 89% of its targets. Notable achievements include both financial outcomes such as the return on sustainable earnings, total disbursements, cost to income ratio (financing business) and value of infrastructure delivered, and development outcomes achievements include projects approved for funding by DBSA's existing climate and environmental facilities, DLabs outputs and empowerment support as detailed in the table below. The value of prepared projects approved was overachieved benefiting from the delays experienced in the finalization of the renewable energy projects and Risk Mitigation Independent Power Producer Procurement Programme from the previous year.

The targets for the following key performance indicators were either not met or partially achieved:

- **Number of jobs facilitated:** The underperformance is largely attributed to the number of estimated jobs to be created from the financing business which are calculated based on South African project commitments not reaching expectations for the financial year under review and as a result missing the annual target by 1 060.

- **Number of feasibility studies/student beds through SHIP programme:** The underperformance is attributed to 312 student beds not completed by year end due to one of the construction companies experiencing cashflow problems and thus unable to complete the final work to deem the building complete and ready for occupation through a completion certificate from the municipality.

- **Number of transactions approved through the High Impact Investment Portfolio:** The underperformance is attributed to delays in converting projects from approval to commitment stage during the financial year. It is anticipated that greater traction will be realised in the new year as uptake increases.

- **Provide strategic and operational support to the Infrastructure Fund in order to execute its mandate:** two of the six targets contained in the approved business plan were not met due to:

  – The cancellation of the SHIPMO MOA between the DBSA and Department of Higher Education thus stalling the process of funding the programme.

  – The delay in signing the MOA with a client which would allow a water project to go to market for funding.

  – A Project Sponsor deciding to use alternative funding after the projects were signed. The external and internal costs incurred in respect of the work done will be recovered from the Project Sponsor.

PERFORMANCE INFORMATION

Objective	Key performance indicator	Target	Results
Financial sustainability	• ROE (calculated on sustainable earnings)	5.11%	9.3%
	• Cost to income ratio (Financing business)	32.4%	23.5%
Sustainable Growth	• Total Disbursements	R13.5 billion	R13.7 billion
Increase self-. originated disbursement opportunities	• Value of prepared projects approved.	R2.5 billion	R25.4 billion
Increase SA fixed capital formation	• Value of infrastructure delivered	R4.2 billion	R4.8 billion
Municipal Support	• Value of infrastructure unlocked in under-resourced municipalities.	R1.25 billion	R2.1 billion
Unemployment reduction	• Number of jobs facilitated	21 000 (Finance = 11 610) (IDD = 9 375) (DLabs = 15)	20 067 (Finance = 10 080) (IDD = 9 951) (DLabs = 36)

ANNUAL PERFORMANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Objective	Key performance indicator	Target	Results
Increase SA fix capital formation	• Provide strategic and operational support to the Infrastructure Fund in order to execute its mandate.	Implementation of the approved business plan by the IF	4 of 6 approved business plan targets were achieved resulting in a rating of 3.7 out of 5
Increased sustainable developmental outcomes in SA Districts	• Execution of municipal initiatives	Number of district municipalities adopted for programmatic approach: 5	7 District Municipalities adopted for programmatic approach
Increase outcomes through programme outputs	• Number of feasibility studies/student beds through SHIP programme*	6 248 beds	5 936 beds completed
Increasing sustainable finance impact through leveraging third party capital	• Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g., CFF, EGIP etc.)	R400 million	R756 million
Innovation Initiatives	• Number of D-Labs	3 new sites disbursing + 3 new DLabs contracted	3 new sites disbursing and 4 new DLabs contracted
	• Number of transactions approved through the High Impact Investment Portfolio	2 transactions approved for funding 2 transactions committed for funding	2 transactions approved for funding 1 transaction committed for funding
Empowerment Support	• Number of transactions that are committed for DBSA funding to black-owned entities (50% shareholding and above)	6	7
	• Number of transactions that are committed for DBSA funding to black women-owned entities (30% shareholding and above)	3	4
	• Value of projects for black-owned entities (in accordance with relevant sector codes) approved for project preparation funding	R1.25 billion	R3.2 billion
	• Percentage of procurement spend on black women-owned suppliers for IDD third party fund (30% and above shareholding)	35% of total procurement spend from B-BBEE suppliers	36% of total procurement spend from B-BBEE suppliers
	• Emerging Contractors through the Working Capital Facility - number of transactions approved, commitments and disbursing.	Number of emerging contractors transactions disbursing: 4	7 emerging contractors transactions disbursing
Empowerment Support	• Establish a ring-fenced SMME lending fund in collaboration with others.	R100 million	R250 million
	• Value committed from funds allocated for B-BBEE equity support.	R100 million	R666 million
Increase DBSA efficiency and effectiveness	• Digital DBSA (digitalisation, automation, and process re-engineer)	2 business processes automated for our core business	3 business progresses automated for our core business
Develop a high performance and accountability culture	• Align DBSA architecture/design and people process to the growth strategy of the organisation.	2 people processes aligned as per core business requirements	2 people processes aligned as per core business requirements
Smart Partnerships	• Client satisfaction survey	3.8	4
	• Stakeholder satisfaction survey	3.0	4
Improve DBSA governance and risk management	• Irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	0.0% (R111 000) of expenses as irregular, unauthorised, fruitless and wasteful expenditure
	• Ethical behaviour	Decisive consequence management for unethical behaviour	No findings on unethical behaviour by any staff member during the year
	• Compliance with the PFMA	Submit all PFMA submissions within the stipulated deadline	All PFMA submissions were submitted within the stipulated timelines
	• Unqualified Audit opinion	Achieve unqualified audit opinion without matter of emphasis	Clean audit opinion

** Feasibility studies conducted on the SHIP programme was a target for the prior year since the programme was on its inception stages.*

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

in thousands of rands	Notes	2023	2022
Assets			
Cash and cash equivalents at amortised cost	5	6 166 069	7 990 108
Trade receivables and other assets	6	402 066	259 293
Investment securities	7	359 881	444 287
Derivative assets held for risk management purposes	8.1	64 543	458 243
Other financial asset	9	40 452	43 067
Development loans held at fair value through profit or loss	10	48 309	19 309
Equity investments held at fair value through profit or loss	11	5 149 050	4 976 507
Development bonds at amortised cost	13	2 154 345	1 151 903
Development loans at amortised cost	14	93 679 089	84 177 054
Property, equipment and right of use of assets	15	441 149	444 847
Intangible assets	16	59 626	63 423
Total assets		**108 564 579**	**100 028 041**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	17	1 088 791	890 743
Derivative liabilities held for risk management purposes	8.2	612 920	34 240
Liability for funeral and post-employment medical benefits	19	44 767	48 529
Debt funding designated at fair value through profit or loss	20	-	688
Debt funding held at amortised cost	21	58 469 380	55 535 354
Provisions and lease liabilities	18	173 858	91 795
Deferred income	22	542 819	515 667
Total liabilities		**60 932 535**	**57 117 016**
Equity			
Share capital	23	200 000	200 000
Retained income		33 158 903	28 881 710
Permanent government funding	24	11 692 344	11 692 344
Other reserves	25	(211 586)	281 800
Reserve for general loan risk	26	2 792 383	1 855 171
Total equity		**47 632 044**	**42 911 025**
Total equity and liabilities		**108 564 579**	**100 028 041**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

in thousands of rands	Notes	2023	2022
Interest income			
Interest income calculated using the effective interest rate	27	10 422 335	8 831 968
Other interest income	27	258 112	146 337
Interest expense			
Interest expense calculated using the effective interest rate	28	(4 159 075)	(3 085 112)
Other interest expense	28	(3 195)	(100 424)
Net interest income	28	**6 518 177**	**5 792 769**
Net fee income	29	334 691	279 794
Net foreign exchange gain	30	860 205	156 130
Net gain/(loss) from financial assets and financial liabilities	31	86 745	(606)
Investment and other income	32	97 864	56 523
Other operating income		**1 379 505**	**491 841**
Operating income		**7 897 682**	**6 284 610**
Project preparation expenditure	33	(14 306)	(48 466)
Development expenditure	34	(274 323)	(71 687)
Impairment losses	35	(1 054 078)	(1 004 938)
Personnel expenses	36	(914 408)	(867 998)
Other operating expenses	37	(366 299)	(402 268)
Depreciation and amortisation	38	(31 557)	(36 684)
Profit from operations		**5 242 711**	**3 852 569**
Grants paid	39	(32 720)	(27 412)
Profit for the year		**5 209 991**	**3 825 157**

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

in thousands of rands	Notes	2023	2022
Profit for the year		**5 209 991**	**3 825 157**
Items that will not be reclassified to profit or loss			
Loss on revaluation of land and buildings	25.1	(43 934)	-
Movement in own credit risk for funding held at fair value through profit or loss	25.3	(13)	(34 424)
Remeasurement of funeral and post-employment medical benefit liabilities		4 414	(469)
Total items that will not be reclassified to profit or loss		**(39 533)**	**(34 893)**
Items that may be reclassified subsequently to profit or loss			
Unrealised loss on cash flow hedges	25.2	(167 680)	(59 239)
Gain/(loss) on cash flow hedges reclassified to profit or loss	25.2	(281 759)	29 546
Total items that may be reclassified subsequently to profit or loss		**(449 439)**	**(29 693)**
Other comprehensive loss		**(488 972)**	**(64 586)**
Total comprehensive income for the year		**4 721 019**	**3 760 571**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

				Other reserves*					
in thousands of rands	Share capital	Permanent government funding	Reserve for general loan risk	Revaluation reserve on land and building	Cash flow hedge reserve	Own credit risk reserve	Total of other reserves	Retained income	Total equity
Balance as at 1 April 2021	**200 000**	**11 692 344**	**2 545 939**	**182 434**	**129 046**	**34 437**	**345 917**	**24 366 254**	**39 150 454**
Profit for the year	-	-	-	-	-	-	-	3 825 157	3 825 157
Other comprehensive income									
Movements in own credit risk for funding held at FVTPL	-	-	-	-	-	(34 424)	(34 424)	-	(34 424)
Remeasurement of funeral and post-employment benefit liabilities	-	-	-	-	-	-	-	(469)	(469)
Unrealised loss on cash flow hedges	-	-	-	-	(59 239)	-	(59 239)	-	(59 239)
Loss on cash flow hedges reclassified	-	-	-	-	29 546	-	29 546	-	29 546
Transfer from general loan risk reserve	-	-	(690 768)	-	-	-	-	690 768	-
Total comprehensive income	**-**	**-**	**(690 768)**	**-**	**(29 693)**	**(34 424)**	**(64 117)**	**4 515 456**	**3 760 571**
Balance as at 31 March 2022	**200 000**	**11 692 344**	**1 855 171**	**182 434**	**99 353**	**13**	**281 800**	**28 881 710**	**42 911 025**
Profit for the year	-	-	-	-	-	-	-	5 209 991	5 209 991
Other comprehensive income									
Loss on revaluation of land and buildings	-	-	-	(43 934)	-	-	(43 934)	-	(43 934)
Movements in own credit risk for funding held at FVTPL	-	-	-	-	-	(13)	(13)	-	(13)
Remeasurement of funeral and post-employment benefit liabilities	-	-	-	-	-	-	-	4 414	4 414
Unrealised loss on cash flow hedges	-	-	-	-	(167 680)	-	(167 680)	-	(167 680)
Gain on cash flow hedges reclassified	-	-	-	-	(281 759)	-	(281 759)	-	(281 759)
Transfer to general loan risk reserve	-	-	937 212	-	-	-	-	(937 212)	-
Total comprehensive income	**-**	**-**	**937 212**	**(43 934)**	**(449 439)**	**(13)**	**(493 386)**	**4 277 193**	**4 721 019**
Balance as at 31 March 2023	**200 000**	**11 692 344**	**2 792 383**	**138 500**	**(350 086)**	**-**	**(211 586)**	**33 158 903**	**47 632 044**
Note(s)	23	24	26	25.1	25.2	25.3	25		

** Total of other reserves comprises revaluation reserve on land and buildings, cash flow hedge reserve and own credit risk reserve*

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

in thousands of rands	Notes	2023	2022
Cash flows from operating activities			
Net profit adjusted for non-cash items and items separately disclosed	40	(905 410)	(450 478)
Interest received		9 493 770	7 653 072
Interest paid		(3 501 903)	(2 750 437)
Dividends received		24 756	11 324
Net cash generated from operating activities		**5 111 213**	**4 463 481**
Cash flows from development activities			
Development loan disbursements		(12 687 028)	(12 919 784)
Development loan principal repayments		8 530 596	11 308 037
Equity investments disbursements	11.1	(47 910)	(246 514)
Equity investments repayments	11.1	459 383	177 823
Development bonds disbursements	13.1	(1 000 000)	-
Development bonds repayments	13.1	41 667	-
Grants, development and project preparation expenditure paid		(158 369)	(75 879)
Increase in deferred income		28 161	15 014
Increase in advances to National Mandates		(156 116)	(3 149)
Net cash used in development activities		**(4 989 616)**	**(1 744 452)**
Net cash generated from operating and development activities		**121 597**	**2 719 029**
Cash flows from investing activities			
Purchase of property and equipment		(49 002)	(51 107)
Purchase of intangible assets		(10 100)	(9 078)
Disposal of financial market assets		89 790	38 636
Net cash generated from/(utilised by) investing activities		**30 688**	**(21 549)**
Cash flows from financing activities			
Gross financial market liabilities repaid		(13 174 638)	(13 338 479)
Gross financial market liabilities raised		10 898 223	9 753 203
Net cash utilised by financing activities		**(2 276 415)**	**(3 585 276)**
Net decrease in cash and cash equivalents		**(2 124 130)**	**(887 796)**
Effect of exchange rate movements on cash balances	30	300 091	(100 704)
Movement in cash and cash equivalents		**(1 824 039)**	**(988 500)**
Cash and cash equivalents at the beginning of the year	5	7 990 108	8 978 608
Cash and cash equivalents at the end of the year	5	**6 166 069**	**7 990 108**

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2023

1. STATEMENT OF COMPLIANCE

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), the requirements of the PFMA and sections 27 to 31 of the Companies Act, being the relevant and corresponding sections of those specified in the DBSA Act, National Treasury Regulations and the JSE Limited Debt Listings Requirements. These Annual Financial Statements cover the individual entity (DBSA).

The Bank is not subject to the Banks Act. The Bank is a PFMA schedule 2 entity.

1.1 Basis of preparation

1.1.1 Basis of measurement

The Annual 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; and
- Land and buildings.

The methods used to measure fair values are detailed in note 12.

The Annual Financial Statements were prepared on a going concern basis.

1.1.2 Presentation of the Annual Financial Statements

The Bank presents its statement of financial position in order of liquidity as it provides information that is more reliable and relevant to the users of the financial statements. The Annual Financial Statements presentation currency is the Rand. The Annual Financial Statements are rounded to the nearest thousand.

Financial assets and financial liabilities are generally reported at their net carrying amount in the statement of financial position. They are only offset when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default; or
- The event of insolvency or bankruptcy of the Bank and/or its counterparties. Income and expenses are presented on a net basis only when permitted under IFRS.

1.1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Annual Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions.

It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The notes to the Annual Financial Statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Bank. These policies have been consistently applied to all the years presented, unless otherwise stated.

The application of the Bank's accounting policies requires the use of judgements, estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Bank.

Assumptions made at each reporting date are based on best estimates at that date. Although the Bank has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

The accounting policies which are most sensitive to the use of judgement, estimates and assumptions are specified in (a) judgements and (b) assumptions and estimates below:

(a) 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 the financial statements:

(i) 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 profit or loss 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. If the business model for the remaining assets is not appropriate or if there is a change in business model, a prospective change to the classification of those assets will take place.

(ii) 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. Refer to note 43 for more details on expected credit losses and note 12 for more details on fair value measurement.

(iii) Identification of substantial modifications

When financial instruments measured at amortised cost are restructured, reorganised or otherwise altered in a manner consistent with the definition of a modification as noted in note 1.2.5, each such modification is evaluated to determine whether or not it results in a substantial modification.

In deciding whether or not a modification is substantial, on occasion the application of judgement may be required in those instances where it may not be patently obvious that the restructured loan is substantially different to the original loan. In such cases judgement is applied in evaluating the impact, both quantitative and qualitative, of changes to the instrument, taken both separately and in aggregate. Judgement is applied in the evaluation of the nature and extent of changes between the initial and modified instruments as well as the impact of such changes, in order to determine whether such changes indicate a fundamental alteration of either the DBSA or borrower's legal rights and/or obligations.

(b) Assumptions and estimation

Information about assumptions and estimation applied that have significant risks of resulting in a material adjustment is detailed below:

(i) 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.

The Annual Financial Statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Bank has reasonable belief that there are adequate resources to continue as a going concern for the foreseeable future, based on forecasts and available cash resources. The Bank has assessed the impact of macro-economic shock events on the Bank's ability to continue as a going concern. The Bank has concluded that there are no material uncertainties that could cast significant doubt over it's ability to continue as a going concern.

The Bank continues to monitor the macro-economic shock events impact on impairments, pricing and profitability to ensure that the Bank remains financially and operationally sustainable. The Bank has continued to be successful in raising funding from international development finance institutions as well as international and local commercial banks and asset managers. Refer to note 43 for further disclosures on macro-economic shock events.

(ii) Impairment testing for non-financial assets: Key assumptions underlying recoverable amounts

The recoverable amounts of assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change, which may then impact our estimations and may then require a material adjustment to the carrying value of the assets.

(iii) Depreciation and amortisation and the useful lives of property and equipment and intangible assets

Depreciation rates, depreciation methods adopted and residual values of assets require judgements and estimates to be made. Changes in estimates are disclosed in the relevant notes where applicable.

(iv) Valuation of land and buildings

The fair value of land and buildings is determined by an independent valuator or by management. The valuation technique used makes use of significant unobservable inputs such as expected market rental growth and capitalisation market interest rates.

(v) Valuation of equity investments

Fair value measurement

The objective of fair value measurement is to estimate the price at which asset can be sold or a liability transferred in an orderly transaction between market participants at the measurement date, considering current market conditions.

Fair value measurements considers the following among other factors:
- The particular asset that is being measured (considered as the appropriate unit of account).
- The most advantageous market for the asset.
- The most appropriate valuation technique for measurement, considering the availability of market-observable inputs and assumptions.

Significant management judgement is applied in the determination of the selection of the appropriate valuation technique, fair value and fair value hierarchy assessment, and management judgement is applied taking into account the following context:
- whether the necessary criteria for identification of a 'market' have been met;
- whether the market identified is active or inactive, in terms of volume and frequency of activity;
- identification of the principal market (being that market with the highest greatest volume and level of activity for the relevant instrument);
- considering whether the principal market is in fact the appropriate and most advantageous market to be utilised;
- in the absence of an active market, selection of the appropriate valuation technique(s) to be applied to each investment to determine a fair value estimate;
- where valuation techniques are used, evaluating the observability of each valuation input, in the context of the public availability of such information, considering relevant jurisdictional considerations and the assessment of the relative weight that market participants would use when pricing the instrument; and
- where valuation techniques are used, assessing the (relative) significance of each particular valuation input to the entire measurement, considering factors specific to the instrument being valued.

Fair value measurements of individual instruments are categorised within Level 1, 2 or 3 of the fair value hierarchy based on the assessed observability of the lowest level input that is significant to the entire measurement. In making the determination as to the relative significance of inputs to the entire measurement of any particular asset, the DBSA considers the (relative) impact of each valuation input and the sensitivity of the fair value measurement to changes in such valuation inputs.

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

Inputs and valuation techniques – Listed equities

Where equity investments comprise holdings in publicly listed entities, fair value is determined using unadjusted prices quoted (from an exchange, broker, or pricing service, as applicable) in active markets for identical assets or liabilities, where this is readily available, and the price represents actual and regularly occurring market transactions. If such information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Inputs and valuation techniques – Unlisted equities

Where equity investments comprise holdings in unlisted entities (i.e. private-equity investments), fair value is determined using appropriate valuation methodologies. The selection of the appropriate methodology is based on management judgement taken in the context of the nature and structure of the investment and may include an analysis of the investee entity's financial performance and/or position, risk profile and prospects, asset/enterprise value analysis, recent transactions for identical/similar instruments.

The fair value of unlisted direct investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cash flow analysis, net-asset-value calculations, and directors' valuations. In some cases, the underlying investments of the unlisted funds included listed investments on regulated markets Investments in private equity funds are valued by fund managers periodically in accordance with international private equity and venture capital valuation guidelines. These guidelines take into consideration the prescripts of IFRS and set out recommendations that represent current best practice on the valuation of a private equity and venture capital investments. The guidelines 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 prices of recent investment, earnings multiples, discounted cash flows or earnings (of underlying businesses), discounted cash flows (from the investment) and industry valuation benchmarks.

Valuation adjustments

In determining the fair value estimate and the appropriate fair value hierarchy of each instrument, management applies judgement in considering the necessity and impact of any adjustments to fair value estimates derived using valuation techniques. The impact of such valuation adjustments is intended to be representative of the premia or discounts which market participants would reasonably be expected to apply in determining a fair market price. Such valuation adjustments may be applied for several reasons including but not limited to:

- Liquidity risk adjustment;
- Control premium or discount;
- Prudence valuation adjustment;
- Generic risk adjustment; and
- Specific risk premium or discount.

Where such valuation adjustments are required, management applies judgement when determining the relative significance of the valuation adjustment to the entire fair value measurement and not only the magnitude of the discount (in percentage terms) when assessing whether the adjustment impacts the fair value hierarchy, in accordance with internal policy. However, in those instances where the valuation discount is the most significant input to the entire measurement the DBSA applies the following policy guidelines for fair value hierarchy determination:

Approved policy range regarding percentage adjustments to fair value	Fair value hierarchy level
0% to 10%	Level 1
10% to 20%	Level 2
Greater than 20%	Level 3

As indicated above, the DBSA's policy provides for discounts ranging from 0% to 30% with no discounts applied to listed instruments. This policy is supported by the periodic sensitivity analysis conducted on the relevant portfolio.

(vi) Measurement of funeral benefit obligations and post-employment medical benefit

The cost of defined benefit post-employment medical benefits as well as the present value of the post-employment medical aid obligation are determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and medical cost trends. All assumptions are reviewed at each reporting date.

Obligations for contributions to the defined contribution provident fund plans are recognised as an expense in profit or loss when they are due.

(vii) 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 values of debt securities are estimated using market observable prices from the JSE Limited. In determining the changes in fair value of debt securities designated at fair value through profit or loss or loss that is due to changes in the Bank's own credit risk, judgement 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.

(viii) Investment securities

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

(ix) 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). The CVA/DVA model 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.

(x) Provisions

Provisions are held in respect of a range of future obligations such as employee incentives, restructuring costs and litigation provisions.

Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgements about the ultimate outcomes of the transactions.

Additional disclosure of these estimates of provisions is included in note 18 - Provisions and lease liabilities.

(xi) 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 ECLs.
- 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 adverse) for inclusion in the ECL calculation.

(xii) Loan commitments

To the extent that the amount of the ECL 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.

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

(xiii) Loan restructures

The Bank may modify/restructure the terms of loans as a result of commercial renegotiations or distressed loans. Restructuring policies and practices are based on indicators or criteria, which in the judgement of management, indicate that payment will most likely continue. These policies are reviewed continuously.

(xiv) 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.

(xv) IFRS 15: Revenue from contracts with customers

No significant assumptions and judgements were made for revenue from contract with customers.

(xvi) IFRS 16: Leases

For leases with the option to extend or terminate, the Bank assumes that it will choose not to exercise its option to renew or terminate the contract therefore assumes that the leases will be applicable until the end of the original contract. Some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the Bank will exercise the extension option. Most leases in the Bank have fixed escalations.

(xvii)Write-offs

The Bank applies significant judgements for write-offs (refer to write-offs policy on page 45).

In the ordinary course of lending business, loans can be distressed and Stage 3 loans/NPL loans are managed by the BSRU. The recovery process for the Bank as a DFI can be long and varies depending on each loan circumstances and in all cases the DBSA seeks to maximise recovery of loan. The long process coupled with a higher default interest that is associated with NPLs results in some loans' contractual carrying amounts increasing substantially and some loans reaching in duplum. There are cases where the recovery process reaches a point where costs of recovery process exceeds benefit with no reasonable prospect of further recoveries; and at that point; the Bank write-off loans. The approvals for write-offs is a strict Bank governance process and write-offs are approved by Investment Committee, Audit and Risk Committee and Board.

c) Macro- economic shock events

The waning impact of the COVID-19 pandemic combined with the elevated uncertainty resulting from the conflict in eastern Europe continues to shape the global macro-economic outlook. Increasing consumer activity against the backdrop of disruptions to food and fuel supply chains have combined to produce a demand-pull inflationary environment across the globe with no regions remaining unaffected. Fiscal policy responses have been consistent in accelerated unwinding of pandemic-era relief measures with rising interest rates across the board.

The risk of a sustained period of elevated global inflation together with slower-than-anticipated economic growth is expected to exacerbate pressure on national governments' attempts to ensure an orderly post-pandemic recovery, a factor already expressed in rapidly rising borrowing costs deployed in bid to curb inflation. The efficacy of such policy responses has, to date, been muted at best with a significant uncertainty in the growth and recovery prospects noted.

Given the unprecedented impact of macro-economic shocks caused by the Russia-Ukraine conflict, the economic outlook remains uncertain, notably in African Emerging Market and Development Economies, where the Bank's financial asset risk exposures are concentrated. While the specific areas of judgement detailed in note 1 of the accounting policies did not change, due to the dynamic and evolving nature of global shock events, the Bank's and experience drawn from the economic and financial impact of the pandemic has resulted in a requirement to continue to apply judgements, within certain identified areas, which in turn resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the Bank's assets and liabilities.

Accounting for the following items within the statements of financial position and comprehensive income has been significantly impacted by the complexity and uncertainty resulting from the fallout from recent macro-economic shock events:

- Development loans held at FVTPL (note 10);
- Equity investments held at FVTPL (note 11);
- Development bonds at amortised cost (note 13);
- Development loans at amortised cost (note 14); and
- ECLs on financial assets held at amortised cost (note 35).

Significant judgements and estimates impacted by macro-economic shock events

An overview of the areas where additional judgement has been applied and includes references to the relevant sections in the notes to the annual financial statements, where additional information has been included is summarised below.

(i) Impairment of financial instruments

Incorporating forward-looking Information

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in deriving the Bank's forward-looking assumptions for the purposes of its ECL determination, is provided in note 35 and 43. Taking into consideration the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of macro-economic shock events, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Significant increase in credit risk

The Bank has not applied an overall blanket approach to the ECL impact of elevated uncertainty driven by macro-economic shock events (which assumes that such events represent a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of loans moving into their next respective staging bucket). The Bank has continued to apply a customer and facility-based risk assessment approach which is in aligned to the existing credit risk management policy.

(ii) Global sovereign debt relief initiatives

Due to macro-economic shock events and their combined impact on the world economy, several the Bank's customers have and continued to experience liquidity concerns. The Bank continues to apply its established policy of providing relief only upon formal request from affected borrower and following application of the necessary due diligence and approval by the appropriate governance framework. To assist customers, the Bank has considered individual debt relief applications received as follows:

- Applications received under the international multilateral relief programmes (such as the G20 Debt Service Suspension Initiative or 'DSSI', precursor to the Common Framework for Debt Treatment beyond the DSSI) where the restructure of existing exposures have not altered the present value of estimated future cash flows.
- Bilateral debt relief applications where bespoke debt relief measures were provided on a client-by-client basis.

In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 1.2.5 dealing with modifications of financial instruments were applied.

(iii) Fair value measurement

The valuation techniques for fair value measurement of financial instruments have been assessed by the appropriate committees to determine and analyse the impact that the market volatility introduced by macro-economic shock events has had on the fair value measurements of these instruments.

When assessing the fair value measurement of financial instruments for the interim period, the valuations take into consideration inputs that are reflective of benchmarked market participant input as opposed to Bank-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1. STATEMENT OF COMPLIANCE (continued)

1.1 Basis of preparation (continued)

1.1.3 Significant accounting judgements, estimates and assumptions (continued)

(iv) Post-model adjustments

As noted above, macro-economic shock events continue to have a significant impact on global economic activity and output and with all current indicators pointing towards an interim period of elevated uncertainty while the conflict in eastern Europe continues. As mentioned in the sections above, in determination of the forward-looking impact, from an IFRS 9 perspective, the Bank defined three possible future macroeconomic scenarios in defining its forecasts, being the Base, Best and Adverse case scenarios and attributed weightings to these three scenarios.

The final outcome of the noted shock events and the correlation of their combined impact to the Bank's defined scenarios is unpredictable which makes determining these scenarios and the assumptions underlying them complex and subjective. This uncertainty has had a significant impact on the output derived from the Bank's financial models, in particular those used to determine credit risk exposures.

The Bank's internal credit models have not been re-calibrated to consider the effect of the shock events. Given the fact that outcome of these shocks and their correlation to the Bank's defined scenarios remains unpredictable together with the fact that any determination of potential outcomes remains complex and subjective, the Bank has opted to retain the application of post-model adjustments where appropriate. Post-model adjustments continue to be subject to the appropriate governance process.

Despite being situated in eastern Europe, the conflict between Ukraine and Russia continues to have impact at a global level and this remains difficult to predict the full extent of either a likely outcome or the probable impact of the resolution of that conflict. The heightened uncertainty and volatility continues to impact borrowers across all geographies, sectors, and client segments. In order to manage and mitigate the potential for risk elements not captured by quantitative models, management adjustments continue to be retained and applied, in addition to ECL model outputs, to provide a more appropriate assessment of the Bank's risk profile.

The nature of the DBSA's lending activities exposes the organisation to significant concentration risk within often interrelated sectors and client segments. While the lending portfolio is managed based on a measure of diversification the common thread underpinning the majority of the entity's credit risk portfolio is its exposure to public sector entities.

Accordingly the post-model adjustments applied give due consideration to factors, including, but not limited to:

- geographical or regional risk concentrations;
- large exposure or single name risk concentrations;
- industry and/or sector risk factors; and
- the potential interrelationships between categories of clients.

1.2 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); and
- 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.

1.2.1 Financial assets

1.2.1.1 Initial recognition

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

1.2.1.2 Classification and subsequent measurement

On initial recognition, the Bank classifies its financial assets into one of the following measurement categories at:

- Amortised cost; and
- Fair value through profit or loss (FVTPL).

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

(a) Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated such as whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of income in prior periods, the reasons for such income and its expectations about future income activity. However, information about income activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'adverse case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank's business model for the classification of financial assets is detailed in the table below:

Portfolio - Group of assets	Business model	Classification and measurement	Characteristics of cashflows
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
Development bonds at amortised cost	To collect contractual cashflows	Amortised cost	Cashflows that are solely principal and interest
Development loans at amortised cost	To collect contractual cashflows	Amortised cost	Cashflows that are solely principal and interest
Development loans at FVTPL	To collect contractual cashflows	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 cashflows	Amortised cost	Cashflows that are solely principal and interest
Other financial assets	To collect contractual cashflows	Fair value through profit or loss	Cashflows that are not solely payment of principal and interest on the principal
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

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.1 Financial assets (continued)

(b) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (such as non-recourse asset arrangements); and
- features that modify consideration of the time value of money such as periodical reset of interest rates.

(c) Financial assets at amortised cost

A debt instrument that meets both of the following conditions (other than those designated at FVTPL):
- 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;
- Cash and cash equivalents; and
- Trade receivables and other assets.

(d) Financial assets 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. Financial assets 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.

The Bank may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL 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. Fair value is determined in the manner described in note 1.19. These assets consist of development loans, other financial assets, equity investments, investment securities and derivatives.

(e) 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 FVTPL.

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. Fair value is determined in the manner described in note 1.19.

1.2.1.3 Reclassifications of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

1.2.1.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:
- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item; and
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss.

1.2.1.5 Modification of financial assets

The DBSA as a development finance institution, considers unique facts and circumstances applicable for each borrower in assessing the terms and conditions of restructures that result in loan modifications. The Bank's primary objective in restructures is to ensure outstanding debt is recovered and therefore considers entity-specific qualitative and quantitative factors. The negotiation of the terms and conditions of loan restructures is aimed at ensuring that the outstanding debt is recovered in a manner optimal for both borrower and lender, and in some cases these may result in modifications which are net present value neutral. For financial assets measured at amortised cost, whether newly originated or resulting from substantial modifications, fair value at initial recognition is equal to the principal debt amount (proxy to fair value) which is the fair representation of transaction price, plus or minus any applicable transaction costs.

When either the contractual terms or cash flows of a financial asset are altered, the Bank considers whether a modification has occurred. In accordance with the Bank's policy, a modification is defined as:
- any observable change(s) to the salient features of the agreement between the Bank and its counterparty;
- where such change(s) alter the value or timing of the contractual cash flows;
- where such change(s) alter the nature of the all or part of the whole agreement;
- where such changes do not result from the existing contractual terms, i.e. any explicit changes or alterations made by the contracting parties; and
- such changes arise after the fact, i.e. which were not contemplated or anticipated in the original agreement.

In accordance with the Bank's policy, a modification results in derecognition when the modified financial asset is substantially different to the existing financial asset. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:
- Quantitative assessment: The net present value of the modified cash flows under the new terms, discounted at the original effective interest rate is at least 10% different from the carrying amount of the existing financial asset.
- Qualitative assessment: A significant change in the terms and conditions that is so fundamental that immediate derecognition is required with no additional quantitative analysis (e.g. new debt having a different currency to the old debt, equity instrument embedded in the new debt, etc.) which per IFRS 9 is applicable to financial assets.

As part of the above assessments the Bank also considers the following factors:
- Change in counterparty;
- Change in security provisions;
- Changes to source of funds or credit base;
- Debt consolidation;
- Changes to financial and/or non-financial covenants;
- Changes in jurisdiction of governing law;
- Introduction of significant new terms, e.g. the addition of a profit share/equity-based returns;
- Change in obligor or legal counterparty;
- Change in collateral or guarantees;
- Change in facility currency;
- Change in product type, i.e. term loan to revolving facility;
- Changes resulting in financial instrument reclassification;
- Changes in representations required to be made by the borrower;
- Change in credit rating of facility;
- Previous restructures on the facility in question;
- Concentration risk; and
- Indicators of actual or potential financial distress of borrower.

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.1 Financial assets (continued)

Where interim debt relief is granted to borrowers (either as part of national or international debt relief initiatives or on a bilateral basis), the Bank also considers the effect and intent of such relief in making an assessment as to whether a substantial modification has occurred. In addition to the factors noted above, the Bank considers whether the relief granted is an interim measure aimed at alleviating short term liquidity pressure(s) on its counterparties as part of the overall extended formal restructuring negotiations. This is the case in 'stepped' or 'phased' restructuring exercises, which may be achieved in more than one distinct phases over an extended period of time.

As such, the Bank considers whether the modification of cash flows merely represents an attempt to recover the original outstanding debt in the most optimal manner for both lender and borrower, or whether there is an indication that the restructured debt distinctly differs from the original loan in that a fundamental alteration of the Bank's risks and rewards have occurred. In evaluating the modified cash flows against the aforementioned criteria, the Bank considers the following:

- Whether the modification involves a holistic re-evaluation of the credit risk and credit worthiness of the borrower; and/or
- Whether the modification requires that the facility is repriced to current market levels to reflect the lending risk associated.

The judgement(s) applied are client specific and will vary from client to client with certain factors holding a higher priority than others depending on various elements. As such, in the case of a judgemental overlay, no two evaluations are expected to be identical.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The Bank derecognises a financial asset, such as development loans, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The Bank treats the date of the modification as the date of initial recognition of the new financial asset when applying the ECL requirements to the new financial asset. Accordingly, the Bank classifies the new financial asset as stage 1 and measures the ECL allowance at an amount equal to 12-month ECL until such time as a trigger event necessitates a SICR assessment. If the replacement financial asset has been recognised as originated-credit impaired, the Bank recognises an ECL allowance equal to lifetime ECL from the date of initial recognition.

If the modification does not result in terms that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

1.2.1.6 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (OCI) and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

1.2.1.7 Write-offs

IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when the Bank believes that there is no reasonable expectation of recovery. The Bank has internal policies which govern the process of write-off as dealt with by the Business Support and Recovery unit which ensures that post write-off recoveries remain insignificant over the long run. An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- The financial asset has been in default for the period which is deemed sufficient to determine;
- Whether the entity is able to receive any further economic benefit from the impaired loan; and
- At the point of write-off, the financial asset is fully impaired with no reasonable expectation of recovery of the asset.

1.2.2 Financial liabilities

Debt that is issued are classified as either financial liabilities or as equity in accordance with the terms of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

1.2.2.1 Classification and measurement

The Bank accounts for its financial liabilities either as:

- held at FVTPL; or
- held at amortised cost.

The Bank initially recognises financial liabilities on the date at which they are originated (interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes). The origination date for regular way purchases are recognised on the trade date at which the Bank commits to the purchase. All other financial liabilities (including liabilities designated at FVTPL) are initially recognised on the trade date on which the Bank becomes a party to the contractual provisions of the instrument. A financial liability is measured initially at fair value less transaction costs that are directly attributable to its issue.

The Bank accounts for its financial liabilities either as financial liabilities held at FVTPL 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 is discussed under each category below:

The classification of financial liabilities is detailed below:

Portfolio - Group of liabilities	Objective of portfolio	Classification and measurement
Debt funding designated at FVTPL	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

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.2 Financial liabilities (continued)

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

Financial liabilities at FVTPL include debt securities and derivatives held for risk management. The Bank has designated financial liabilities at FVTPL 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 arising from the entity's own credit risk be recognised in other 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 FVTPL 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.

1.2.2.2 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 OCI.

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.

1.2.2.3 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. Derivatives held include foreign exchange forward contracts, interest rate swaps, cross currency swaps, currency options, options and forward rate agreements. Further details of derivative financial instruments are disclosed in note 8.

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 (CVA) as well as the Bank's own credit risk (DVA). Collateral is taken into account in calculating the CVA/DVA, if any.

1.2.2.4 Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

1.2.2.5 Modification of financial liabilities

When either the contractual terms or cash flows of financial liabilities are altered, the Bank considers whether a modification has occurred. In accordance with the Bank's policy a modification is defined as:

- any observable change(s) to the salient features of the agreement between the Bank and its counterparty;
- where such change(s) alter the value or timing of the contractual cash flows;
- where such change(s) alter the nature of all or part of the whole agreement;
- where such changes do not result from the existing contractual terms, i.e. any explicit changes or alterations made by the contracting parties; and
- such changes that arise after the fact, i.e. which were not contemplated or anticipated in the original agreement.

In accordance with the Bank's policy, a modification results in derecognition when the modified financial liability is substantially different to the existing financial liability. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Quantitative assessment: The net present value of the modified cash flows under the new terms, discounted at the original effective interest rate is at least 10% different from the carrying amount of the existing financial liability.
- Qualitative assessment: A significant change in the terms and conditions that are so fundamental that immediate derecognition is required with no additional quantitative analysis (e.g. new debt having a different currency to the old debt, equity instrument embedded in the new debt, etc).

As part of the above assessments, the Bank also considers the following factors:

- Change in counterparty;
- Change in security provisions;
- Changes to source of funds/credit base;
- Debt consolidation;
- Changes to financial and/or non-financial covenants;
- Changes in jurisdiction of governing law;
- Introduction of significant new terms, e.g. the addition of a profit share/equity-based returns;
- Change in obligor/legal counterparty;
- Change in collateral or guarantees;
- Change in facility currency;
- Change in product type, i.e. term loan to revolving facility;
- Changes resulting in financial instrument reclassification;
- Changes in representations required to be made by the borrower;
- Change in credit rating of facility;
- Previous restructures on the facility in question;
- Concentration risk; and
- Indicators of actual or potential financial distress of borrower.

1.2.2.6 Derecognition of a financial liability

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument for another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Bank accounts for substantial modification of the terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

For the qualitative aspects of the substantial modification assessment of financial liabilities, refer to accounting policy note 1.2.2.5.

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.2 Financial liabilities (continued)

1.2.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and there is an intention to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

1.2.3 Trade date and settlement date accounting

The trade date is the date that an entity commits itself to purchase or sell an asset and trade date accounting refers to:

- The recognition of an asset to be received and the liability to pay for it on the trade date; and
- Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

The settlement date is the date that an asset is delivered to or by an entity and settlement date accounting refers to:

- The recognition of an asset on the day it is received by the entity; and
- The derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Interest does not start to accrue on the asset and corresponding liability from trade date and only starts from settlement date when title passes. The Bank applies settlement date accounting and accounts for any change in the fair value of assets to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. The change in value between trade date and settlement date is not recognised for assets carried at cost or amortised cost. The change in value is, however, recognised in profit or loss for assets classified as financial assets at FVTPL and for available for sale, the change in fair value is recognised in other comprehensive income.

1.2.4 Repurchase and sale agreements

Where the Bank sells investments from its portfolio and agrees to repurchase these at future dates with the risk of ownership remaining with the Bank, the consideration received is treated as a loan, secured by the underlying instrument and included in funding under repurchase agreements.

Conversely, excluded from investments are market instruments purchased under an agreement to resell at future dates with the risk of ownership remaining with the counterparty. The consideration paid is treated as an advance, secured by the underlying instrument and included in investments under resale agreements.

1.2.5 Impairment of financial instruments

The Bank recognises ECL on the following instruments:

- Financial assets held at amortised costs;
- Financial guarantees issued; and
- Fixed loan commitments issued.

1.2.5.1 Expected credit losses

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

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 are not credit impaired upon origination, the ECL associate for these financial assets is based on a 12-month ECL.

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. 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 includes 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.

Purchased or originated credit impaired loan (POCI) – Lifetime ECL – Credit impaired

For financial assets that are considered credit impaired on purchase or on origination, a lifetime ECL is recognised.

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

1.2.5.2 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. Refer to note 43.

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.

1. STATEMENT OF COMPLIANCE (continued)
1.2 Financial instruments (continued)
1.2.5 Impairment of financial instruments (continued)

Backstop measure

IFRS 9 requirement has a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due (DPD). Where applicable, the Bank has rebutted this presumption based on reasonable and supportable information, which is available, without undue cost or effort. The backstop measure is applied, whereby a loan is considered to have experienced SICR when a borrower is more than 30 DPD on its contractual payments.

This 30 DPD rebuttable presumption to exclude the following factors:
- Small balances of arrears more than 30 DPD;
- Arrears which consist of default interest which fall due within the current interest period (this arrear interest is payable at next interest payment date – which could be 1 month/1 quarter/1 semester);
- Arrears on mezzanine debt/junior debt/black economic empowerment debt funding where the loan payments are dependent on the receipt of a distribution from the holding company and the distribution is delayed due to administrative processes whilst the project is performing and the senior loan is not in arrears;
- Arrears due to timing mismatch between grant funding and borrower obligations/repayment schedule to the Bank;
- Arrears as a result of fees;
- Arrears due to foreign currency liquidity in the host country are referred to the Bank's Investment Committee for a decision on a deal-by-deal basis;
- Loans with arrears as a result of repayments received, which repayments were not less than 95% of the repayment due amount; and
- Any other technical arrears as approved by the Investment Committee.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the accepted PD variation criteria, or which are less than 30 DPD are considered not to have an indication of a significant increase in credit risk and are considered to have low credit risk. The ECLs for these financial assets is based on a 12-month ECL.

A financial asset will migrate through the ECL stages as asset quality deteriorates. If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the financial asset has been cured, as per the curing policy of the Bank, the Bank measures the loss allowance at an amount equal to 12-month ECLs at the current reporting date.

Although some financial assets within the Bank's portfolio might meet the definition of low credit risk, the Bank still performs an assessment of whether there has been a significant increase in credit risk between the reporting date and the date of initial recognition.

1.2.5.3 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; and
- **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 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. The concept of PDs is further explained in note 43.
- **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. The EAD is further explained in note 43.
- **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. The LGD is further explained in note 43.

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 adverse 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).

For further details on how the Bank calculates ECLs, including the use of forward-looking information, and for details on the effect of modifications of loans on the measurement of ECL refer to note 43.

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 annual financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. However, overlays are reversed or unwind on the back of repayments received and significant improvements in the credit risk or rating of the financial instruments. Management continues to monitor their judgements on these in order to ensure that the financial instruments are adequately provided.

(a) Expected credit losses on modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The modification gain or loss is recognised in profit or loss; and
- If the expected restructuring results in the derecognition of the existing asset, then the fair value of the new asset is the new cash flows based on the new terms of the restructure. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset.

The Bank monitors the subsequent performance of the modified assets. If the Bank determines that the credit risk has significantly improved after restructuring, the assets are moved from stage 3 or stage 2 (lifetime ECL) then stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets in accordance with the policy of the Bank.

1. STATEMENT OF COMPLIANCE (continued)

1.2 Financial instruments (continued)

1.2.5 Impairment of financial instruments (continued)

(b) Trade and other receivables

For trade and other receivables only, the Bank applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables if there is no significant financing component. Under this approach the tracking of changes in credit risk is not required, instead lifetime expected credit losses are recognised. ECLs are recognised in profit or loss.

The provision matrix will be used to calculate the ECL on trade and other receivables.

The Bank will use the historically observed default rates (actual write-off) over the expected life of the trade and other receivables adjusted as necessary to reflect current conditions to calculate the default rate in the provision matrix.

Adjustments will be made for forward-looking information based on economic conditions. The default rate calculated in the provision matrix will be adjusted for economic conditions.

The total book debt is segregated into different categories of trade and other receivables and the default percentage is applied on the balance per category to calculate the ECL allowance.

(c) Loan commitments

The financial asset would be assessed for impairment quarterly based on the total value of the facility that has been made available counterparty.

The date that the Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

To the extent that the amount of the ECLs on a loan commitment contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the impairment allowance is presented as a provision.

Where there has been a significant increase in the credit risk of that specified counterparty the impairment allowance calculation would be based on the expected lifetime credit losses.

(d) Financial guarantees

A financial guarantee is a contract to compensate the third parties for a financial loss when the financial guarantee counterparty does not pay a specified amount.

After initial recognition, the Bank measures the financial guarantees at the higher of:
- The amount of the credit loss allowance; and
- The amount initially recognised (fair value) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The ECL on financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

For financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements.

To the extent that the amount of the ECLs on a financial guarantee contract exceeds the carrying amount of the associated financial asset recognised in the statement of financial position, the impairment allowance is presented as a provision in the statement of financial position.

1.2.5.4 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:
- Bank presents a combined loss allowance for both components;
- 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.

1.2.5.5 Write off policy

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery of the financial asset.

Loan and equity investments, or portions thereof, which are classified as bad or deemed uncollectable may be written off. Facilities may only be written off when they are considered uncollectable and worthless, i.e. action for recovery has been exhausted or it is no longer worthwhile in the foreseeable future. Partial write-offs of impaired loan accounts may be considered under the following circumstances:
- A partial write-off forms part of a restructuring or a negotiated settlement;
- The realisable value of security is less than the balance outstanding (including principal, accrued interest and other charges) and topping up of the security deficiency is not forthcoming;
- The shortfall in security value over the outstanding balance is uncollectable;
- The outstanding amount is to be written down to the value of the security (i.e. the shortfall in security value over the outstanding balance is written off) or agreement has been reached for the payment of a fixed amount as full and final settlement for the indebtedness to the Bank;
- In duplum interest where its recovery is no longer possible; or
- In terms of the delegated authority held by the Chief Executive Officer.

All write-offs are recommended by the Investment Committee to the Audit and Risk Committee (ARC) for approval. Motivations for write- off may be considered when one or more of the following applies:
- There is no probability of any further recoveries and no realisable security is held;
- All security held has been realised and the sale proceeds thereof appropriated towards reducing the outstanding debt;
- The borrower and guarantor(s) have no known means of repayment;
- The recovery process will be uneconomical;
- The in duplum rule applies; and/or
- It will take abnormally long to recover outstanding debt and the Bank will/has instituted legal action to recover.

1.2.5.6 Collateral and other credit enhancements

In addition to pricing for the risk, the Bank uses collateral to enhance the quality of credit and/or to reduce the expected losses on its lending portfolio. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on a yearly basis.

Collateral and guarantees are used by the Bank for credit risk mitigation. The main types of collateral taken comprise bank accounts, floating charge, guarantee, income stream, insurance, mortgage bond, notarial bond, surety and unit trust. The Bank also uses various forms of specialised legal agreement like guarantees and similar legal contracts in support of credit extension where necessary.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

1.3 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.

1. STATEMENT OF COMPLIANCE (continued)

1.3 Hedge accounting (continued)

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;
- 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; and
- The main sources of hedge ineffectiveness in these hedging relationships are changes in terms of the hedged item, changes in terms of the hedging instrument, changes in counterparty's credit risk, changes in the Bank's credit risk.

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.

Note 8 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

1.3.1 Fair value hedge

The fair value change on qualifying hedging instruments is recognised in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where gains and losses are related to hedging instruments, they are recognised in profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the hedge accounting requirements (after rebalancing, if applicable). This includes instances where hedging instrument expires or is sold, terminated or exercised. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

1.3.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the hedge accounting requirements (after rebalancing if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, the discontinuation is accounted for prospectively. The cumulative unrealised gain or loss is recognised immediately in profit or loss.

1.4 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents include notes and coins on hand, current accounts, call deposits and fixed deposits.

Cash and cash equivalents are measured at amortised cost in the statement of financial position. The balance at amortised cost are regarded as having a low probability of default, therefore the ECL is insignificant.

1.5 Trade and other receivables

Trade and other receivables comprise trade debtors, third party funds, staff loans and VAT.

Trade receivables are measured at amortised cost less provision for ECLs as they meet the objective of collecting cash flows over their life.

Trade receivables generally do not contain a significant financing component. The provision for ECLs is determined by applying a simplified approach equaling the lifetime ECLs.

The Bank shall only write off bad debt when all reasonable steps have been taken to recover the debt. Write offs are presented as impairments in the statement of comprehensive income.

Any recoveries due to enforcement activities are treated as bad debt recovered in the year which such recoveries are made.

The write-off is approved according to the Bank's Delegation of Authority. Write-offs are disclosed as part of ECLs on trade receivables and other assets in the statement of comprehensive income.

1.6 Investment securities

Investment securities consist of government bonds, municipal bonds, state-owned entities bonds and segregated funds. These are held as part of the strategic liquidity portfolio. The instruments are measured at FVTPL as the overall business model is one where the main purpose for investment securities is that these are held as part of the strategic liquidity portfolio and can thus be redeemed at any time depending on the Bank's liquidity requirements. Any changes in the fair value will be recognised in profit or loss.

1.7 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. Value in use is the present value of projected cash flows covering the remaining useful life of the asset.

A reversal of an impairment loss of assets, measured at cost less accumulated depreciation or amortisation and impairment losses, is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase to the extent that it exceeds the amount of impairment previously recognised in profit or loss.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

1. STATEMENT OF COMPLIANCE (continued)

1.8 Property, equipment and right of use of assets

1.8.1 Property and equipment

1.8.1.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings, which are measured at fair value less accumulated depreciation and impairment losses, in terms of the revaluation model. Land and buildings are revalued every year either by an independent valuator or by management.

After recognition as an asset, an item of property whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss. When revalued land and buildings are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Freehold land and buildings are subsequently carried at fair value, based on yearly valuations performed either by an independent valuator or management. Changes in fair value are recognised in OCI and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Leasehold improvements and buildings leased are capitalised and are amortised over the lease term.

1.8.1.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss when incurred.

1.8.1.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Item	Estimated useful life
Buildings	40 years
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	3 years
Motor vehicles	4–5 years
Office equipment	5–10 years

The useful lives, depreciation methods and the residual values of assets are reviewed and adjusted annually, if appropriate. Changes resulting from this review are accounted for prospectively as changes in estimates.

1.8.2 Right of use of assets

1.8.2.1 Recognition and measurement

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

1.8.2.2 Subsequent measurement

The Bank applies the cost model subsequent to the initial measurement of the right of use assets.

1.8.2.3 Depreciation on right of use assets

Subsequent to initial measurement, the right of use assets are depreciated on a straight line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Bank at the end of the lease term, whereby the right of use assets are depreciated on a straight line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.

1.8.2.4 Termination of lease

When the Bank or lessor terminates or cancels a lease, the right of use asset is derecognised any difference in the right of use asset is recognised in profit or loss on derecognition.

Where the Bank or lessor terminates or cancels a lease, the right of use is derecognised to reflect the partial or full termination of the lease. The Bank as lessee recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The lease liability is derecognised accordingly.

1.9 Intangible assets

1.9.1 Recognition and measurement

Intangible assets that are acquired by the Bank, and which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Internally generated goodwill and brands are recognised in profit or loss as incurred.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment.

1.9.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, otherwise it is recognised in profit or loss as incurred.

1.9.3 Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Item	Estimated useful life
Software	3 - 15 years

1. STATEMENT OF COMPLIANCE (continued)

1.10 Trade and other payables

Trade and other payables comprise trade creditors, third party funds and agencies.

Trade and other payables are initially measured at fair value. Subsequently, they are measured at amortised cost using the effective interest rate method.

1.11 Employee benefits

1.11.1 Defined contribution plan

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in profit or loss when they are due.

1.11.2 Defined benefit plan

The Bank contributes to a defined benefit plan for post-employment medical benefits for eligible employees and pensioners. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Bank's net obligation in respect of a defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date based on the nominal bond curve that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary, using the projected unit credit method.

When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Bank recognises all actuarial gains and losses arising from defined benefit plans directly in OCI.

1.11.3 Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

1.11.4 Short-term employee benefits

Short term employee benefit obligations, including annual leave, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.12 Provisions and lease liabilities

1.12.1 Provisions

Provisions are recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic resources will be required to settle the obligation. When the effect of discounting is material, provisions are discounted using an appropriate discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

(a) Onerous contracts

Provisions are recognised for onerous contracts when the expected benefits to be derived by the Bank from a contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

1.12.2 Lease liabilities

A lease liability is initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Bank's incremental borrowing rate at the date of entering into the lease.

For variable lease payments, fixed amounts are assumed and used in the calculation of the lease liability. The difference in the amounts assumed and the amounts paid are expensed in the statement of profit or loss. Subsequent to initial recognition, the interest accrued is included in the balance of the lease liability and the repayments are reduced to the balance of the lease liability.

When the Bank or lessor terminates or cancels a lease, the lease liability is derecognised; any difference in the lease liability is recognised in profit or loss on derecognition.

The Bank has elected to account for short term leases and leases of low-value assets using the practical expedients. These leases relate to items of computer equipment. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

1.13 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 FVTPL in which case it is measured at fair value with changes in FVTPL. For the determination of the fair value, refer to note 1.19.

1.14 Share capital and reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.
If the Bank reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

1.14.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

The Bank's equity instruments primarily include a permanent government funding and shares issued. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

1.14.2 Permanent government funding

This represents capital provided by the South African government and remains part of the permanent capital of the Bank.

1.14.3 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments where the hedged transaction has not occurred or not yet affected profit or loss.

1. STATEMENT OF COMPLIANCE (continued)

1.14 Share capital and reserves (continued)

1.14.4 Reserve for general loan risks

The reserve is maintained as part of the Bank's capital management purposes and is calculated based on the latest internal risk rating of borrowers. The reserve is reviewed quarterly. The reserve for each risk category is estimated by calculating each risk category as follows:

- Low risk minimum of 3% (MS1–7);
- Medium risk minimum of 5% (MS8–13); and
- High risk minimum of 7% (MS14–MS17).

Any adjustment to the reserve is recognised as a movement directly between retained earnings and the reserve for general loan risks in the statement of changes in equity.

1.14.5 Revaluation reserve on land and buildings

This reserve represents the fair value adjustment recognised on the revaluation of land and buildings. Land and buildings are subsequently carried at fair value, based on annual valuations performed either by an independent valuator or management. These revaluations are made yearly to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Changes in fair value are recognised in OCI and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

1.15 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at FVTPL.

1.16 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 asset at an amount less than the amount advanced.

The Bank will recognise ECL on loan commitments. Refer to note 47 and accounting policy 1.2.5 for the policy disclosure. ECLs arising from loan commitments are included within provisions (refer to note 18).

Subsequently, they are measured at the higher of this amortised amount less the amount of ECL 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.

1.17 Revenue recognition

1.17.1 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 is calculated by applying the EIR to the gross carrying amount of non-credit impaired (stage 1 and stage 2) financial assets (i.e. at the amortised cost of the financial asset before adjusting for any ECL allowance), or to the amortised cost of financial liabilities. For credit impaired (stage 3) 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 ECLs. For financial assets purchased or originated 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 include 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, 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.

1.17.2 Fee income and expense

Fee income and expense 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 regard 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.

1.17.2.1 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 such as constructing infrastructure on behalf of clients. The fees are earned based on the stage of completion of the project using the input method. There is no significant financing component for management fees.

1.17.2.2 Lending fees

Lending fees are fees charged by the Bank for processing and funding a loan. They can include application fees, attorney fees, recording fees and underwriting fees. There is no significant financing component for lending fees. Lending fees are raised as per the agreement at a percentage of the facility/commitment.

1.17.2.3 Non lending fees

The fees relate to non-lending services provided to customers and are recognised when the service obligation is completed. There is no significant financing component for non-lending fees.

1.17.3 Other income

Other income includes cost recoveries, rental income and gains or losses on the disposal of assets or liabilities excluding equity instruments and those instruments recognised at FVTPL. Other income is recognised when or as the Bank satisfies a performance obligation.

1. STATEMENT OF COMPLIANCE (continued)

1.18 Investment income

Investment income includes all income, loss, revaluation and foreign exchange gains and losses relating to equity investments. Dividend income is recognised in profit or loss when the Bank's right to receive payment is established per the following:

1.18.1 Dividend income

(a) Unlisted equities

Dividend income is recognised when the issuance of the dividend is properly authorised, i.e. issuance of the dividend has been approved by the relevant authority (i.e. the Board of Directors or Shareholders) in accordance with legislation applicable to the entity's jurisdiction of incorporation.

(b) Listed equities

Dividend income is recognised on the ex-dividend date, i.e. the date on which the Bank's irrefutable right to receive the dividend is confirmed.

1.19 Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the Annual Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Annual Financial Statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.19.1 Property, equipment and right of use of assets

The fair value of land and buildings is based on an annual valuation performed either by an independent valuator or management.

1.19.2 Other financial asset

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

1.19.3 Financial instruments

Fair value measurements are categorised into three different levels in the fair value hierarchy, based on the inputs to the valuation techniques used. The hierarchy levels are defined as follows:

(a) Unadjusted, quoted prices 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. The Bank does not adjust quoted prices obtained in active markets. The level 1 classification is made for all financial instruments where there is enough volume of trades and liquidity. Listed government bonds are classified as level 1. Listed municipal bonds, corporate bonds, state-owned entity bonds and own issued bonds are disclosed as level 1 fair value hierarchy only in instances where there is evidence of sufficient volume of trades and number of trades in an active market. The criteria applied are shown in point (b) below:

(b) There are two groups of Bank's financial instruments that are disclosed as fair value hierarchy level 2.

- **Group 1 instruments** – Instruments where the valuation technique applied uses the market observable inputs. Such techniques may include: using recent arm's length market transactions, reference to the current fair value of similar instruments and discounted cash flow analysis, pricing models or other techniques commonly used by market participants.
- **Group 2 instruments** – Listed instruments from an inactive market and whose trading volumes do not support a level 1 classification are shown as level 2 classification. These instruments include municipal, corporate, state-owned entity and own-issued bonds listed in an inactive market where there is no sufficient volume of trades and liquidity. No adjustments are made to quoted prices. However, should the market be inactive, such fair values do not qualify for level 1 classification. Financial instruments at fair value are disclosed as level 1 fair value hierarchy only if the instrument has a minimum weekly.
- **Financial instruments** at fair value are disclosed as level 1 fair value hierarchy only if the instrument has a minimum daily trade volume of 10 trades, a minimum weekly trade volume of 50 trades in the last trading week close to measurement date and cumulatively a minimum of 200 trade volume per month is achieved. The thresholds are reviewed annually and represent management's judgement (based on historical trade volume analysis) in assessing the trading volumes which supports a level 1 fair value hierarchy-classification. No adjustments are made to listed or observable prices. Close to each measurement date, the Bank assesses whether instruments' trading volumes and number of trades support a level 1 classification.

(c) Valuation techniques, as described in (b) above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as day one, profit or loss, is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The valuation techniques in (b) and (c) use as inputs interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlying and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and observable transaction prices where available. The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred.

The Bank's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:
- Changes in market and trading activity (e.g. significant increases/decreases in trading activity); and
- Changes in inputs used in valuation techniques (e.g. inputs becoming/ceasing to be observable in the market or significant adjustments required due to material risk events, such as COVID-19, applicable as from the year under review).

1.19.4 Equity investments

After initial recognition, the Bank measures equity investments at FVTPL.

If the market for an equity financial instrument is not active, the Bank uses a valuation technique to establish what the transaction price would be in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market based measurement and uses the assumptions that market participants would use when pricing an asset under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a force transaction, involuntary liquidation or a distressed sale.

The Bank uses valuation techniques in measuring equity instruments, including:
- Price of recent investment, if available;
- Discounted cash flow analysis based on free cash flows, earnings or dividends using market-related adjusted discount rates;
- Price earnings growth (PEG);
- Option pricing models;
- Net asset values (NAV); and
- Offer price as proxy to the fair value.

The Bank ensures that these valuation techniques:
- Make maximum use of market inputs and where applicable rely 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.

Equity investments held at fair value consist of direct investments in equity and third party managed funds.

1. STATEMENT OF COMPLIANCE (continued)

1.19 Determination of fair values (continued)

1.19.5 Investment securities

In the case of instruments for which actively quoted market prices are available, the fair value of financial instruments is based on the quoted market price at reporting date, without any deduction for transaction costs. These market prices are based on capital and interest.

1.19.6 Debt securities

In the case of instruments for which actively quoted market prices are available, the fair value of financial instruments is based on the quoted market price at reporting date, without any deduction for transaction costs. These market prices are based on capital and interest.

1.19.7 Lines of credit

These market prices are based on capital and interest. Actively quoted market prices are not available, the fair value is determined through discounted cash flow techniques, using market interest rates taking into account the credit quality and duration of the instrument.

1.19.8 Derivatives

The fair value of forward exchange contracts is determined by discounting the contractual future cash flows at the relevant market curves and netting off at the rand spot exchange rate as at the reporting date.

The fair value of interest rate swaps, forward rate agreement and cross currency swaps is the estimated amount that the Bank would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and foreign exchange rates and the creditworthiness of the respective swap counterparties. The fair value of derivatives that are not exchange-traded is estimated using discounted cash flow valuation methods with inputs limited, to the extent possible, to market observable data.

The fair value of options is calculated using a Black-Scholes derived model that values both time value of money and intrinsic value of options to determine a theoretical market value. The Bank applies a version of the Black-Scholes option-pricing model that is modified to incorporate a 'dividend yield' from the underlying asset. In the case of currency options, the dividend yield is the interest rate on the foreign currency. The intrinsic value is computed as the maximum of zero and the value of the option if it were exercised immediately. Intrinsic value is either zero or the payoff that would accrue from exercising the option immediately, whichever is the larger.

Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

1.19.9 Interest-bearing loans

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, convert 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 following assumptions are applied in the calculation of fair value:

- The forecasted interest and capital cash flows are contractual;
- A flat probability of default curve for each loan is assumed across all loan maturities. A flat probability of default curve means a flat credit margin (being a product of loss given default and probability of default) for each loan;
- The credit margin is added to an interpolated swap rate to determine the discount rate used in discounting the cash flows;
- The swap rates represent the base risk free rate for all loans. The swap rates are downloaded from Reuters as at valuation date and contain market data of interest rate swaps;
- The interest cash flows include client credit margin and the discount rate applied is adjusted to include the credit margin;
- The discount rate is used to calculate the present value of cash flows, i.e. present value = cash flow/(1 + discount rate)^tenor; and
- The valuation excludes non-performing loans due to cash flows being uncertain and this has been consistent with prior years.

1.19.10 Interest rates used for determining fair value

The Bank uses market-derived discount curves as at the reporting date. Future cash flows are based on contractual cash flows and, where market observable inputs are not available, management makes use of best estimates to determine the appropriate credit spread to apply. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

1.20 Contingent liabilities and commitments

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

Items are classified as commitments when the Bank commits itself to future transactions with external parties.

1.21 Events after the reporting period

An event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the Annual Financial Statements are authorised for issue.

1.21.1 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.

1.21.2 Non-adjusting event

An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

1.22 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 Annual Financial Statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

1.24 Government grants

A government grant is recognised when there is reasonable assurance that the Bank will comply with the conditions attaching to it, and that the grant will be received. Government grants received are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

1.25 Funds administered on behalf of third parties

The Bank manages funds on behalf of third parties. Funds administered on behalf of third parties are in ring fenced bank accounts, which are restricted and are utilised for specific purposes as determined in the agreements with third parties and as instructed by the parties to the agreements. The funds are not disclosed in the Bank's statement of financial position as they do not meet the definition of an asset as per the accounting framework.

1. STATEMENT OF COMPLIANCE (continued)

1.26 Segmental reporting

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

Segment	Key group of assets in the segment	Business model	Classification and measurement under IFRS 9
RSA Economic and Social	Development bonds - Municipal bonds	To collect contractual cash flows	Amortised cost
	Development loans	To collect contractual cash flows	Amortised cost
	Trade receivables and other assets	To collect contractual cash flows	Amortised cost
RSA Economic and Social	Development loans	To collect contractual cash flows	Amortised cost
	Trade receivables and other assets	To collect contractual cash flows	Amortised cost
Rest of Africa	Development loans	To collect contractual cash flows	Amortised cost
	Trade receivables and other assets	To collect contractual cash flows	Amortised cost
Treasury and balance sheet management	Cash and cash equivalents	To hold to collect contractual cash flows	Amortised cost
	Investment securities	Held primarily for sale to manage liquidity needs	Fair value through profit or loss
	Derivative assets	Derivative assets held for risk management purposes	Fair value through profit or loss
Infrastructure Delivery	Trade receivables and other assets	To collect contractual cash flows	Amortised cost

1. NEW STANDARDS AND INTERPRETATIONS

1.1 Standards and Interpretations issued but not yet effective

The following standards were also issued and have been assessed by the Bank. The standards have no impact on the Bank's financial statements:

1.1.1 IAS 1: Presentation of Financial Statements (Effective for annual periods on or after 1 January 2023)

Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

1.1.2 IAS 8: Accounting Policies, changes in accounting estimates and errors (Effective for annual periods on or after 1 January 2023)

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

1.2 Amended standards effective for the current financial year

1.2.1 Interest Rate Benchmark Reform

The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39 requirements to enable entities to deal with the effects on financial instruments and to continue providing useful information to stakeholders. These amendments are highlighted below:

1.2.1.1 Modification of financial instruments

The change to the alternative risk free rates may result in changes to the contractual cashflows of the related financial instruments. This may trigger an assessment in order to determine whether there has been a significant change in the cashflows that may result in derecognition of the financial instruments. The amendment to IFRS 9 allows the entities to continue recognizing the financial instruments provided that the adjustments were as a result of the reform and were made on an economically equivalent basis.

The practical expedient above will be applied to the development loans. Any other changes to the contractual cash flows that are as a result of the interest rate benchmark reform are accounted for in terms of the group's modification policy (refer to accounting policy 1.2.1.5 and 1.2.2.5 for further information relating to the modification policy).

1.2.1.2 Hedge accounting

The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation if the hedge meets the other hedge accounting criteria. The Bank is currently in phase 1 of the ibor reforms.

1.2.1.3 Risks

The amendments also require entities to provide additional information about new risks arising from the reform and how it manages the transition to Alternative Reference Rates (ARRs). The Bank will transition to ARRs as each interest rate benchmark is replaced. Refer to note 43 for additional risk disclosures.

1.2.2 IFRS 9: Financial Instruments (Effective for annual periods on or after 1 January 2022)

Annual Improvements to IFRS Standards 2018– 2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

1. NEW STANDARDS AND INTERPRETATIONS (continued)

1.2 Amended standards effective for the current financial year (continued)

1.2.3 IAS 16: Property, plant and equipment (Effective for annual periods on or after 1 January 2022)

Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

1.2.4 IAS 37: Provisions, Contingent Liabilities and Contingent Assets(Effective for annual periods on or after 1 January 2022)

Directly related cost approach: The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2. SEGMENTAL INFORMATION

The Bank has five reportable segments as listed below, which are the Bank's strategic business units. These business units are managed separately, based on the Bank's management and internal reporting structure for each of the strategic business units. The Bank's Executive Committee reviews internal management reports on at least a quarterly basis.

The following are the Bank's reportable segments:

- RSA Municipalities;
- RSA Economic and Social;
- Rest of Africa;
- Infrastructure Delivery Division; and
- Treasury and Balance Sheet Management.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

2. SEGMENTAL INFORMATION (continued)

	RSA Municipalities		RSA Economic and Social		Rest of Africa		Infrastructure Delivery		Treasury and Balance Sheet Management		*All other		Total	
in thousands of rands	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Interest income calculated using EIR	3 543 023	3 226 173	3 793 020	3 288 274	2 493 972	2 022 410	-	-	592 320	295 111	-	-	10 422 335	8 831 968
Other interest income	18 191	1 558	175 251	71 276	29 793	16 781	-	-	34 877	56 722	-	-	258 112	146 337
Total interest income	**3 561 214**	**3 227 731**	**3 968 271**	**3 359 550**	**2 523 765**	**2 039 191**	**-**	**-**	**627 197**	**351 833**	**-**	**-**	**10 680 447**	**8 978 305**
Interest expense calculated using EIR	(1 509 334)	(1 289 116)	(1 541 076)	(1 281 676)	(657 346)	(433 865)	-	-	(451 319)	(80 455)	-	-	(4 159 075)	(3 085 112)
Other interest expense	-	-	-	-	-	-	-	-	(2 366)	(100 996)	(829)	572	(3 195)	(100 424)
Total interest expense	**(1 509 334)**	**(1 289 116)**	**(1 541 076)**	**(1 281 676)**	**(657 346)**	**(433 865)**	**-**	**-**	**(453 685)**	**(181 451)**	**(829)**	**572**	**(4 162 270)**	**(3 185 536)**
Net interest income/(loss)	**2 051 880**	**1 938 615**	**2 427 195**	**2 077 874**	**1 866 419**	**1 605 326**	**-**	**-**	**173 512**	**170 382**	**(829)**	**572**	**6 518 177**	**5 792 769**
Net fee income/(loss)	378	16	45 414	42 755	69 935	121 656	244 077	149 622	(54 671)	(49 888)	29 558	15 633	334 691	279 794
Dividends	-	-	9 252	11 324	15 504	-	-	-	-	-	-	-	24 756	11 324
Other operating income	5 974	7 966	5 626	5 574	44 680	10 285	11 218	14 294	-	-	5 610	7 080	73 108	45 199
Other income/(loss)	**6 352**	**7 982**	**60 292**	**59 653**	**130 119**	**131 941**	**255 295**	**163 916**	**(54 671)**	**(49 888)**	**35 168**	**22 713**	**432 555**	**336 317**
Operating income	**2 058 232**	**1 946 597**	**2 487 487**	**2 137 527**	**1 996 538**	**1 737 267**	**255 295**	**163 916**	**118 841**	**120 494**	**34 339**	**23 285**	**6 950 732**	**6 129 086**
Other operating expenses	(316 004)	(355 442)	(353 749)	(371 479)	(295 249)	(290 043)	(231 533)	(190 952)	(16 587)	3 427	(67 585)	(65 777)	(1 280 707)	(1 270 266)
Depreciation and amortisation	(9 649)	(11 525)	(11 401)	(13 488)	(9 381)	(10 314)	(969)	(969)	(157)	(388)	-	-	(31 557)	(36 684)
Impairments	382 581	(1 483 068)	(1 076 658)	225 016	(356 730)	258 750	-	-	-	-	(3 271)	(5 636)	(1 054 078)	(1 004 938)
Development expenditure	(53 292)	(46 943)	-	-	-	-	-	-	-	-	(221 031)	(24 744)	(274 323)	(71 687)
Project preparation	-	-	-	-	-	-	-	-	-	-	(14 306)	(48 466)	(14 306)	(48 466)
Revaluation of development loans	-	-	-		(16 219)	(13 507)	-	-	-	-	-	-	(16 219)	(13 507)
Revaluation of equity investments	-	-	78 522	76 956	(110 409)	(123 305)	-	-	-	-	-	-	(31 887)	(46 349)
Grants	-	-	-	-	-	-	-	-	-	-	(32 720)	(27 412)	(32 720)	(27 412)
Sustainable earnings	**2 061 868**	**49 619**	**1 124 201**	**2 054 532**	**1 208 550**	**1 558 848**	**22 793**	**(28 005)**	**102 097**	**123 533**	**(304 574)**	**(148 750)**	**4 214 935**	**3 609 777**
Net foreign exchange gain	-	-	-	-	-	-	-	-	860 205	156 130	-	-	860 205	156 130
Net (loss)/gain from financial assets and liabilities	(709)	(847)	-	-	-	-	-	-	138 177	59 479	(2 617)	618	134 851	59 250
Profit/ (loss) for the year	**2 061 159**	**48 772**	**1 124 201**	**2 054 532**	**1 208 550**	**1 558 848**	**22 793**	**(28 005)**	**1 100 479**	**339 142**	**(307 191)**	**(148 132)**	**5 209 991**	**3 825 157**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59 888**	**57 620**	**59 888**	**57 620**
Development loans	32 364 165	30 846 337	37 961 630	34 928 628	23 353 294	18 402 089	-	-	-	-	-	-	93 679 089	84 177 054
Development bonds	2 154 345	1 151 903	-	-	-	-	-	-	-	-	-	-	2 154 345	1 151 903
Equity investments	-	-	1 989 739	2 099 223	3 159 311	2 877 284	-	-	-	-	-	-	5 149 050	4 976 507
Other assets	183 894	184 616	490 372	461 306	49 563	20 559	329 940	179 309	5 954 027	8 313 271	574 299	563 516	7 582 095	9 722 577
Total assets	**34 702 404**	**32 182 856**	**40 441 741**	**37 489 157**	**26 562 168**	**21 299 932**	**329 940**	**179 309**	**5 954 027**	**8 313 271**	**574 299**	**563 516**	**108 564 579**	**100 028 041**
Total liabilities	**17 797 635**	**17 339 248**	**20 986 245**	**19 157 861**	**16 790 717**	**12 737 033**	**324 625**	**196 787**	**60 965**	**3 071 234**	**4 972 348**	**4 614 853**	**60 932 535**	**57 117 016**

** The All Other segment includes Project Preparation and Corporate assets.*

1. *Dividends (R24 756) and other operating income (R73 108) make up other income (R97 864) in the statement of comprehensive income.*
2. *Operating expenses (R1 280 707) comprises of personnel expenses (R914 408) and general and administration expenses (R366 299).*
3. *Development expenditure relates to lending and non lending support of under resourced municipalities (R68 824) and strategic initiatives (R205 499).*
4. *Revaluation losses have been split between equity investments, development loans and financial instruments for segment reporting purposes. Revaluation loss on equity investments (R31 887), gain on development loans (R16 219) and net gain from financial assets and liabilities (R134 851) make up net loss from financial assets and financial liabilities (R86 745) in the statement of comprehensive income.*
5. *Sustainable Earnings as outlined in the DBSA's corporate plan means Earnings (Profit) before foreign currency exchange loss and financial instruments adjustments, but including revaluation on equity instruments.*
6. *Treasury is responsible for foreign exchange management across the bank and as such all foreign exchange gains and losses have been reallocated to Treasury.*

3. FINANCIAL ASSETS BY CATEGORY

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

in thousands of rands	Notes	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2023					
Cash and cash equivalents at amortised cost	5	6 166 069	-	6 166 069	6 166 069
Trade receivables and other assets	6	328 437	-	328 437	328 437
Investment securities	7	-	359 881	359 881	359 881
Derivative assets held for risk management purposes*	8.1	-	64 543	64 543	64 543
Other financial asset	9	-	40 452	40 452	40 452
Development loans at FVTPL**	10	-	48 309	48 309	48 309
Equity investments held at FVTPL**	11	-	5 149 050	5 149 050	5 149 050
Development bonds at amortised cost	13	2 154 345	-	2 154 345	2 220 025
Development loans at amortised cost	14	93 679 089	-	93 679 089	113 007 819
Total		**102 327 940**	**5 662 235**	**107 990 175**	**127 384 585**

** 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 at fair value through profit or loss.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at FVTPL				
Investment securities	-	359 881	-	359 881
Derivative assets held for risk management purposes	-	64 543	-	64 543
Other financial asset	-	40 452	-	40 452
Development loans at FVTPL	-	-	48 309	48 309
Equity investments held at FVTPL	-	2 493 963	2 655 087	5 149 050
Total financial assets held at FVTPL	**-**	**2 958 839**	**2 703 396**	**5 662 235**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	6 166 069	-	6 166 069
Trade receivables and other assets	-	-	328 437	328 437
Development bonds at amortised cost	-	2 220 025	-	2 220 025
Development loans at amortised cost	-	-	113 007 819	113 007 819
	-	**8 386 094**	**113 336 256**	**121 722 350**
Total fair value of financial assets	**-**	**11 344 933**	**116 039 652**	**127 384 585**

in thousands of rands	Notes	At amortised cost	FVTPL	Total carrying amount	Fair value
31 March 2022					
Cash and cash equivalents at amortised cost	5	7 990 108	-	7 990 108	7 990 108
Trade receivables and other assets	6	162 249	-	162 249	162 249
Investment securities	7	-	444 287	444 287	444 287
Derivative assets held for risk management purposes*	8.1	-	458 243	458 243	458 243
Other financial asset	9	-	43 067	43 067	43 067
Development loans at FVTPL**	10	-	19 309	19 309	19 309
Equity investments held at FVTPL**	11	-	4 976 507	4 976 507	4 976 507
Development bonds at amortised cost	13	1 151 903	-	1 151 903	1 253 936
Development loans at amortised cost	14	84 177 054	-	84 177 054	96 090 947
Total		**93 481 314**	**5 941 413**	**99 422 727**	**111 438 653**

** 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 at fair value through profit or loss.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial assets held at FVTPL				
Investment securities	-	444 287	-	444 287
Derivative assets held for risk management purposes	-	458 243	-	458 243
Other financial asset	-	43 067	-	43 067
Development loans at FVTPL	-	-	19 309	19 309
Equity investments held at FVTPL	60 672	2 256 544	2 659 291	4 976 507
	60 672	**3 202 141**	**2 678 600**	**5 941 413**
Financial assets held at amortised cost for which fair values are disclosed				
Cash and cash equivalents at amortised cost	-	7 990 108	-	7 990 108
Trade receivables and other assets	-	-	162 249	162 249
Development bonds at amortised cost	-	1 253 936	-	1 253 936
Development loans at amortised cost	-	-	96 090 947	96 090 947
	-	**9 244 044**	**96 253 196**	**105 497 240**
Total fair value of financial assets	**60 672**	**12 446 185**	**98 931 796**	**111 438 653**

4. FINANCIAL LIABILITIES BY CATEGORY

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

in thousands of rands	Notes	At amortised cost	FVTPL	Total carrying amount	Fair Value
31 March 2023					
Trade, other payables and accrued interest on debt funding	17	884 626	-	884 626	884 626
Derivative liabilities held for risk management purposes*	8.2	-	612 920	612 920	612 920
Debt funding designated at FVTPL	20	-	-	-	-
Debt funding held at amortised cost**	21	58 469 380	-	58 469 380	61 398 061
Total		**59 354 006**	**612 920**	**59 966 926**	**62 895 607**

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

*** The accrued interest portion of R670 million on debt funding 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 R59.14 billion is made up of accrued interest of R670 million plus principal of R58.47 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	612 920	-	612 920
Debt funding designated at FVTPL	-	-	-	-
	-	**612 920**	**-**	**612 920**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	670 183	214 443	884 626
Debt funding held at amortised cost	-	61 398 061	-	61 398 061
	-	**62 068 244**	**214 443**	**62 282 687**
Total fair value of financial liabilities	**-**	**62 681 164**	**214 443**	**62 895 607**

**The Bank does not speculate in financial instruments, hence the held-for-trading classification is not used.*

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

in thousands of rands	Notes	At amortised cost	FVTPL	Total carrying amount	Fair Value
31 March 2022					
Trade, other payables and accrued interest on debt funding	17	687 750	-	687 750	687 750
Derivative liabilities held for risk management purposes*	8.2	-	34 240	34 240	34 240
Debt funding designated at FVTPL	20	-	688	688	688
Debt funding held at amortised cost**	21	55 535 354	-	55 535 354	58 394 422
Total		**56 223 104**	**34 928**	**56 258 032**	**59 117 100**

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

*** The accrued interest portion of R449 million on debt funding 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 R55.98 billion is made up of accrued interest of R449 million plus principal of R55.54 billion. The total fair value of the Bank's funding is R58 billion.*

in thousands of rands	Level 1 category	Level 2 category	Level 3 category	Total
Financial liabilities held at FVTPL				
Derivative liabilities held for risk management purposes*	-	34 240	-	34 240
Debt funding designated at FVTPL	-	688	-	688
	-	**34 928**	**-**	**34 928**
Financial liabilities held at amortised cost for which fair values are disclosed				
Trade, other payables and accrued interest on debt funding	-	449 582	238 168	687 750
Debt funding held at amortised cost	-	58 394 422	-	58 394 422
	-	**58 844 004**	**238 168**	**59 082 172**
Total fair value of financial liabilities	**-**	**58 878 932**	**238 168**	**59 117 100**

** The Bank does not speculate in financial instruments, hence the held-for-trading classification is not used.*

5. CASH AND CASH EQUIVALENTS AT AMORTISED COST

in thousands of rands	2023	2022
Cash and cash equivalents consist of:		
Call deposits	4 508 610	6 426 066
Cash in bank	1 657 459	1 564 042
Balance at end of the year	**6 166 069**	**7 990 108**

The weighted average interest rate earned on call deposits detailed above was 6.55% (31 March 2022: 4.25%). The Bank's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities is disclosed in note 43.

in thousands of rands	2023	2022

6. TRADE RECEIVABLES AND OTHER ASSETS

6.1. Analysis of trade receivables and other assets

	2023	2022
Financial assets at amortised cost		
Trade receivables	348 827	179 209
Less provision for ECL on trade receivables	(21 731)	(18 460)
Net carrying amount trade receivables	**327 096**	**160 749**
Accrued interest	1 254	1 429
Deposits	4	4
Staff loans*	83	67
Total financial assets	**328 437**	**162 249**

** Staff loans are for employees and are interest free. The interest that should have been receivable on staff loans is R 9 306 at prime lending rate of 11.25% (31 March 2022: R5 175 at prime lending rate of 7.75%).*

	2023	2022
Non-financial assets		
Payroll expenses receivable	27	786
Prepayments	71 447	93 824
Subsistence and travel	566	936
VAT	1 589	1 498
Total non-financial assets	**73 629**	**97 044**
Balance at end of the year	**402 066**	**259 293**

6.2 Analysis of current and non current portion of trade receivables and other assets

	2023	2022
Current portion	374 213	209 242
Non-current portion	27 853	50 051
Balance at end of the year	**402 066**	**259 293**

6.3 Reconciliation of provision for ECLs on trade receivables

	2023	2022
Balance at beginning of the year	18 460	12 825
Increase in provision for ECL on trade receivables (refer to note 35)	3 271	5 635
Balance at end of the year	**21 731**	**18 460**

Staff loans, deposits, accrued interest and trade receivables are held at amortised cost. Staff loans and deposits are regarded as having a low probability of default, therefore the ECL is insignificant.

Expected credit losses is provided on trade receivables based on the simplified approach. The Bank used historically observed default rates (actual write off) over the expected life of the trade receivables adjusted as necessary to reflect current conditions to calculate the ECL for trade receivables.

6.4 Default rates used for the calculation of ECLs for trade receivables

The default rates used for the calculation of ECLs for trade receivables are detailed below.

Trade receivables	2023 %	2022 %
Ex-employees	100	100
Infrastructure Delivery Division	0	0
Other trade receivables	17 and 100	17 and 100

6.5 Credit quality of trade receivables and other assets

The tables below provide information about the credit quality of trade receivables and other assets, where the ECL is measured at an amount equal to the lifetime ECL (simplified approach).

	Days				
in thousands of rands	> 90	61-90	31-60	1-30	Total
31 March 2023					
Infrastructure Delivery Division trade receivables - Expected loss rate of 0%					
Gross carrying amount	124 632	5 600	61 631	73 933	265 796
Provision for lifetime ECL	-	-	-	-	-
Net carrying amount at end of the year	**124 632**	**5 600**	**61 631**	**73 933**	**265 796**
Other trade receivables - Expected loss rate of 17% and 100%					
Gross carrying amount	47 557	1 239	14 162	18 055	81 013
Provision for lifetime ECL	(12 344)	(633)	(3 307)	(3 429)	(19 713)
Net carrying amount at end of the year	**35 213**	**606**	**10 855**	**14 626**	**61 300**
Ex-employees receivables - Expected loss rate of 100%					
Gross carrying amount	2 018	-	-	-	2 018
Provision for lifetime ECL	(2 018)	-	-	-	(2 018)
Net carrying amount at end of the year	**-**	**-**	**-**	**-**	**-**
Total net carrying amount at end of the year	**159 845**	**6 206**	**72 486**	**88 559**	**327 096**
31 March 2022					
Infrastructure Delivery Division trade receivables - Expected loss rate of 0%					
Gross carrying amount	49 562	1 794	14 985	50 516	116 857
Provision for lifetime ECL	-	-	-	-	-
Net carrying amount at end of the year	**49 562**	**1 794**	**14 985**	**50 516**	**116 857**
Other trade receivables - Expected loss rate of 17% and 100%					
Gross carrying amount	6 701	994	4 271	48 533	60 499
Provision for lifetime ECL	(6 486)	(392)	(1 256)	(8 473)	(16 607)
Net carrying amount at end of the year	**215**	**602**	**3 015**	**40 060**	**43 892**
Ex-employees receivables - Expected loss rate of 100%					
Gross carrying amount	1 853	-	-	-	1 853
Provision for lifetime ECL	(1 853)	-	-	-	(1 853)
Net carrying amount at end of the year	**-**	**-**	**-**	**-**	**-**
Total net carrying amount at end of the year	**49 777**	**2 396**	**18 000**	**90 576**	**160 749**

6. TRADE RECEIVABLES AND OTHER ASSETS (continued)

6.6 Reconciliation of the gross carrying amount of trade receivables and the provision for ECLs

The tables below show the reconciliation of the opening balance to the closing balance of the gross carrying amount of trade receivables and the provision for ECLs:

	Default rate			
in thousands of rands	0%	17% and 100%	100%	Total
31 March 2023				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	116 857	60 499	1 853	179 209
Movements for the year	148 939	20 514	165	169 618
Gross carrying amount at end of the year	**265 796**	**81 013**	**2 018**	**348 827**
Reconciliation of provision for ECL				
Balance at the beginning of the year	-	(16 607)	(1 853)	(18 460)
Increase in provision for ECL	-	(3 106)	(165)	(3 271)
Provision for ECL at end of the year	**-**	**(19 713)**	**(2 018)**	**(21 731)**
Net carrying amount at end of the year	**265 796**	**61 300**	**-**	**327 096**
31 March 2022				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	145 220	32 201	1 953	179 374
Movements for the year	(28 363)	28 298	(100)	(165)
Gross carrying amount at end of the year	**116 857**	**60 499**	**1 853**	**179 209**
Reconciliation of provision for ECL				
Balance at the beginning of the year	-	(10 872)	(1 953)	(12 825)
Increase in provision for ECL	-	(5 735)	100	(5 635)
Provision for ECL at end of the year	**-**	**(16 607)**	**(1 853)**	**(18 460)**
Net carrying amount at end of the year	**116 857**	**43 892**	**-**	**160 749**

6.7 Trade receivables comprises:

in thousands of rands	2023	2022
Mandates		
City of Johannesburg	143	144
Department of Water and Sanitation	233	-
District Development Model (DDM)	4 232	209
Eastern Cape Department of Education	2 302	1 709
Ekurhuleni Metropolitan Municipality	14 525	12 966
Free State Department of Education	4 636	10 730
Free State Department of Human Settlements (FSHS)	14 994	-
Gauteng Department of Agriculture and Rural Development	2 392	4 998
Gauteng Department of Education	1 500	-
Gauteng Department of Health	22 055	-
Gauteng Growth and Development Agency (GGDA)	12 921	-
Global Environmental Facility	338	404
Government Printing works	258	-
Green Climate Fund	1 653	-
Infrastructure Delivery Management System (IDMS)	6 515	5 753
Infrastructure Fund	701	5 341
Infrastructure Investment Programme for South Africa (IIPSA)	3 360	6 877
Jobs Fund	152	-
KFW HIV/VCT 2 Programme	347	347
Kwazulu-Natal Department of Education	4 632	2 703
Letaba TVET College	355	-
Limpopo Department of Economic Development, Environment and Tourism	641	330
Limpopo Department of Education	22 190	257
Limpopo Department of Health	35 906	853
Limpopo Department of Public Works	7 547	217
Mpumalanga Department of Education	2 052	-
National Department of Basic Education for Accelerated Infrastructure Schools Programme	22 038	22 649
National Department of Correctional Services	507	928
National Department of Defence	178	39
National Department of Energy - Independent Power Producer Office	10 488	7 250
National Department of Health	24 374	8 429
National Department of Public Works	36 753	27 801
National Department of Tourism	164	-
National Department of Trade and Industry	709	175
National Treasury Cities Support Programme (NTCSP)	14 036	8 962
National Treasury Project Preparation Fund	3 450	-
North West Department of Education	3 494	2 198
North West Department of Public Works	5 943	3 984
Student Housing Infrastructure Programme Management	42 612	39 176
World Economic Forum -Sustainable Development Investment Partnership Programme	373	154
Balance at end of the year for mandates	**331 699**	**175 583**
Other programmes and receivables		
African Climate Foundation	1 000	-
African World Heritage Fund (AWHF)	559	-
Bank Seta	16	16
Former employees	2 018	1 853
KFW SADC Water Fund	1 455	685
Other trade receivables	4 504	884
Pan African Capacitation Building Platform (PACBP)	2 186	188
Thembisile Hani Local Municipality	500	-
The World Bank - South Africa Office	4 890	-
Balance at end of the year for other programmes and receivables	**17 128**	**3 626**
Balance at end of the year for trade receivables	**348 827**	**179 209**

The amounts mainly arose from the Bank's non lending activities in the Infrastructure Delivery Division, mandates and other agencies.

in thousands of rands	2023	2022

7. INVESTMENT SECURITIES

7.1 Investment securities consist of the following:

Investment securities mandatorily held at fair value through profit or loss		
Investment in segregated funds	36 332	33 480
Municipal bonds - listed	323 549	329 794
State owned entities bonds - listed*	-	81 013
Balance at end of the year	**359 881**	**444 287**

** During the current year a state owned entity bond with a nominal value of R75 million matured.*

7.2 Investment securities reconciliation

Balance at beginning of the year	444 287	455 215
Fair value movements	(8 820)	(9 995)
Additions, disposals and maturities	(75 000)	-
Premium and discounts	(586)	(933)
Balance at end of the year	**359 881**	**444 287**

Investments securities are held for sale as part of the strategic liquidity portfolio to manage the Bank's liquidity requirements. Accrued interest is presented as part of the investment securities fair value movements and amounts to R12.5 million (31 March 2022: R16.4 million).

7.3 Analysis of current and non-current potion of investment securities

Current portion	179 235	97 408
Non-current portion	180 646	346 879
Balance at end of the year	**359 881**	**444 287**

8. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES

8.1. Derivative assets held for risk management purposes

Risk type:		
Interest rate derivatives	13 829	-
Foreign exchange derivatives	50 714	458 243
Balance at end of the year	**64 543**	**458 243**

Included in derivative assets is a credit valuation adjustment (CVA) of R0.87 million (31 March 2022: R22 million).

8.2. Derivative liabilities held for risk management purposes

Risk type:		
Interest rate derivatives	(288 462)	(13 617)
Foreign exchange derivatives	(324 458)	(20 623)
Balance at end of the year	**(612 920)**	**(34 240)**

Included in derivative liabilities is a debit valuation adjustment (DVA) of R77 million (31 March 2022: RNil).

8.3. Net derivatives held for risk management

in thousands of rands	2023	2022
Derivatives designated as fair value hedges	-	(13 617)
Derivatives designated as cash flow hedges	(574 950)	352 552
Derivatives held for risk management not designated hedges - economic hedges	26 573	85 068
Net derivatives at end of the year	**(548 377)**	**424 003**

Derivatives designated as fair value hedges

This category consists of interest rate swaps used to hedge the exposure to fair value changes of financial instruments, which are due to changes in market interest rates. This category consists of derivative instruments designated as fair value hedges for hedge accounting purposes.

IFRS 9 has not finalised the dynamic hedging component of portfolio hedging. The Bank has elected to remain under IAS39 hedge accounting on this fair value portfolio for hedge effectiveness testing purposes

Derivatives designated as cash flow hedges

This category consists of currency swaps, and currency options used to hedge both the foreign currency risks arising from the Euro and US dollar financial instruments as well as interest rate swaps used to hedge interest rate risk. All cash flow hedges were effective for the year under review. This category consists of derivative instruments designated as cash flow hedges for hedge accounting purposes.

Derivatives held for risk management not designated hedges - economic hedges

This category consists of interest rate swaps, foreign exchange contracts, forward rate agreements and cross-currency swaps that are not designated for hedge accounting purposes. These derivative instruments are accounted for as held at fair value through profit or loss. Such derivatives are used for managing the exposures to foreign currency and interest rate risks.

8.4 Fair Value Portfolio

Historically the Bank applied fair value hedge accounting on the portfolio. However, the fair value portfolio was closed out during the financial year under review , this concedes with the maturity of debt funding portfolio at FVTPL.

The table below shows the instrument type and hedge accounting treatment of the instrument.

Instrument type	Accounting treatment	2023	2022
Debt funding - FVTPL	Fair value hedge accounting	-	(688)
Interest rate swap	Fair value hedge accounting	-	(13 617)
Municipal bonds	Fair value hedge accounting	-	329 794
State owned entity bonds	Fair value hedge accounting	-	81 013
Total		**-**	**396 502**

8. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES (continued)

8.5 Hedge accounting

The tables below summarises the effect on financial position and performance - hedging instruments:

in thousands of rands	Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Line item in the financial statements
31 March 2023					
Cash flow hedges					
Foreign exchange rate risk					
Currency options	8 001 135	24 141	(324 458)	(425 139)	Derivative financial instruments
Interest rate risk					
Interest rate swaps	15 605 077	13 829	(288 462)	-	Derivative financial instruments

in thousands of rands	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item: Assets	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item: Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Line item in the financial statements
31 March 2023							
Cash flow hedges							
Foreign exchange risk rate							
Currency options	-	-	-	-	575 100	67 804	Debt funding held at amortised cost and development loans
Interest rate risk							
Interest rate swaps	-	-	-	-	-	282 282	Development loans
Total	**-**	**-**	**-**	**-**	**575 100**	**350 086**	

The tables below summarises the effect on financial position and performance - hedged items:

in thousands of rands	Ineffectiveness recognised in profit or loss	Ineffectiveness recognised in OCI	Line in the financial statement
31 March 2023			
Fair value hedges			
Interest rate risk	-	-	Net gain/ (loss) from financial assets and financial liabilities

in thousands of rands	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
31 March 2023					
Cash flow hedges					
Options	106 953	149 961	Net foreign exchange gain/ (loss)	(254 089)	Net foreign exchange gain/(loss)
Interest rate swaps	(274 633)	-	Net (gain)/ loss from financial assets and financial liabilities	(7 649)	Net (gain)/loss from financial assets and financial liabilities
Total	**(167 680)**	**149 961**		**(261 738)**	

The table below summarises the effect on financial position and performance - hedging instruments:

in thousands of rands	Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Line item in the financial statements
31 March 2022					
Fair value hedges					
Interest rate risk					
Interest rate swaps	180 000	-	(13 617)	16 288	Derivative financial instruments
Cash flow hedges					
Foreign exchange rate risk					
Cross currency swaps	304 696	157 957	(596)	(3 388)	Derivative financial instruments
Currency options	5 841 520	195 191	-	(81 997)	Derivative financial instruments
Total	**6 146 216**	**353 148**	**(596)**	**(85 385)**	

8. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT PURPOSES (continued)

8.5 Hedge accounting (continued)

in thousands of rands	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Changes in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Line item in the financial statements
	Assets	Liabilities	Assets	Liabilities			
31 March 2022							
Fair value hedges							
Interest rate risk							
Net residual risk in fair value portfolio	198 927	-	-	-	(16 288)	-	Debt funding and investment securities
Cash flow hedges							
Foreign exchange risk rate							
Currency options	-	-	-	-	178 840	(79 332)	Debt funding and development loans held at amortised cost and equity investments at FVTPL
Debt funding	-	-	-	-	3 386	(20 021)	Debt funding at amortised cost
Total	**198 927**	**-**	**-**	**-**	**165 938**	**(99 353)**	

The table below summarises the effect on financial position and performance - hedged items:

in thousands of rands	Ineffectiveness recognised in profit or loss	Ineffectiveness recognised in OCI	Line in the financial statement
31 March 2022			
Fair value hedges			
Interest rate risk	-	-	Net gain/ (loss) from financial assets and financial liabilities

in thousands of rands	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
31 March 2022					
Cross currency swaps	(40 153)	(2)	Net (gain)/loss from financial assets and financial liabilities	20 003	Net (gain)/loss from financial assets and financial liabilities
Options	(19 086)	96 843	Net (gain)/loss from financial assets and financial liabilities	9 543	Net (gain)/loss from financial assets and financial liabilities
Total	**(59 239)**	**96 841**		**29 546**	

in thousands of rands	2023	2022

9. OTHER FINANCIAL ASSET

	2023	2022
Market value of investments	**40 452**	**43 067**

This asset represents the fair value of the Medipref investment held with Sanlam.

	2023	2022
Balance at beginning of the year	43 067	42 451
Contributions paid	(3 779)	(4 091)
Expenses	(592)	(508)
Income	3 479	5 206
(Decrease)/increase in market value	(1 723)	9
Balance at end of the year	**40 452**	**43 067**
Analysis of current and non-current portion of other financial asset		
Non-current portion	**40 452**	**43 067**

10. DEVELOPMENT LOANS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

10.1 Analysis of development loans at FVTPL

	2023	2022
Balance at beginning of the year	115 535	99 566
Movements for the year (refer to note 10.1.1)	45 219	15 969
Gross development loans at FVTPL	**160 754**	**115 535**
Fair value movements (refer to note 10.1.2)	(112 445)	(96 226)
Balance at end of the year	**48 309**	**19 309**

10.1.1 Movements during the year

	2023	2022
Interest accrued (refer to note 27)	29 367	16 781
Foreign exchange adjustments	15 852	(812)
Movements for the year	**45 219**	**15 969**

10.1.2 Fair value adjustments

	2023	2022
Balance at beginning of the year	(96 226)	(82 719)
Current year fair value adjustments (refer to note 31)	(16 219)	(13 507)
Balance at end of the year	**(112 445)**	**(96 226)**

10.2 Maturity analysis of development loans at FVTPL

	2023	2022
Due after 3 (three) months but within (2) two years	160 754	115 535

10.3 Sectorial analysis of development loans at FVTPL

	2023	2022
Energy - electricity	160 754	115 535

10.4 Geographical analysis of development loans at FVTPL

	2023	2022
Sierra Leone	160 754	115 535
USD dollar amount included in development loans held at FVTPL	9 041	7 911

10. DEVELOPMENT LOANS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

in thousands of rands	2023	2022
10.5 Client classification of development loans at FVTPL		
Private sector intermediaries	160 754	115 535
10.6 Fixed and variable interest rate loans of development loans at FVTPL		
Fixed	160 754	115 535
10.7 Analysis of current and non-current portion of development loans held at FVTPL		
Current portion	-	115 535
Non current portion	160 754	-
Balance at the end of the year	**160 754**	**115 535**

11. EQUITY INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

in thousands of rands	2023	2022
Equity investments held at FVTPL	**5 149 050**	**4 976 507**
11.1 Analysis of equity investments held at FVTPL		
Cost		
Balance at beginning of the year	3 514 207	3 445 516
Acquisitions	47 910	246 514
Capital return	(459 383)	(177 823)
Balance at end of the year	**3 102 734**	**3 514 207**
Fair value adjustment		
Balance at beginning of the year	58 385	101 591
Current year fair value adjustment (refer to note 31)	(31 887)	(46 349)
Realised capital gain (refer to note 32)	36 580	3 143
Balance at the end of the year	**63 078**	**58 385**
Foreign exchange adjustments		
Balance at beginning of the year	1 403 915	1 460 352
Realised gain (refer to note 30)	87 228	64 626
Unrealised gain/(loss) (refer to note 30)	492 095	(121 063)
Balance at the end of the year	**1 983 238**	**1 403 915**
Fair value at the end of the year	**5 149 050**	**4 976 507**

Equity investments held at fair value through profit or loss consist of direct equity in ordinary shares and third party managed private equity funds.

The DBSA equity investment portfolio comprises "Fund of Fund" investments and direct equity investments. At the reporting date the portfolio is denominated in both foreign currency (EUR and USD) and ZAR. The non-ZAR portfolio is invested in commercial infrastructure projects, such as energy, roads, and logistics sectors with the balance invested in the financial sector. The ZAR portfolio is invested in affordable housing projects, commercial infrastructure and the information technology sector. A significant portion of the funds are approaching maturity and the Bank is exiting each underlying investment on an investment-by-investment basis (refer note 11.2).

in thousands of rands	2023	2022
11.2 Period since initial investment		
Less than 1 (one) year but within 4 (four) years	144 388	290 562
4 (four) years but within 9 (nine) years	532 414	431 093
10 (ten) years and older	4 472 248	4 254 852
Balance at end of the year	**5 149 050**	**4 976 507**
11.3 Sectoral analysis of equity investments		
Commercial - communication	228 735	197 540
Commercial - construction	74 240	71 369
Commercial - financial	75 299	120 160
Commercial - fund	2 383 271	2 382 458
Institutional infrastructure	1 190 291	878 572
Residential facilities	1 197 214	1 326 408
Balance at end of the year	**5 149 050**	**4 976 507**
11.4 Geographical analysis of equity investments		
International (the rest of the Africa excluding South Africa)	3 627 096	3 203 342
South Africa	1 521 954	1 773 165
Balance at end of the year	**5 149 050**	**4 976 507**
11.5 US dollar and Euro amounts included in the above Africa and International equity investments		
US Dollar amount included	**140 266**	**154 518**
Euro amount included	**37 005**	**33 445**
11.6 Equity investments comprises of:		
Direct (In house managed funds)	1 356 095	1 146 544
Indirect funds (Third party managed funds)	3 792 955	3 829 963
Balance at end of the year	**5 149 050**	**4 976 507**
11.7 Analysis of current and non-current portion of equity investments		
Current portion	-	36 580
Non-current portion	5 149 050	4 939 927
Balance at end of the year	**5 149 050**	**4 976 507**

12. FAIR VALUE OF ASSETS AND LIABILITIES

12.1 Fair value levels

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
Assets and liabilities 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
Assets and liabilities 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. Assets and liabilities valued using discounted cash flow analysis. This category includes unlisted equity investments and development loans (both measured at fair value and at amortised cost). No significant interrelationships between unobservable inputs used in the valuation of its level 3 equity investments have been identified.

12.2 Fair value hierarchy

The tables below show the fair value hierarchy of the Bank's assets and liabilities.

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
31 March 2023					
Fair value disclosures					
Assets held at FVTPL					
Investment securities	3	-	359 881	-	359 881
Derivative assets held for risk management purposes	3	-	64 543	-	64 543
Other financial asset	3	-	40 452	-	40 452
Development loans at FVTPL	3	-	-	48 309	48 309
Equity investments held at FVTPL*	3	-	2 493 963	2 655 087	5 149 050
Land and buildings	15	-	-	381 903	381 903
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	6 166 069	-	6 166 069
Trade receivables and other assets	3	-	-	328 437	328 437
Development bonds	3	-	2 220 025	-	2 220 025
Development loans	3	-	-	113 007 819	113 007 819
Total assets		**-**	**11 344 933**	**116 421 555**	**127 766 488**

** Exchange rate movements are a material driver of the fair value of equity instruments categorised as Level 2. The fair value of R2.5 billion (31 March 2022: R2.2 billion) includes foreign currency translation impact of R1.9 billion (31 March 2022: R1.4 billion) which is driven by observable currency exchange rates.*

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	4	-	612 920	-	612 920
Debt funding designated at FVTPL	4	-	-	-	-
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	670 183	214 443	884 626
Debt funding held at amortised cost	4	-	61 398 061	-	61 398 061
Total financial liabilities		**-**	**62 681 164**	**214 443**	**62 895 607**
31 March 2022					
Fair value disclosures					
Assets held at FVTPL					
Investment securities	3	-	444 287	-	444 287
Derivative assets held for risk management purposes	3	-	458 243	-	458 243
Other financial asset	3	-	43 067	-	43 067
Development loans at FVTPL	3	-	-	19 309	19 309
Equity investments held at FVTPL*	3	60 672	2 256 544	2 659 291	4 976 507
Land and buildings	15	-	-	413 021	413 021
Financial assets held at amortised cost for which fair values are disclosed					
Cash and cash equivalents	3	-	7 990 108	-	7 990 108
Trade receivables and other assets	3	-	-	162 249	162 249
Development bonds	3	-	1 253 936	-	1 253 936
Development loans	3	-	-	96 090 947	96 090 947
Total assets		**60 672**	**12 446 185**	**99 344 817**	**111 851 674**

** Exchange rate movements are a material driver of the fair value of equity instruments categorised as Level 2. The fair value of R2.2 billion (31 March 2021: R2.1 billion) includes foreign currency translation impact of R1.4 billion (31 March 2021: R1.5 billion) which is driven by observable currency exchange rates.*

in thousands of rands	Notes	Level 1	Level 2	Level 3	Total
Financial liabilities held at FVTPL					
Derivative liabilities held for risk management purposes	4	-	34 240	-	34 240
Debt funding designated at FVTPL	4	-	688	-	688
Financial liabilities held at amortised cost for which fair values are disclosed					
Trade, other payables and accrued interest on debt funding	4	-	449 582	238 168	687 750
Debt funding held at amortised cost	4	-	58 394 422	-	58 394 422
Total financial liabilities		**-**	**58 878 932**	**238 168**	**59 117 100**

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

in thousands of rands	2023	2022

12.3 Reconciliation of level 3 financial assets held at FVTPL

12.3.1 Equity investments held at FVTPL

Balance at the beginning of year	2 659 291	2 797 224
Decrease in fair value of equity investments (refer to note 31)*	(4 204)	(137 933)
Balance at end of the year	**2 655 087**	**2 659 291**

* The total unrealised loss of R4 million (31 March 2022: R138 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers have occurred.

The Bank's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- Changes in market and trading activity (e.g. significant increases/decreases in trading activity); and
- Changes in inputs used in valuation techniques (e.g. inputs becoming/ceasing to be observable in the market or significant adjustments required due to material risk events, such as COVID-19, applicable as from the year under review).

12.3.2 Development loans held at FVTPL

Balance at the beginning of year	19 309	16 847
Decrease in fair value of development loans at FVTPL (refer to note 10.1.2)*	(16 219)	(13 507)
Other movements (refer to note 10.1.1)	45 219	15 969
Balance at end of the year	**48 309**	**19 309**

** The total unrealised loss of R16 million (31 March 2022: R14 million) was included in the net loss from financial assets and financial liabilities in the statement of comprehensive income.*

12.4 Valuation techniques

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

in thousands of rands	2023		2022	
Financial instruments	Fair value	Hierarchy level	Fair value	Hierarchy level
Derivative assets held for risk management purposes (a)	64 543	2	458 243	2
Investment securities (b)	359 881	2	444 287	2
Equity investments (c)	5 149 050	2 and 3	4 976 507	1, 2 and 3
Other financial asset (d)	40 452	2	43 067	2
Development loans at FVTPL (e)	48 309	3	19 309	3
Financial assets	**5 662 235**		**5 941 413**	
Derivative liabilities held for risk management purposes (a)	612 920	2	34 240	2
Debt funding designated at FVTPL (f)	-	2	688	2
Financial liabilities	**612 920**		**34 928**	

(a) Derivatives

The valuation methods 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

The valuation methods include 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. Inputs include the quoted market prices.

(c) Equity investments

(i) 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 rates and it is possible for the marketability and other discount rates for a particular instrument to be outside the guideline range.

(ii) Valuation techniques for third party managed private equity and management judgment regarding fair value hierarchy

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 above guidelines are applied by the Bank's fund managers who provide a calculated fair value estimates as inputs to the Bank's assessment. The Bank thereafter applies these guidelines which 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.

Given the illiquidity concerns of some of the closed ended funds, the Bank considers marketability and liquidity discounts in valuing DBSA's unit of account in the fund. DBSA equity exposures are in different jurisdiction in Africa. The investments go through an investment phase, growth phase and exit phase. A significant portion of the investments are in the exit phase and in this phase there is active secondary market for the underlying investment that are being exited. Adjustments to NAV (for assets within the exit phases) greater than 20% are considered significant to enable a level 3 input classification even if there is some evidence of exits in the underlying investments within the secondary markets. Adjustments to Net Asset Value (NAV) (for assets within the investment phase) greater than 10% are considered significant to enable a level 3 input classification even if there is some evidence of infrastructure secondary market activity. The determination of 10% and 20% thresholds are a significant management judgement. The differentiation between the investment phase and exit phase is appropriate given the nature of infrastructure cycle and infrastructure primary and secondary market activities across the African continent. There are, however, no bright lines for determining significance of an input to the fair value measurement in its entirety management has consistently applied the evaluation criteria for the significance of inputs. In assessing the significance of unobservable inputs to an asset fair value, DBSA management (a) considers sensitivity of the asset overall value to changes in the data and (b) reassesses the likelihood of variability in the data over the life of the asset.

12. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

12.4 Valuation techniques (continued)

(iii) Valuation techniques – Unlisted equities

If the market for a financial instrument is not active, the Bank determines fair value by using various valuation techniques. These techniques include i) using recent arm's length market transactions between knowledgeable, willing parties; ii) reference to the current fair value of another instrument that is substantially the same in nature; iii) reference to the value of the net assets of the underlying business; iv) earnings multiples; and v) discounted-cashflow analysis.

To estimate a reliable fair value, where appropriate, the Bank applies certain valuation adjustments to the information derived from the above sources. In making appropriate adjustments, the Bank considers certain adjustments to the modelled price that market participants would make when pricing that instrument. The Bank also reviews its portfolio to identify any correlation between key valuation inputs which may serve as proxy inputs. Where reliable information relating to a correlated input is not readily available the Bank may reference its proxy in determining an appropriate fair value.

Fair value measurements are categorised into level 2 or 3 within the fair value hierarchy based on the significance of observable inputs versus unobservable inputs in relation to the fair value of the instrument.

The Bank's policy is to apply a range between 10%–30%. However, the actual discount rate applied for level 2 and 3 equity investment ranged between 12%–20% and in the prior year this was 15%–20%.

For both equity investments in third party managed funds and unlisted equities, price quotes may be a level 2 or level 3 input or may not represent fair value and therefore the Bank considers the following factors in making a determination: volume of recent transactions for the instrument, price quotations that are not developed using current information, price quotations that vary substantially either over time or among market makers, indices that were previously highly correlated with the fair value of the asset or liability are demonstrably uncorrelated with recent indications of fair value, whether there is significant increases in implied liquidity premiums, yields or performance indicators for observed transactions or quoted prices when compared with the entity's estimate of expected future cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability, wide bid-ask spread or a significant increase in the bid-ask spread, significant decline in the activity of, or there is an absence of a market for new issues for the asset or liability or similar assets or liabilities and there is little information publicly available.

Level 1 inputs	Level 2 inputs	Level 3 inputs
Quoted prices in active markets	Quoted prices for similar assets or liabilities in active markets	Marketability discounts not collaborated by observable market information
Unadjusted prices	Quoted prices for identical or similar assets or liabilities in markets that are not active	Liquidity discounts
Accessible prices at measurement date	Inputs other than quoted prices that are observable for the assets or liability, for example: • Interest rates; • Yield curves; and • Credit spreads and implied volatility	Earnings multiples
	Quotes corroborated with observable market information	Unlisted equity investments
	Exchange rate movements with direct correlation to fair value	Valuations based on significant proprietary information
	Development loans	Where there is a significant increase in bid/ask spread
	Where there is increase in bid/ask spread	

(d) Other financial asset

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

(e) Development loans at FVTPL

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.

(f) Debt funding designated at FVTPL

The valuation is based on market observable bond prices from the interest rate market of the Johannesburg Stock Exchange. Inputs include the quoted market prices.

(g) Development loans, development bonds, debt funding and repurchase agreements at amortised cost

The financial instruments are valued using discounted cash flow analysis. The inputs include published reference interest rates.

(h) Land and buildings

The fair value of land and buildings is calculated using the capitalised net rental approach. This involves estimating the net market monthly rental income that the property.

13. DEVELOPMENT BONDS AT AMORTISED COST

in thousands of rands	2023	2022
Municipal bonds	**2 154 345**	**1 151 903**

13.1 Analysis of development bonds

	2023	2022
Balance at the beginning of the year	1 290 413	1 290 219
Movements during the year (refer to note 13.2)	994 072	194
Gross development bonds	**2 284 485**	**1 290 413**
Provision for ECL on development bonds (refer to note 13.3)	(130 140)	(138 510)
Net development bonds at end of the year	**2 154 345**	**1 151 903**

13.2 Movements during the year

	2023	2022
Disbursement	1 000 000	-
Repayments	(41 667)	-
Gross interest repayments	(180 476)	(121 860)
Interest accrued (refer to note 27)	216 215	122 054
Net movements for the year	**994 072**	**194**

13.3 Reconciliation of provision for ECLs on development bonds

	2023	2022
Balance at the beginning of the year	138 510	10 984
Increase in provision for ECL on development bonds (refer to note 35)	(8 370)	127 526
Balance at end of the year	**130 140**	**138 510**

Development bonds are bullet bonds with fixed interest rates and are held at amortised cost using the effective interest rate method. The contractual rate is equal to the effective interest rate.

13. DEVELOPMENT BONDS AT AMORTISED COST (continued)

in thousands of rands	2023	2022
13.4 Client classification of gross development bonds		
Local government	**2 284 485**	**1 290 413**
13.5 Regional analysis of gross development bonds		
South Africa	**2 284 485**	**1 290 413**
13.6 Geographical analysis of gross development bonds		
Gauteng	1 290 607	1 290 413
KwaZulu Natal	993 878	-
Balance at end of the year	**2 284 485**	**1 290 413**
13.7 Sectorial analysis of gross development bonds		
Energy	1 290 607	1 290 413
Social infrastructure	993 878	-
Balance at end of the year	**2 284 485**	**1 290 413**

13.8 Reconciliation of development bonds

The table below shows the reconciliation of the opening balance to the closing balance of development bonds gross carrying amount and the provision for expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
31 March 2023				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	517 865	772 548	-	1 290 413
Changes in interest accrual	94 161	122 054	-	216 215
Disbursements	1 000 000	-	-	1 000 000
Withdrawals	(58 617)	(121 859)	-	(180 476)
Repayments	(41 667)	-	-	(41 667)
Transfer from stage 1 to 2	(517 865)	517 865	-	-
Balance at the end of the year	**993 877**	**1 290 608**	**-**	**2 284 485**
Reconciliation of provision for ECL				
Balance at the beginning of the year	15 060	123 450	-	138 510
Transfer from Stage 1 to Stage 2	(15 060)	1 696	-	(13 364)
Bonds issued	794	-	-	794
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EAD)	-	4 200	-	4 200
Balance at the end of the year	**794**	**129 346**	**-**	**130 140**

The decrease in ECL for the year was due to changes in the calibration of the new model as no ECL overlays were taken on bonds; together with the changes in stages as a result of the changes in PDs, EADs and LGDs arising from use of new macro-economic data.

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
31 March 2022				
Reconciliation of gross carrying amount				
Balance at the beginning of the year	517 865	772 354	-	1 290 219
Changes in interest accrual	51 104	70 950	-	122 054
Repayments	(51 104)	(70 756)	-	(121 860)
Balance at the end of the year	**517 865**	**772 548**	**-**	**1 290 413**
Reconciliation of provision for ECL				
Balance at the beginning of the year	189	10 795	-	10 984
Subsequent change in ECL due to changes in risk parameters (PDs, LGDs and EAD)	14 871	112 655	-	127 526
Balance at the end of the year	**15 060**	**123 450**	**-**	**138 510**

The increase in ECL for the year was due to changes in stages together with changes in PDs, EADs and LGDs arising from use of new macro-economic data.

in thousands of rands	2023	2022
13.9 Expected credit losses		
ECL charge to the statement of comprehensive income (refer to note 35)	**(8 370)**	**127 526**
13.10 Analysis of current and non-current portion of development bonds		
Current	157 485	38 413
Non-current	2 127 000	1 252 000
Gross development bonds	**2 284 485**	**1 290 413**
Provision for ECL on development bonds	(130 140)	(138 510)
Balance at the end of the year	**2 154 345**	**1 151 903**

14. DEVELOPMENT LOANS AT AMORTISED COST

14.1 Analysis of development loans

Balance at the beginning of the year	95 876 051	94 098 188
Movements during the year (refer to note 14.1.1).	9 977 983	1 777 863
Gross development loans	**105 854 034**	**95 876 051**
Provision for ECL on development loans (refer to note 14.9)	(12 174 945)	(11 698 997)
Net development loans at the end of the year	**93 679 089**	**84 177 054**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)
14.1 Analysis of development loans (continued)

14.1.1 Movements for the year

in thousands of rands	2023	2022
Contractual interest on stage 3	858	(147 138)
Development loans written off (refer to note 14.9)	(628 798)	(542 565)
Effective interest income on development loans (refer to note 27)	9 613 800	8 414 801
Fees raised	243 857	250 633
Foreign exchange adjustment	5 472 503	(732 462)
Gross loan repayments	(17 079 828)	(18 492 889)
Loans de-recognised due to substantial modification	(2 133 904)	(1 877 507)
Loans disbursed - current year	12 687 028	12 919 784
Loss on derecognition	(4 596)	-
Modification (loss)/gain	81 702	157 693
Movement in deferred fee	(83 721)	(70 516)
New loans recognised after substantial modification	2 133 904	1 877 507
Other administrative adjustments	(1 253)	(3 206)
Proceeds from a sale of a financial asset	(321 578)	-
Transfer from other assets	-	23 728
Transfer from provisions -development expenditure*	(49 550)	-
Unrealised day one gains/losses on below market rate loans	49 550	-
Amortisation of below market interest rate loans*	(1 991)	-
Movements for the year	**9 977 983**	**1 777 863**

** During the period under review, the Bank identified certain valuation adjustments related to development loans at amortised cost. These adjustments arise due to loans having been granted to borrowers at below market interest rates (at time of origination) resulting in differences between the fair values at initial recognition and transaction prices. These amounts were previously presented and disclosed as part of provisions(refer to note 18.1). In accordance with IAS 8, these adjustments are not deemed to be material and as such the Bank has affected the transfer of the relevant balance on a current and prospective basis.*

14.2 Maturity analysis of gross development loans

in thousands of rands	2023	2022
Long term development loans		
Due within 1 (one) year	14 043 070	11 081 829
Due after 1 (one) year but within 2 (two) years	8 979 791	6 800 009
Due after 2 (two) years but within 3 (three) years	8 276 224	6 914 377
Due after 3 (three) years but within 4 (four) years	8 680 138	6 933 847
Due after 4 (four) years but within 5 (five) years	12 691 704	7 168 717
Due after 5 (five) years but within 9 (nine) years	34 090 887	32 593 078
Due after 9 (nine) years but within 14 (fourteen) years	16 670 382	17 862 170
Due after 14 (fourteen years)	2 370 632	6 513 807
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Due within 1 (one) year	51 206	6 170
Due after 1 (one) year but within 2 (two) years	-	2 047
Total bridging finance development loans	**51 206**	**8 217**
Total development loans	**105 854 034**	**95 876 051**

14.3 Sectoral analysis of gross development loans

in thousands of rands	2023	2022
Long term development loans		
Commercial - fund	279 556	235 039
Commercial - manufacturing	68 766	74 286
Commercial - mining	-	111 000
Commercial - other	225 598	181 980
Commercial - tourism	89 409	306 776
Communication and transport infrastructure	21 597 345	16 605 083
Energy - electricity	47 585 755	45 406 918
Energy - non-grid standalone	1 673 540	44 215
Human resources development	2 150 097	1 674 501
Oil and gas	4 056 705	3 410 671
Residential facilities	2 236 164	2 382 612
Roads and drainage	17 404 933	16 386 075
Sanitation	685 434	795 849
Social infrastructure	5 334 598	5 633 870
Water	2 414 928	2 618 959
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Human resource development	44 309	8 217
Social infrastructure	6 897	-
Short-term bridging finance development loans	**51 206**	**8 217**
Total development loans	**105 854 034**	**95 876 051**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

in thousands of rands	2023	2022
14.4 Geographical analysis of gross development loans		
Long term development loans		
Eastern Cape	756 021	865 443
Free State	1 536 062	1 565 148
Gauteng	52 343 849	46 617 648
KwaZulu-Natal	4 699 971	5 292 284
Limpopo	814 066	861 414
Mpumalanga	440 483	635 384
North West	717 465	664 333
Northern Cape	8 564 992	8 621 361
Western Cape	5 323 485	5 194 075
Rest of Africa	30 606 434	25 550 744
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Kwazulu-Natal	12 957	7 012
North-West	7 145	1 205
Free State	19 442	-
Eastern Cape	11 662	-
Total bridging finance development loans	**51 206**	**8 217**
Total development loans	**105 854 034**	**95 876 051**
Rest of Africa		
Angola	6 718 365	6 049 302
Congo	477 351	1 094 519
Cote d'Ivoire	4 467 184	3 536 724
Democratic Republic of Congo	193 232	186 150
Eswatini	28 523	-
Ethiopia	718 367	589 576
Gabon	(11 448)	-
Ghana	5 025 915	3 995 646
Kenya	130 925	189 471
Lesotho	117 531	226 294
Madagascar	408 738	316 501
Mauritius	-	12 813
Mozambique	979 402	711 568
Nigeria	895 184	-
Senegal	654 593	6 702
Swaziland	-	35 346
Tanzania	1 006 838	700 471
Uganda	89	-
Zambia	6 738 786	5 803 301
Zimbabwe	2 056 859	2 096 360
Total	**30 606 434**	**25 550 744**
Euro amount included in the Rest of Africa loans	**398 657**	**338 490**
US dollar amounts included in the above Rest of Africa loans	**1 327 667**	**1 357 013**

in thousands of rands	2023	2022
14.5 Client classification of gross development loans		
Long term development loans		
Educational institutions	1 594 002	1 463 181
Local government	33 329 351	32 131 506
National and provincial government	12 381 208	8 972 035
Private sector intermediaries	25 935 412	25 049 097
Public utilities	32 562 855	28 252 015
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Private sector intermediaries	51 206	8 217
Total development loans	**105 854 034**	**95 876 051**
14.6 Fixed and variable interest rate gross development loans		
Long term development loans		
Fixed interest rate loans	41 806 056	41 832 994
Variable interest rate loans	63 996 772	54 034 840
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Variable	51 206	8 217
Total development loans	**105 854 034**	**95 876 051**
14.7 Credit impaired loans (included in total development loans)		
14.7.1 Sectoral analysis of gross credit impaired loans		
Non-performing loans (stage 3)		
Commercial - manufacturing	68 766	74 286
Commercial - mining	-	111 000
Commercial - other	199 675	150 424
Commercial - tourism	89 409	306 776
Communication and transport infrastructure	969 845	719 862
Energy	1 309 531	1 410 838
Human resources development	1 027	255 955
Residential facilities	249 473	249 473
Roads and drainage	67 303	549 814
Sanitation	132 637	142 811
Social infrastructure	253 148	265 594
Water	123 810	200 056
Total non-performing loans	**3 464 624**	**4 436 889**
Purchased or originated credit-impaired loans		
Oil and gas	477 351	1 094 520
Human resources development	-	16 255
Social Infrastructure	59 737	-
Total purchased or originated credit-impaired loans	**537 088**	**1 110 775**
Total credit impaired loans	**4 001 712**	**5 547 664**

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FOR THE YEAR ENDED 31 MARCH 2023

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)
14.7 Credit impaired loans (included in total development loans) (continued)

in thousands of rands	2023	2022
14.7.2 Geographical analysis of gross credit-impaired loans		
Non - performing loans (stage 3)		
Free State	42 633	46 755
Gauteng	351 853	857 659
Limpopo	306 879	313 523
Mpumalanga	241 968	382 504
North West	68 588	138 766
Northern Cape	88 152	102 740
Rest of Africa	2 364 551	2 594 942
Total non- performing loans	**3 464 624**	**4 436 889**
Purchased or originated credit-impaired loans		
North-West	59 737	16 255
Rest of Africa	477 351	1 094 520
Total purchased or originated credit-impaired loans	**537 088**	**1 110 775**
Total credit-impaired loans	**4 001 712**	**5 547 664**
Rest of Africa		
Non-performing loans (stage 3)		
Madagascar	408 738	-
Mauritius	-	12 812
Mozambique	408 658	308 172
Zambia	1 367 867	1 672 706
Zimbabwe	179 288	601 252
Total non-performing loans (stage 3)	**2 364 551**	**2 594 942**
Purchased or originated credit-impaired loans		
Congo	477 351	1 094 520
Total	**2 841 902**	**3 689 462**

in thousands of rands	2023	2022
14.7.3 Client classification on gross credit impaired		
Non-performing loans (stage 3)		
Educational institutions	1 027	1 653
Local government	343 719	443 990
Private sector intermediaries	1 678 472	2 117 838
Public utilities	1 441 406	1 873 408
Total non-performing loans	**3 464 624**	**4 436 889**
Purchased or originated credit impaired loans		
Educational Institutions	-	16 255
Local government	59 737	-
Private sector intermediaries	477 351	1 094 520
Total purchased or originated credit-impaired loans	**537 088**	**1 110 775**
Total credit-impaired loans	**4 001 712**	**5 547 664**
14.8 Client concentration of gross development loans		
One client as percentage of total loan portfolio (%)	14.1	13.7
Top seven clients as percentage of total loan portfolio (%)	51.9	50.9
Top ten clients as percentage of total loan portfolio (%)	60.8	58.9
14.9 Provision for ECLs on development loans reconciliation		
Balance at the beginning of the year	11 698 997	11 364 740
Administrative corrections	(1 253)	(3 206)
Sale of a financial asset	(1 225)	-
ECLs (refer to note 35)	1 106 366	1 027 166
Credit impaired (POCI and stage 3)	(569 558)	(258 745)
Stage 1 and 2	1 675 924	1 285 911
Impairment of current year interest (refer to note 14.1)	858	(147 138)
Loans written off during the year (refer to note 14.1)	(628 798)	(542 565)
Balance at the end of the year	**12 174 945**	**11 698 997**
14.10 Analysis of ECLs (refer to note 14.13)		
Credit impaired loans		
POCI	(350 224)	860 649
Stage 3	(219 334)	(1 119 394)
Stage 1 and 2 loans		
Stage 1	(430 453)	909 624
Stage 2	2 106 377	376 287
Balance at end of the year	**1 106 366**	**1 027 166**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.11 Reconciliation of net carrying amount development loans

The table below shows the reconciliation of the opening balance to the closing balance of the net carrying amount of development loans for 31 March 2023:

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2023					
Long term development loans					
Balance at the beginning of the year	58 367 285	31 952 885	4 436 889	1 110775	95 867 834
Loss on derecognition of financial instrument	(4 596)	-	-	-	(4 596)
Contractual interest on stage 3	-	-	858	-	858
Day one gains/losses on below market rate loans	37 517	11 453	580	-	49 550
Disbursements	12 603 937	30 123	-	-	12 634 060
Effective interest on development loans during the year	4 835 236	4 284 306	297 140	-	9 416 682
Amortisation of below market interest rate loans	(1 539)	(428)	(24)	-	(1 991)
Foreign exchange movements	3 509 206	1 760 516	(31 798)	234 579	5 472 503
Interest at credit-adjusted effective interest rate	-	-	-	111 015	111 015
Loans derecognised due to substantial modification	(196 596)	(1 877 571)	(59 737)	-	(2 133 904)
Modification gain/loss	-	81 692	(9)	-	81 683
New loans recognised after substantial modification	2 074 167	-	-	59 737	2 133 904
Other administrative adjustments	(342)	(89)	(822)	-	(1 253)
Other movements- Fees	237 627	3 828	1 612	-	243 067
Repayments	(9 906 942)	(5 313 510)	(867 188)	(979 018)	(17 066 658)
Transfer from provisions - development expenditure	(37 517)	(11 453)	(580)	-	(49 550)
Transfer from stage 1 to stage 2	(18 494 123)	18 494 123	-	-	-
Transfer from stage 2 to stage 1	3 715 565	(3 715 565)	-	-	-
Transfer from Stage 2 to stage 3	-	(316 501)	316 501	-	-
Proceeds from a sale of a financial asset	(321 578)	-	-	-	(321 578)
Write-offs	-	-	(628 798)	-	(628 798)
Gross carrying amount of long term development loans	**56 417 307**	**45 383 809**	**3 464 624**	**537 088**	**105 802 828**
Bridging finance development loans					
Balance at the beginning of the year	8 217	-	-	-	8 217
Stage 1 to Stage 2	(8 217)	8 217	-	-	-
Fees	429	361	-	-	790
Disbursements	28 092	24 876	-	-	52 968
Modification gain/loss	-	19	-	-	19
Interest	508	1 874	-	-	2 382
Repayments	(1 132)	(12 038)	-	-	(13 170)
Gross carrying amount of bridging finance development loans	**27 897**	**23 309**	**-**	**-**	**51 206**
Total gross carrying amount	**56 445 204**	**45 407 118**	**3 464 624**	**537 088**	**105 854 034**
Less provisions for ECL	(901 948)	(8 356 051)	(2 399 681)	(517 265)	(12 174 945)
Balance at the end of the year	**55 543 256**	**37 051 067**	**1 064 943**	**19 823**	**93 679 089**

The table below shows the reconciliation of the opening balance to the closing balance of the net carrying amount of development loans for 31 March 2022:

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total
31 March 2022					
Long term development loans					
Balance at the beginning of the year	53 730 020	33 081 869	7 270 769	15 530	94 098 188
Contractual interest on stage 3	-	(1 053)	(145 890)	-	(146 943)
Disbursements	11 444 958	1 464 094	2 515	-	12 911 567
Effective interest on development loans during the year	4 789 049	2 981 043	438 201	-	8 208 293
Foreign exchange movements	(295 441)	(239 980)	(36 760)	(160 281)	(732 462)
Interest at credit-adjusted effective interest rate	-	-	-	135 797	135 797
Loans derecognised due to substantial modification	(216 073)	-	(1 661 434)	-	(1 877 507)
Modification gain/loss	(2 385)	158 986	1 092	-	157 693
New loans recognised after substantial modification	538 244	-	-	1 339 263	1 877 507
Other administrative adjustments	(1 228)	(314)	(1 664)	-	(3 206)
Other movements- fees	234 262	15 869	234	-	250 365
Repayments	(10 087 499)	(7 638 951)	(546 637)	(219 534)	(18 492 621)
Transfer from stage 1 to stage 2	(1 806 665)	1 806 665	-	-	-
Transfer from stage 2 to stage 1	40 043	(40 043)	-	-	-
Transfer from other assets	-	-	23 728	-	23 728
Transfer from stage 3 to stage 2	-	364 700	(364 700)	-	-
Write-offs	-	-	(542 565)	-	(542 565)
Gross carrying amount of long term development loans	**58 367 285**	**31 952 885**	**4 436 889**	**1 110 775**	**95 867 834**
Bridging finance development loans					
Disbursements	8 217	-	-	-	8 217
Other movements – fees	268	-	-	-	268
Repayments	(268)	-	-	-	(268)
Gross carrying amount of bridging finance development loans	**8 217**	**-**	**-**	**-**	**8 217**
Total gross carrying amount	**58 375 502**	**31 952 885**	**4 436 889**	**1 110 775**	**95 876 051**
Less provisions for ECL	(1 333 626)	(6 249 674)	(3 248 208)	(867 489)	(11 698 997)
Balance at the end of the year	**57 041 876**	**25 703 211**	**1 188 681**	**243 286**	**84 177 054**

14.12 Maximum exposure to loss

in thousands of rands	2023	2022
The gross carrying amount of development loans receivables and maximum credit exposure to loss is as follows:		
Development loans receivables net of ECLs		
Stage 1 loans	56 445 204	58 375 502
Stage 2 loans	45 407 118	31 952 885
Stage 3 loans	3 464 624	4 436 889
POCI	537 088	1 110 775
Provision for ECLs	(12 174 945)	(11 698 997)
Development loans receivables net of ECLs	**93 679 089**	**84 177 054**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.13 Reconciliation of ECLs of development loans

The table below shows the reconciliation of provision for expected credit losses of development loans for 31 March 2023:

in thousands of rands	Stage 1 – 12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	POCI	Total
Long term development loans					
Balance at the beginning of the year	1 333 626	6 249 674	3 248 208	867 489	11 698 997
Disbursements	242 784	-	-	39 914	282 698
Foreign exchange movements	7 236	559 756	421 038	-	988 030
Sale of a financial asset***	(1 225)	-	-	-	(1 225)
Other administrative adjustments	-	-	(1 253)	-	(1 253)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	(522)	1 729 672	(887 532)	(390 138)	451 480
Suspended interest	-	-	858	-	858
Transfer from stage 1 to stage 2	(761 058)	636 953	-	-	(124 105)
Transfer from stage 2 to stage 3	-	(149 705)	247 160	-	97 455
Transfer from stage 2 to stage 1	81 107	(670 299)	-	-	(589 192)
Write-offs**	-	-	(628 798)	-	(628 798)
Balance at end of the year	**901 948**	**8 356 051**	**2 399 681**	**517 265**	**12 174 945**
ECL allowance recognised to income statement	**(430 453)**	**2 106 377**	**(219 334)**	**(350 224)**	**1 106 366**

** The ECL on development loans has increased marginally year-on-year mainly in response to a marginal deterioration in the credit risk of the development loan portfolio. The slow recovery from the COVID-19 pandemic, together with the effect of the unwinding of pandemic era relief policies, notably rising consumer inflation and interest rates, are key contributors to both domestic and international credit risk elements. In addition, incidents of global conflict, though outside the organisation's mandated investment area, have an adverse impact on the DBSA's borrowers, as these result in disruptions in food supply chains together, upward volatility in key commodity prices, driving up borrowing costs (resulting in liquidity stress) and finally restricting access to capital markets for the DBSA's borrowers. Furthermore, there has been an increased risk in South Africa's municipal portfolio.*

In response to credit risk factors identified at both the macro-economic and client level, the Bank has deemed it appropriate to recognise an additional R2.5 billion (31 March 2022: R3.4 billion) judgemental credit adjustment on the total development loan portfolio. The credit adjustment is based on management's best estimate relating to the anticipated trajectory of the economic recovery at the reporting date. These additional management adjustments have been subjected to the appropriate governance framework.

*** The net carrying amount of development loans written off is R89 million (31 March 2022: R14 million). The total contractual amount outstanding on development loans with write-offs during the period and are still subject to enforcement activity is R111 million (31 March 2022: RNil). The write offs had no material impact on net profit for the Bank because these loans had been fully provided for in terms of ECL allowances. All amounts written off comprised Stage 3 or non-performing development loans were subject to lifetime ECL allowances. The measurement of ECL and net amortised cost, the carrying amounts reflected management's best estimate of the present value of estimated future cash flows discounted by the effective interest rate. Accordingly, the carrying amounts of loans written off had been systematically reduced through the application of ECL impairments recorded in prior financial year ends. As such the write-off values recorded are limited to:*

- *the residual carrying amount, not yet impaired, for accounts fully written off; and*
- *the difference between the recalculated present value of estimated (revised) future cash flows and the existing carrying amount. The total amount of undiscounted expected credit losses at initial recognition of purchased or originated credit-impaired assets at original recognition was R390 million (31 March 2022: R860 million).*

**** During the current year the Bank sold a financial asset for R322 million, the proceeds of the sale are reflected in gross loan repayments.*

The table below shows the reconciliation of provision for expected credit losses of development loans for 31 March 2022:

in thousands of rands	Stage 1 – Lifetime ECL	Stage 3 – Lifetime ECL	Stage 3 – Lifetime ECL	POCI	Total
Long term development loans					
Balance at the beginning of the year	425 229	5 874 755	5 057 721	7 035	11 364 740
Disbursements	119 312	-	-	-	119 312
Foreign exchange movements	(3 035)	(71 231)	(40 861)	-	(115 127)
New loans recognised after substantial modification	-	-	-	860 800	860 800
Other administrative adjustments	(1 227)	(314)	(1 665)	-	(3 206)
Subsequent changes in ECL due to changes in risk parameters (PDs, LGDs, EAD)*	817 328	59 362	(200 457)	(151)	676 082
Substantial modification	-	-	(873 872)	-	(873 872)
Suspended interest	-	(1 053)	(145 890)	(195)	(147 138)
Transfer from stage 1 to stage 2	(24 942)	376 064	-	-	351 122
Transfer from stage 2 to stage 3	961	(689)	-	-	272
Transfer from stage 3 to stage 2	-	12 780	(4 203)	-	8 577
Write-offs	-	-	(542 565)	-	(542 565)
Balance at end of the year	**1 333 626**	**6 249 674**	**3 248 208**	**867 489**	**11 698 997**
ECL allowance recognised to income statement	**909 624**	**376 287**	**(1 119 394)**	**860 649**	**1 027 166**

in thousands of rands	2023	2022
Expected credit losses		
ECL charged to the statement of comprehensive income (refer to note 35)	**1 106 366**	**1 027 166**

14.14 Analysis of current and non-current portion of development loans

	2023	2022
Long term development loans		
Current	14 043 070	11 081 828
Non-current	91 759 758	84 786 006
Total long term development loans	**105 802 828**	**95 867 834**
Bridging finance development loans		
Current	51 206	6 170
Non-current	-	2 047
Total bridging finance development loans	**51 206**	**8 217**
Gross loan book	**105 854 034**	**95 876 051**
Provision for ECLs	(12 174 945)	(11 698 997)
Amortised cost	**93 679 089**	**84 177 054**

14. DEVELOPMENT LOANS AT AMORTISED COST (continued)

14.15 Modification of financial assets measured at amortised cost: Gross loan book

Gross loan book

in thousands of rands	Stage 1 Amortised cost before modification	Stage 1 Net modification gain/ (loss)	Stage 2 Amortised cost before modification	Stage 2 Net modification gain/(loss) recognised	Stage 3 Amortised cost before modification	Stage 3 Net modification gain/(loss)	Total net Modification gain/(loss
31 March 2023							
Development loans	2 895	(9)	7 560 200	81 711	-	-	81 702
31 March 2022							
Development loans	65 728	(2 385)	5 014 878	158 986	253 251	1 092	157 693

During the period under review the Bank provided relief in the form of payment holidays, payment reorganisations and loan restructures to specific clients, upon request. The above table provides information on loans which were modified (non-substantially) while they had loss allowances measured at amounts equal to lifetime expected credit losses and the modification resulting in a modification gain or loss being recognised. Substantial modifications concluded during the period were concluded on a net present value neutral basis with no gains or losses noted.

15. PROPERTY, EQUIPMENT AND RIGHT OF USE OF ASSETS

15.1 Balances as at 31 March 2023 and 31 March 2022

in thousands of rands Asset	2023 Cost / Valuation	2023 Accumulated depreciation	2023 Carrying value	2022 Cost / Valuation	2022 Accumulated depreciation	2022 Carrying value
Land	92 300	-	92 300	92 300	-	92 300
Buildings	343 550	(53 947)	289 603	371 916	(51 195)	320 721
Furniture and fittings	18 567	(15 049)	3 518	17 056	(15 752)	1 304
Motor vehicles	3 152	(1 349)	1 803	3 152	(1 276)	1 876
Office equipment	49 953	(19 730)	30 223	36 694	(16 978)	19 716
Computer equipment	96 753	(85 112)	11 641	92 206	(83 780)	8 426
Leasehold improvements	770	(770)	-	770	(770)	-
Lease equipment	10 503	(4 800)	5 703	3 880	(3 880)	-
Leasehold property	11 237	(4 879)	6 358	3 291	(2 787)	504
Total	**626 785**	**(185 636)**	**441 149**	**621 265**	**(176 418)**	**444 847**

15.2 Reconciliation of property, equipment and right of use of assets as at 31 March 2023

in thousands of rands	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land	92 300	-	-	-	-	92 300
Buildings	320 721	15 571	-	(43 934)	(2 755)	289 603
Computer equipment	8 426	8 312	(57)	-	(5 040)	11 641
Furniture and fittings	1 304	2 490	(28)	-	(248)	3 518
Lease equipment	-	6 992	-	-	(1 289)	5 703
Lease property	504	7 945	-	-	(2 091)	6 358
Motor vehicles	1 876	-	-	-	(73)	1 803
Office equipment	19 716	13 337	(7)	-	(2 823)	30 223
Total	**444 847**	**54 647**	**(92)**	**(43 934)**	**(14 319)**	**441 149**

15.3 Reconciliation of property, equipment and right of use of assets as at 31 March 2022

in thousands of rands	Opening balance	Additions	Disposals	Depreciation	Closing balance
Land	92 300	-	-	-	92 300
Buildings	277 700	47 360	-	(4 339)	320 721
Computer equipment	7 908	8 994	(12)	(8 464)	8 426
Furniture and fittings	1 360	103	-	(159)	1 304
Lease equipment	1 497	-	-	(1 497)	-
Leasehold property	644	537	-	(677)	504
Motor vehicles	2 048	-	-	(172)	1 876
Office equipment	22 228	197	(29)	(2 680)	19 716
Total	**405 685**	**57 191**	**(41)**	**(17 988)**	**444 847**

15.4 Land

Land constitutes Portion 465 (of Portion 442) of the Farm Randjesfontein 405 measuring 24 613 hectares donated by the South African Government in 1985. The land was fair valued by an independent valuator on 31 March 2023 to R92 million. No revaluations were performed in the 2022 financial year.

15.5 Buildings

The existing buildings were erected in 1987 at a cost of R35.2 million. Improvements were carried out to the value of R16 million (31 March 2022: R47 million) on the buildings in the current financial year. The buildings were fair valued by an independent valuator on 31 March 2023 to R282 million. For 2021/22 financial year, the revaluation was not performed by management due to building improvements not yet complete.

The historical carrying value of the existing buildings is R262 million (31 March 2022: R221 million).

15.6 Collateral and restrictions

The Bank has no restrictions on its assets neither have the assets been placed as collateral for its liabilities.

16. INTANGIBLE ASSETS

16.1 Balances as at 31 March 2023 and 31 March 2022

in thousands of rands	2023 Cost	2023 Accumulated amortisation	2023 Carrying value	2022 Cost	2022 Accumulated amortisation	2022 Carrying value
Computer software	232 240	(172 614)	59 626	218 799	(155 376)	63 423

16.2 Reconciliation of intangible assets as at 31 March 2023

in thousands of rands	Opening balance	Additions	Amortisation	Closing balance
Computer software	63 423	13 441	(17 238)	59 626

16.3 Reconciliation of intangible assets as at 31 March 2022

in thousands of rands	Opening balance	Additions	Amortisation	Closing balance
Computer software	81 569	550	(18 696)	63 423

16.4 Restrictions and collateral

The Bank has no restrictions on its intangible assets neither have the assets been placed as collateral for its liabilities.

in thousands of rands	2023	2022

17. TRADE, OTHER PAYABLES AND ACCRUED INTEREST ON DEBT FUNDING

17.1 Analysis of trade, other payables and accrued interest on debt funding

	2023	2022
Financial liabilities at amortised cost		
Accrued interest (financial market liabilities - amortised cost)	670 183	449 582
Current portion of lease liabilities	4 158	387
Trade payables	210 285	237 781
Balance at end of the year	**884 626**	**687 750**
Non-financial liabilities		
Bonus provision	185 922	192 353
Paye, VAT and Compensation Commissioner	18 243	10 640
Balance at end of the year	**204 165**	**202 993**
Trade, other payables and accrued interest on debt funding	**1 088 791**	**890 743**

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.

17.2 Trade payables comprises of:

	2023	2022
Agencies		
Municipal Financial Improvement Programme (NT MFIP)	506	506
Municipal Infrastructure Support Agency (MISA)	201	201
National Rural Youth Service Corporation (NARYSEC)	115	115
Balance at the end of the year	**822**	**822**
Trade payables - other		
Accounts payable	64 896	82 597
Accruals	144 549	154 353
Payroll	18	9
Balance at end of the year	**209 463**	**236 959**
Total trade payables	**210 285**	**237 781**

17.3 Analysis of current and non-current portion of trade, other payables and accrued interest on debt funding

	2023	2022
Current portion	**1 088 791**	**890 743**

17.4 Bonus provision reconciliation

Bonus provision is disclosed under non-financial liabilities and is reconciled below.

in thousands of rands	Opening balance	Utilised during the year	Current year provision	Closing balance
31 March 2023				
Bonus provision	192 353	(192 353)	185 922	185 922
31 March 2022				
Bonus provision	171 025	(154 805)	176 133	192 353

18. PROVISIONS AND LEASE LIABILITIES

18.1 Provisions

Reconciliation of provisions

The tables below show the reconciliation between the opening and closing balances of the Bank's provisions.

in thousands of rands	Opening Balance	Current year provision	Transferred utilised/ reversed during the year	Closing balance
31 March 2023				
Developmental expenditure	57 516	-	(57 516)	-
Provision for ECLs on loan commitments	2 430	34 513	-	36 943
Strategic initiatives - COVID-19	31 721	-	(31 721)	-
Strategic initiatives - Flood Relief	-	128 370	-	128 370
Total	**91 667**	**162 883**	**(89 237)**	**165 313**
31 March 2022				
Developmental expenditure	65 482	-	(7 966)	57 516
Provision for ECLs on loan commitments	126	2 304	-	2 430
Strategic initiatives - COVID-19	48 877	-	(17 156)	31 721
Total	**114 485**	**2 304**	**(25 122)**	**91 667**

Provision for developmental expenditure

In response to meeting mandate requirements, the Bank approved the granting of assistance to municipalities in the Market 2 (secondary cities)/Market 3 (under-resourced municipalities) space by way of providing loans at rates lower than the required economic return on equity by the bank. The provision for developmental expenditure represents the quantum of the financial assistance provided on deals contracted, technical assistance and non-lending support to municipalities.

Provision for ECLs on loan commitments

The provision for development loans and commitments represents the expected credit losses on loan commitments. The expected credit loss is 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. To the extent that the amount of the expected credit losses on loan commitment exceeds the gross 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.

COVID-19 provision

The outbreak of COVID-19 was declared a National Disaster by the South African Government on 15 March 2020. This required every stakeholder to work with Government to combat the spread of the pandemic particularly to the most vulnerable communities. The Bank is one of the key stakeholders expected to assist with the combating of this pandemic. DBSA responded as a key stakeholder.

Flood relief provision

Following the floods in KwaZulu-Natal and Eastern Cape in April 2022, these areas were declared disaster areas by the South African Government. The flood relief provision is to be utilised for the extension of humanitarian / non-lending support towards municipalities in the Eastern Cape and KwaZulu-Natal areas.

18. PROVISIONS AND LEASE LIABILITIES (continued)

18.2 Lease liabilities

The tables below show the reconciliation between the opening and closing balances of the Bank's lease liabilities

in thousands of rands	Opening balance	Additions	Change in estimate	Interest accrued	Repayments	Current portion	Total
31 March 2023							
Leases	515	14 603	-	676	(3 091)	(4 158)	8 545
31 March 2022							
Leases	2 917	187	350	147	(3 086)	(387)	128

There are no other potential future cashflows to which the Bank is exposed to other than those that are reflected in the lease liabilities.

18.3 Total of provisions and lease liabilities

in thousands of rands	2023	2022
Provisions	165 313	91 667
Lease liabilities	8 545	128
Total provisions and lease liabilities	**173 858**	**91 795**

19. LIABILITY FOR FUNERAL AND POST-EMPLOYMENT MEDICAL BENEFITS

19.1 Liability for funeral benefits

19.1.1 Funeral benefit

This benefit covers all current and retired employees of the Bank. In respect of these employees, a gross amount of R20 000 (31 March 2022: R 20 000) is paid to the family upon the death of an employee or retired employee. The obligation was valued by Alexander Forbes on 31 March 2023.

19.1.2 Movements in liability for funeral benefit

The amount recognised in the statement of financial position in respect of the Bank's liability for funeral benefits is detailed below

	2023	2022
Balance at beginning of the year	2 651	2 185
(Decrease)/increase in liability	(5)	466
Balance at the end of the year	**2 646**	**2 651**

Gain in change in economic assumptions of R0.073 million (31 March 2022: Gain of R0.134 million), gain in demographic assumptions and data corrections of R0.211 million (31 March 2022: Gain of R0.107 million) and loss in change in pensioner data of RNil (31 March 2022: Loss of R0.704 million).

19.2 Liability for post-employment medical benefits

19.2.1 Unfunded defined benefit plan

The Bank operates an unfunded defined benefit plan for qualifying employees. In terms of the plan, the Bank pays 100% of the medical aid contributions of qualifying pensioners and one active member from its current bank account monthly.

Pensioners include retired employees and their dependants. The liability is in respect of pensioners who continue to belong to the medical aid after retirement and one active member currently employed by the Bank.

in thousands of rands	2023	2022

19.2.2 Present value obligation

The amount recognised in the statement of financial position in respect of the Bank's post-employment medical benefit is detailed below.

	2023	2022
Balance at the beginning of the year	45 878	45 445
Interest cost	4 666	4 582
Current service cost (includes interest to year-end)	69	64
Benefits paid	(4 361)	(4 219)
Actuarial (gain)/loss for the year	(4 131)	6
Balance at the end of the year	**42 121**	**45 878**

Loss for the year were due to changes in experience adjustments of R0.324 million (31 March 2022: Loss of R1.249 million) and gain in financial assumptions of R4.455 million (31 March 2022:Gain of R1.150 million) and a gain in changes in methodology of RNil million (31 March 2022: Gain R0.093 million).

The duration of the liability as at 31 March 2023 is eight years (31 March 2022: nine years). The forecasted expected contributions to the plan for the next reporting period 31 March 2023 is R4.5 million(31 March 2022: R4.4 million).

IFRS 9: Amendments: Interest Rate Benchmark Reform does not affect the rates used to discount the post-employment benefit obligations. According to IAS19, the rate used to discount post-employment benefit obligations should be determined with reference to market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. South Africa does not have a deep market in high quality corporate bonds and as such the recommended assumptions have been set with reference to the Nominal Bond Curve, as compiled by the Johannesburg Stock Exchange of South Africa. This is a risk free rate.

19.2.3 Total funeral and post-retirement medical benefits

	2023	2022
Liability for funeral benefits	2 646	2 651
Liability for post-employment medical benefits	42 121	45 878
Balance at the end of the year	**44 767**	**48 529**

19.2.4 Analysis of current and non-current portion of funeral and post-employment medical benefits liabilities

	2023	2022
Current portion	4 651	4 490
Non-current portion	40 116	44 039
Balance at the end of the year	**44 767**	**48 529**

19.2.5 The amount recognised as an expense in the statement of comprehensive income in respect of the defined benefit plan

	2023	2022
Personnel expenses		
Interest cost	4 666	4 582
Current service cost	69	64
Total charge for the year (included in personnel expenses in the statement of comprehensive income - refer note 36)	**4 735**	**4 646**
Gain and losses		
Actuarial (gain)/ loss for the year	**(4 131)**	**6**

19. LIABILITY FOR FUNERAL AND POST-EMPLOYMENT MEDICAL BENEFITS (continued)
19.2 Liability for post-employment medical benefits (continued)

19.2.6 Principal assumption in determining the post-employment medical benefit

in thousands of rands	2023	2022
The principal assumptions in determining the post-employment medical benefits obligation are as follows:		
Discount rate (before taxation(%))	11.5	10.7
Medical aid inflation rate (%)	7.5	8.0

19.2.7 Sensitivity analysis

The valuation results set out above are based on a number of assumptions. The value of the liability could be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

in thousands of rands	Central assumption	% point decrease	% point increase
Sensitivity results from current valuations			
Medical aid inflation rate (%)	**7.5**	**(1)**	**1**
Accrued liability 31 March 2023 (R'000)	42 121	39 195	45 477
% change	-	(6.9)	8.0
Current service cost + interest cost 2023/24 (R'000)	4 636	4 292	5 030
% change	-	(7.4)	8.5
Sensitivity results from previous valuation			
Medical aid inflation rate (%)	**8.0**	**(1)**	**1**
Current service cost + interest cost 2022/23 (R'000)	4 735	4 353	5 178
% change	-	(8.1)	9.4

19.2.8 The obligation for the three years prior to 31 March 2022 is as follows:

in thousands of rands	2022
31 March 2021	45 445
31 March 2020	40 644
31 March 2019	42 416

19.3 Defined contribution plan

in thousands of rands	2023	2022
The total amount expensed during the period (including group life assurance and income continuity benefits)	**83 369**	**80 435**

The Development Bank of Southern Africa Provident Fund (The Fund) was established on 1 June 1994. As a condition of employment, all eligible employees are required to join as members. The Fund, which is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956), is a defined contribution plan for the employees of the Bank. The number of employees covered by the plan for March 2023 was 589 (31 March 2022: 604).

in thousands of rands	2023	2022

20. DEBT FUNDING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Debt securities	-	**688**

20.1 Analyses of debt funding designated at FVTPL

Balance at beginning of the year	688	1 513 997
Discounts and premiums	3	1 394
Fair value adjustments	7	(1 635)
Interest repayment	(33)	(89 733)
Capital repaid	(665)	(1 423 335)
Balance at end of the year	-	**688**

20.2 Analysis of current portion of debt funding designated at FVTPL

Current portion	-	**688**

Debt securities designated at fair value through profit or loss consists of listed DV bonds. These instruments form part of a group of financial assets and liabilities that are managed and its performance evaluated on a fair value basis. These instruments were irrevocably designated at fair value through profit or loss at initial recognition because in doing so the Bank is significantly reducing a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The valuation of debt securities held at fair value through profit or loss incorporates own credit risk adjustment of RNil thousand (31 March 2022: R13 thousand). The change in fair value attributable to changes in credit risk on debt securities in issue is calculated using the credit spread observed for recent issuances of similar debt, adjusted for subsequent changes in the credit spread observed on NCDs.

The carrying amount of the debt securities in issue at 31 March 2023 designated at FVTPL amounted to Rnil as the financial instrument matured during the financial year under review.

21. DEBT FUNDING HELD AT AMORTISED COST

21.1 Analysis of debt funding held at amortised cost

Debt securities	31 241 067	35 260 480
Lines of credit	27 228 313	20 274 874
Balance per statement of financial position	**58 469 380**	**55 535 354**
Accrued interest (refer to note 17)	670 183	449 582
Balance at end of the year including accrued interest	**59 139 563**	**55 984 936**

21. DEBT FUNDING HELD AT AMORTISED COST (continued)

in thousands of rands	2023	2022
21.2 Reconciliation of debt funding held at amortised cost		
Balance at beginning of the year	55 535 353	56 982 792
Capital raised	10 855 540	8 371 185
Capital repaid	(13 079 836)	(9 579 240)
Amortisation of discounts , premiums & transaction costs	460 626	392 415
Foreign exchange adjustments on lines of credit	4 697 697	(631 798)
Accrued interest (refer to note 17)	670 183	449 582
Balance at end of the year	**59 139 563**	**55 984 936**
EUR amount included in debt funding held at amortised cost	**367 928**	**341 995**
USD dollar amount included in debt funding held at amortised cost	**1 064 713**	**1 147 071**

21.3 Analysis of current and non-current portion of debt funding held at amortised cost

Current portion	11 342 404	15 087 550
Non-current portion	47 126 976	40 447 804
Balance at end of the year	**58 469 380**	**55 535 354**

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 31 March 2023 R17 billion (31 March 2022: R24 billion).

The Financial Sector Conduct Authority published on 31 July 2020 the approval of the amendments to the JSE Debt Listings Requirements (the "Debt Requirements") in the Government Gazette through Board Notice 89 of 2020 No. 43571, with an initial effective date of 31 August 2020 but later changed to 30 September 2020. The amendments are aimed at ensuring a fair, efficient and transparent debt capital market in South Africa. In terms of the new JSE Debt Listings Requirements, the Bank appointed Mr. E. Dietrich as the Debt Officer. The mandatory requirements of the JSE Debt Listings Requirements have been disclosed in the integrated report.

Debt securities carried at amortised cost consists of Eurorand bond issues, Money Market issuances, bridging bonds medium and long term fixed rate and floating rate bonds.

The Bank did not have any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 March 2023 and 31 March 2022.

The total carrying amount of funding Debt securities held at amortised cost inclusive of accrued interest amount of R391 million is R31.63 billion.

The total carrying amount of funding lines of credit held at amortised cost inclusive of accrued interest amount of R279 million is R27.51 billion.

in thousands of rands	2023	2022
21.4 JSE DMTN Programme reconciliation		
The table below shows the reconciliation for the JSE DMTN Programme		
JSE DMTN programme amount	80 000 000	80 000 000
Bonds in issue	(17 293 000)	(23 827 461)
Bond amount available for issuance	**62 707 000**	**56 172 539**

R80 billion Domestic Medium Term Note Programme is currently registered with the JSE Limited, and Bonds in issue as at 31 March 2023 R17 billion (31 March 2022: R24 billion).

21.5 Floating rate notes – nominal values

Floating rate notes - Medium term notes	**14 110 000**	**12 914 000**

The Bank also issued several floating medium term notes under instrument codes DVF. These are floating rate notes instruments with a maturity of two to ten years held at amortised cost.

21.6 Debt funding at amortised costs - repurchase agreements

Balance at the beginning of the year	-	868 042
Capital raised	-	1 380 109
Capital repaid	-	(2 248 151)
Balance at the end of the year	**-**	**-**

22. DEFERRED INCOME

Balance at beginning of the year	515 667	503 086
Current movements	28 168	15 028
Interest income and recoveries on loans	1 532	1 522
Deferred income recognised during the year	(2 548)	(3 969)
Balance at end of the year	**542 819**	**515 667**

23. SHARE CAPITAL

Authorised

2 020 000 ordinary shares (31 March 2022: 2 020 000) at a par value of R10 000 each	**20 200 000**	**20 200 000**

The Board may, with the approval of the shareholder previously given at a shareholder's meeting, increase the issued share capital of the Bank by the creation and issue of ordinary and preference shares.

The DBSA Act was amended in 2014 to increase the authorised share capital to R20.2 billion, divided into 2 020 000 ordinary shares. In terms of section 13 (2A) of the amended act, the Minister of Finance may, after consultation with the board and notice in the *Government gazette*, adjust the amount of the authorised share capital of the Bank and number of ordinary shares.

Issued capital

20 000 ordinary shares (31 March 2022: 20 000) at a par value of R10 000 each	**200 000**	**200 000**

All issued capital is fully paid for.

in thousands of rands	2023	2022

24. PERMANENT GOVERNMENT FUNDING

Balance at the beginning of the year	**11 692 344**	**11 692 344**

This represents capital provided by the South African government and remains part of the permanent capital of the Bank. There are no repayment terms and this funding is interest-free. The total amount received equates to equity.

25. OTHER RESERVES

25.1 Revaluation reserve on land and buildings

Balance at the beginning of the year	182 434	182 434
Loss on revaluation of land and buildings (refer to note 15)	(43 934)	-
Balance at end of the year	**138 500**	**182 434**

This reserve represents the fair value adjustments recognised on the revaluation of the land and buildings. There is no restrictions on the distribution of the balance of the reserve to the shareholder.

25.2 Cash flow hedge reserve

Balance at the beginning of the year	99 353	129 046
Foreign exchange rate risk	**(167 157)**	**(29 693)**
Unrealised gain/(loss) on cash flow hedges	106 953	(59 239)
(Gain)/loss reclassified to profit or loss	(274 110)	29 546
Interest rate risk	**(282 282)**	**-**
Unrealised loss on cash flow hedges	(274 633)	-
Gain reclassified to profit or loss	(7 649)	-
Balance at the end of the year	**(350 086)**	**99 353**

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments designated as cash flow hedges. The cumulative gains and losses arising on changes in fair value of the hedging instruments will be reclassified to profit or loss when the hedged transaction affects the profit or loss or when it is determined that a hedged forecast transaction is no longer expected to occur.

25.3 Own credit risk reserve

Balance at the beginning of the year	13	34 437
Movements due to own credit risk on financial liabilities designated at FVTPL	(13)	(34 424)
Balance at end of the year	**-**	**13**

The own credit risk reserve shows the change in fair value attributable to changes in credit risk on debt securities in issue. It is calculated using the credit spread observed for recent issuances of similar debt, adjusted for subsequent changes in the credit spread observed on NCDs.

in thousands of rands	2023	2022

25.4 Total of other reserves

Revaluation reserve on land and buildings	138 500	182 434
Cash flow hedge reserve	(350 086)	99 353
Own credit risk reserve	-	13
Total other reserves	**(211 586)**	**281 800**

Total other reserves on land and buildings, cash flow hedge reserve and own credit risk reserve have been combined and presented as other reserves in the statement of financial position.

26. RESERVE FOR GENERAL LOAN RISK

Balance at the beginning of the year	1 855 171	2 545 939
Transfer to/(from) general loan reserve	937 212	(690 768)
Balance at the end of the year	**2 792 383**	**1 855 171**

The reserve is maintained for capital management purposes and is based on the risk grading of the borrowers and movements are recognised directly between the reserve for general loan risk and retained earnings. The general loan reserve is a non distributable reserve representing a transfer from/(to) retained earnings. The reserve is separate from ECL reserves calculated in terms of IFRS 9.

27. INTEREST INCOME

Interest income calculated using the effective interest rate		
Cash and cash equivalents	592 320	295 113
Development bonds (refer to note 13.2)	216 215	122 054
Effective interest income on development loans (refer to note 14.1.1)*	9 613 800	8 414 801
Total interest income calculated using the effective interest rate	**10 422 335**	**8 831 968**
Other interest income		
Interest received on financial assets held at FVTPL		
Derivatives hedging assets	12 060	14 489
Development loans at FVTPL (refer to note 10.1.1)	29 367	16 781
Equity investments- interest received from mezzanine instruments	175 678	71 276
Investment securities	41 007	43 791
Total other interest income	**258 112**	**146 337**
Total interest income	**10 680 447**	**8 978 305**

** During the year, the Bank revised its' estimates of cash flows on a group of financial instruments. The amortised cost adjustment of R643 million was recognised against the effective interest income on development loans. Due to the current economic and interest rate environment, the impact on the future periods cannot be determined.*

27.1 Interest income on development loans per staging

Stage 1 loans	4 919 465	4 859 360
Stage 2 loans	4 286 180	2 981 043
Stage 3 loans	297 140	438 405
POCI	111 015	135 993
Total interest income at effective interest rate	**9 613 800**	**8 414 801**

27. INTEREST INCOME (continued)

in thousands of rands	2023	2022
27.2 Effective interest income on development loans per client classification		
Development finance institutions	-	736
Educational institutions	140 297	100 315
Local government	3 310 306	3 097 100
National and provincial government	831 837	522 895
Private sector intermediaries	2 555 960	2 211 337
Public utilities	2 775 400	2 482 418
Total interest income on effective interest rate	**9 613 800**	**8 414 801**

28. INTEREST EXPENSE

	2023	2022
Interest expense calculated using the effective interest rate		
Bank and other payables	22 418	1 915
Debt funding held at amortised cost	4 136 657	3 083 197
Total interest expense calculated using the effective interest rate	**4 159 075**	**3 085 112**
Other interest expense		
Interest expense on financial liabilities held at FVTPL		
Derivatives hedging liabilities	3 147	(11 486)
Debt funding at FVTPL	48	111 910
Total other interest expense	**3 195**	**100 424**
Total interest expense	**4 162 270**	**3 185 536**
Net interest income (Note 27 less Note 28)	**6 518 177**	**5 792 769**

29. NET FEE INCOME

29.1 Analysis of net fee income

	2023	2022
Gross fee income		
Lending fees	115 527	163 749
Management fees	275 013	166 058
Non lending fees	182	888
Total fee income	**390 722**	**330 695**
Gross fee expense		
Fees on funding	25 638	15 320
Guarantee fees	28 926	34 466
Other fees	1 467	1 115
Total fee expense	**56 031**	**50 901**
Net fee income	**334 691**	**279 794**

in thousands of rands	2023	2022
29.2 Disaggregation of gross fee income		
Lending fees		
Rest of Africa	71 062	122 462
RSA Economic and Social	44 160	41 271
RSA Municipalities	305	16
Total lending fees	**115 527**	**163 749**
Management fees		
Infrastructure Delivery Division	244 078	148 806
Other divisions	29 376	15 562
Rest of Africa	232	207
RSA Economic and Social	1 254	1 483
RSA Municipalities	73	-
Total management fees	**275 013**	**166 058**
Non lending fees		
Infrastructure Delivery Division	-	816
Other divisions	182	72
Total non-lending fees	**182**	**888**

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 service obligation is discharged.

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.

29.3 Fee receivables

As at 31 March 2023 the Bank had R145 million (31 March 2022: R66 million) in fee receivable assets relating to management fees and lending fees. As at 31 March 2023 the Bank had no trade payables as a result of contracts with customers.

	2023	2022
Reconciliation of fee receivables		
Balance at the beginning of the year	65 854	59 588
Raised and not paid during the year	133 690	57 535
Repayments during the year	(55 005)	(51 269)
Balance at the end of the year	**144 539**	**65 854**

Impairment on fee receivables and contract assets

During financial year 2023, 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.

29. NET FEE INCOME (continued)

Remaining performance obligations

As at 31 March 2023 , 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 year.

29.4 Management fees comprises:

in thousands of rands	2023	2022
African World Heritage Fund (AWHF)	1 426	1 426
Climate Finance Facility Trust	1 460	1 449
District Development Model	2 006	-
Eastern Cape Department of Education	5 616	2 295
Ekurhuleni Metropolitan Municipality	-	134
Free State Department of Education	25 343	9 330
Gauteng Department of Agriculture	768	1 311
Gauteng Department of Education	1 559	-
Gauteng Department of Health	975	-
Gauteng Growth and Development	11 236	-
Green Climate Fund	-	596
Infrastructure Delivery Management System (IDMS)	2 059	1 091
KFW SADC Water Fund	1 084	216
KwaZulu Natal Department of Education	26 775	13 826
Limpopo Department of Economic Development	2 971	552
Limpopo Department of Education	19 073	175
Limpopo Department of Health	-	1 104
Limpopo Department of Public Works	2 524	2 288
Mpumalanga Department of Education	1 785	-
National Department of Basic Education for Accelerated Infrastructure Schools Programme	57 818	47 129
National Department of Correctional Services	1 933	795
National Department of Defence	798	938
National Department of Energy - Independent Power Producer Office	6 261	4 018
National Department of Health	34 850	18 341
National Department of Public Works	15 733	30 761
National Department of Sports Arts and Culture	-	770
National Department of Trade and Industry	1 139	3 954
National Department of Tourism	7 146	-
National Treasury Cities Support Programme (NTCSP)	1 438	1 421
National Treasury Project Preparation Fund	3 000	-
National Water Partnership Program	2 429	-
North West Department of Education	6 395	12 677
North West Department of Public Works	6 891	1 077
Other entities	11 480	3 594
SADC PPDF KWF Phase 2	-	1 889
Student Housing Infrastructure Programme (SHIPMO)	4 000	2 901
South African Road Agency	7 042	-
Total management fees	**275 013**	**166 058**

30. NET FOREIGN EXCHANGE GAIN

in thousands of rands	2023	2022
Unrealised – financial assets/liabilities at amortised cost		
Cash and cash equivalents: gain/(loss)	300 091	(100 704)
Development loans: gain/(loss)	4 497 735	(704 457)
Funding lines of credit: (loss)/gain	(4 019 333)	152 235
Unrealised – financial assets/liabilities at FVTPL		
Equity investments: gain/(loss) (refer to note 11.1)	492 095	(121 063)
Hedging derivatives - funding: loss	(643 239)	(230 954)
Hedging derivatives development loans: gain	12 363	41 193
Total unrealised foreign exchange gain/(loss)	**639 712**	**(963 750)**
Realised- financial assets/liabilities at amortised cost		
Development loans: gain	953 116	172 330
Realised – financial assets/liabilities at FVTPL		
Equity investments: gain (refer to note 11.1)	87 228	64 626
Funding and hedging: (loss)/gain	(765 905)	491 626
Hedging derivatives: (loss)/gain	(53 946)	391 298
Total realised foreign exchange gain	**220 493**	**1 119 880**
Net foreign exchange gain	**860 205**	**156 130**

in thousands of rands	2023	2022
31. NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES		
Net gain/(loss) on derivatives held for risk management at FVTPL other than held for trading		
Interest rate derivatives*		
Realised	(11 698)	(13 879)
Unrealised	111 546	74 604
Net gain from interest rate derivatives	**99 848**	**60 725**
Foreign exchange derivatives*		
Realised	62 138	4 605
Unrealised	(11 260)	(54 703)
Net gain/(loss) from foreign exchange derivatives	**50 878**	**(50 098)**
Investment securities at FVTPL – unrealised		
Investment in segregated funds	754	(595)
Municipal bonds	(6 246)	(8 078)
State owned entities bonds	(1 569)	(2 699)
Net loss from investment securities at FVTPL	**(7 061)**	**(11 372)**
Debt securities		
At amortised cost - realised	(6 225)	(1 726)
Designated at FVTPL – realised	(4)	(51 713)
Designated at FVTPL – unrealised	33	112 817
Net (loss)/gain from debt securities	**(6 196)**	**59 378**
Equity investments		
Held at FVTPL - unrealised (refer to note 11.1)	**(31 887)**	**(46 349)**
Development loans		
Held at FVTPL (refer to note 10.1.2)	**(16 219)**	**(13 507)**
Other financial asset		
Held at FVTPL – unrealised	**(2 618)**	**617**
Net gain/(loss) from financial assets and liabilities	**86 745**	**(606)**

** Included in the net gain/(loss) on derivatives held for risk management at fair value through profit or loss is a CVA adjustment gain of R21 million (31 March 2022: gain of R69 million) and a DVA adjustment of R77 million (31 March 2022: RNil).*

31.1 Unrealised losses from fair value level 3 positions

The total unrealised losses for the year related to level 3 positions held at year end are set in the table below

in thousands of rands	2023	2022
Equity investments at FVTPL (refer to note 12.3.1)	(4 204)	(137 933)
Development loans at FVTPL (refer to note 12.3.2)	(16 219)	(13 507)
Total unrealised losses for the year related to fair value level 3 positions held at year end	**(20 423)**	**(151 440)**

in thousands of rands	2023	2022
32. INVESTMENT AND OTHER INCOME		
Investment income		
Dividend income	24 756	11 324
Realised gain on equity investments (refer to note 11.1)	36 580	3 143
Non-investment income		
Loss on disposal of property and equipment	(80)	(40)
Sundry income*	36 608	42 096
Total	**97 864**	**56 523**

** Sundry income comprises mostly bad debt recovered and recoveries.*

	2023	2022
33. PROJECT PREPARATION EXPENDITURE		
Expenditure incurred on the planning, project definition, pre-feasibility, feasibility and structuring phase of projects	**14 306**	**48 466**
34. DEVELOPMENT EXPENDITURE		
In support of secondary and under-resourced municipalities	68 824	71 687
Strategic initiatives*	205 499	-
Total	**274 323**	**71 687**

** In the current year, strategic initiatives are presented and disclosed as part of development expenditure. In the prior year, strategic initiatives were presented as general and administration expenses. This change in presentation has no impact on earnings, cash flows and statement of financial position.*

	2023	2022
35. IMPAIRMENT LOSSES		
Development bonds (refer to note 13.3)	(8 370)	127 526
Development loans (refer to note 14.9)	1 106 366	1 027 166
Loan commitments (refer to note 46)	34 513	2 304
Modification loss on financial assets	(81 702)	(157 693)
Trade receivables and other assets (refer to note 6)	3 271	5 635
Total charge to profit or loss	**1 054 078**	**1 004 938**
36. PERSONNEL EXPENSES		
Post-retirement medical benefits liability movement (refer note 19.2.5)	4 735	4 646
Personnel expenses	909 673	863 352
Total	**914 408**	**867 998**

Included in other personnel expenses are the following:

	2023	2022
Chief Executive Officer and Chief Financial Officer remuneration (refer to note 42.1)	29 896	17 357
Executive members' remuneration (refer to note 42.1)	46 397	49 054
Total executive remuneration	**76 293**	**66 411**

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37. OTHER OPERATING EXPENSES*

in thousands of rands	2023	2022
Auditor's remuneration	16 121	15 395
Communication costs	9 209	12 234
Consulting fees	54 444	75 855
Information technology costs	61 444	51 957
Legal expenses	27 958	22 018
Low value assets	6 785	413
Non-executive directors' fees paid (refer to note 42.2)	9 022	8 780
Other expenses**	93 137	83 475
Public relations activities	25 623	15 052
Strategic transformation initiatives***	-	90 165
Subsistence and travel	62 556	26 924
Total	**366 299**	**402 268**

** In the previous year other operating expenses was named general and administrative expenses.*
*** Other expenses include business development, repairs and maintenance and training.*
**** In the current year, strategic initiatives are presented and disclosed as part of development expenditure. In the prior year, strategic initiatives were presented as general and administration expenses. This change in presentation has no impact on earnings, cash flows and statement of financial position.*

38. DEPRECIATION AND AMORTISATION (REFER NOTE 15 AND 16)

in thousands of rands	2023	2022
Buildings	2 755	4 339
Computer equipment	5 040	8 464
Furniture and fittings	248	159
Intangible assets	17 238	18 696
Lease equipment	1 289	1 497
Lease property	2 091	677
Motor vehicles	73	172
Office equipment	2 823	2 680
Total	**31 557**	**36 684**

39. GRANTS PAID

in thousands of rands	2023	2022
Bright Kid Foundation	-	365
Early Childhood Development	28 008	800
Education Grant	46	25
Emfuleni School Sanitation	419	6 006
KZN Social Cohesion Programmes	2 869	-
Learners Transport	-	1 802
Non-profit organisation COVID relief	100	6 375
Plastic Recycling Drive	42	-
Poultry Project	821	5 290
Public Sector Audit Committee Forum Contribution	-	96
Schools Capacity Support	-	500
Symphonia for South Africa	-	533
Umhlanjana River Pedestrian Bridge	415	5 620
Total	**32 720**	**27 412**

These are discretionary grants and recognised as an expense when paid.

40. NET PROFIT ADJUSTED FOR NON-CASH ITEMS AND ITEMS SEPARATELY DISCLOSED

in thousands of rands	2023	2022
Net profit for the year	5 209 991	3 825 157
Dividends received (refer to note 32)	(24 756)	(11 324)
Management fees - segregated funds	108	102
Depreciation and amortisation (refer to note 38)	31 557	36 684
Loss on disposal of property and equipment (refer to note 32)	80	40
Realised loss on sale of financial asset	3 371	-
Grants, development expenditure and project preparation expenditure paid	321 349	147 565
Net movements from financial assets and liabilities	(79 143)	380 009
Fees received	233 996	241 055
Fees accrued	(115 527)	(173 839)
Debt guarantee fee raised	27 767	33 320
Net foreign exchange gain (refer to note 30)	(860 205)	(156 130)
Capital gain on equity investments (refer to note 32)	(36 580)	(3 143)
Impairment losses (refer to note 35)	1 054 078	1 004 938
Change in liability for funeral benefits and post retirement medical benefit	(3 762)	899
Net interest income (refer to note 28)	(6 518 177)	(5 792 769)
Movements in provisions and lease liabilities	(69 422)	(91 929)
(Increase)/decrease in trade receivables and other assets	(6 845)	8 277
(Decrease)/increase in trade, other payables and accrued interest on debt funding	(73 290)	100 610
Net profit adjusted for non-cash items and items separately disclosed	**(905 410)**	**(450 478)**

41. RECONCILIATION OF FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES

in thousands of rands	2023	2022
Balance at the beginning of the year	55 985 624	59 751 279
Fair value movements	7	(1 635)
Financial market liabilities repaid	(13 080 501)	(13 250 726)
Financial market liabilities raised	10 855 540	9 751 294
Foreign exchange rate movement	4 726 773	(635 565)
Interest accrual	3 655 913	2 660 691
Interest repayment	(3 464 422)	(2 683 523)
Premiums, discounts and transaction costs	460 629	393 809
Balance at the end of the year	**59 139 563**	**55 985 624**

Included in opening and comparative closing balance is debt securities held at FVTPL of R0.668 million and debt funding at amortised costs of R55.98 billion.

42. SCHEDULE OF DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

42.1 Executive members' remuneration and prescribed officers

	Basic salaries and fees	Medical aid, group life and provident fund contributions	Sub-sistence and travel	Cellphone allowance	Performance bonus and recognition award [1]	Retention bonus	2023	2022
Executive directors								
Mr P K Dlamini [1]	7 707 953	1 300 231	207 491	-	10 718 476	3 673 616	23 607 767	12 009 852
Ms B Mosako [2]	3 288 220	532 534	57 276	26 400	914 524	1 469 770	6 288 724	5 347 200
Executive managers								
Mr P A Currie	-	-	-	-	-	-	-	7 740 104
Mr E Dietrich	2 926 825	725 674	48 688	66 000	855 337	1 486 106	6 108 630	5 511 811
Mr M Hillary	2 718 824	550 815	3 355	26 400	880 287	1 414 748	5 594 429	5 163 132
Mr M Kubelo	2 911 888	342 849	109 859	26 400	762 189	1 324 267	5 477 452	4 891 161
Ms N P Mbele [3]	2 773 371	547 479	30 223	26 400	828 655	1 401 860	5 607 988	5 087 738
Ms M S Motsepe	2 543 622	789 469	-	26 400	843 825	1 356 148	5 559 464	4 921 374
Mr C Ramphele	2 867 646	269 396	130 159	26 400	762 189	1 324 267	5 380 057	4 806 738
Ms C Koffman	2 747 208	344 192	131 309	33 000	791 700	1 305 000	5 352 409	4 261 843
Mr M Vivekanandan	3 563 692	827 230	98 612	39 600	1 000 459	1 786 552	7 316 145	6 670 429
Total	**34 049 249**	**6 229 869**	**816 972**	**297 000**	**18 357 641**	**16 542 334**	**76 293 065**	**66 411 382**

1. *The CEO's contract came to an end on 31 March 2023. The recognition award was only applicable to the CEO (R8 million).*
2. *Appointed CEO of the Bank effective 1 April 2023 (Previously the CFO of the Bank).*
3. *Appointed Acting CFO of the Bank effective 1 April 2023 for the next six months to 30 September 2023.*

42.2 Remuneration of non-executive Directors and co-opted members of the Board

	Fees for services as Directors	Subsistence and travel	2023	2022
Mr E Godongwana	-	-	-	453 259
Prof M Swilling	1 492 755	-	1 492 755	1 296 407
Ms M Janse Van Rensburg	1 235 408	-	1 235 408	1 109 016
Mr K Brown [2]	110 265	-	110 265	-
Adv M Kganedi [1]	19 596	-	19 596	521 318
Ms D Lerutla [2]	145 456	-	145 456	-
Mr G Magomola	814 099	1 712	815 811	806 652
Mr M Matji	809 518	-	809 518	704 314
Mr B Mudavanhu	835 191	865	836 056	867 579
Ms P Nqeto	1 233 725	2 576	1 236 301	1 203 485
Mr B Nqwababa	979 230	1 687	980 917	806 199
Mr E Rasool [2]	131 502	-	131 502	-
Ms A Sing	1 205 590	3 024	1 208 614	1 012 047
Total	**9 012 335**	**9 864**	**9 022 199**	**8 780 276**

Director's fees include a non-claimable VAT portion. DBSA claims VAT on an apportionment basis according to section 17 of the VAT Act, No. 89 of 1991.

1. *Resigned with effect from 30 April 2022.*
2. *Appointed for a term of 3 years, effective from 30 November 2022 to 29 November 2025.*

43. RISK MANAGEMENT

43.1 Market risk

43.1.1 Overview

Market risk is the risk that the Bank's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Bank is to protect the Bank's net earnings against adverse market movements by containing the innate interest rate and foreign currency risks within acceptable parameters.

Market risk management in the Bank is centralised in the Treasury and is governed by the interest rate, currency and liquidity risk management policies. As with all risk management policies of the Bank, these policies reside under the authority of the Board of Directors. Whilst the ultimate responsibility for prudent and effective asset-liability management rests with the Board, the authority for policy formulation, revision, strategic management and administration is assigned to the Asset and Liability Management Committee (ALCO). ALCO is responsible for assessing and monitoring the Bank's market risk exposures relative to policy parameters and is supported in these functions by the Group Risk Assurance (GRA) division.

43.1.2 Interest rate risk

Interest rate risk refers to the susceptibility of the Bank's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the Bank through their net effect on interest rate sensitive assets and liabilities. At the same time movements in interest rates impact on the Bank's capital through their net effect on the market value of assets and liabilities. Interest rate risk in the Bank arises naturally as a result of its funding and lending operations, and occurs primarily in the form of re-pricing risk caused by mismatches in the amount of assets and liabilities re-pricing at any one time, and to a lesser extent, basis risk, the risk of spread compression between assets and liabilities priced off different reference rates.

43.1.2.1 Management of interest rate risk

The Treasury, under oversight of the Asset and Liability Management Committee (ALCO) and Board Audit and Risk Committee, is charged with managing and containing the Bank's interest rate risk exposures within Board approved limits. To this end, the Bank makes use of derivative instruments to achieve its desired interest rate risk profile.

The Bank's primary interest rate risk management objective is to protect its net interest income (NII) from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the Bank to measure and manage its interest rate risk exposure both over the short, and long term in order to protect the Bank's earnings stream and ensure its continued financial sustainability. Limits are set with respect to both short term NII sensitivity using the 12-month cumulative re-pricing gap to total earning assets ratio, and in the longer term, with respect to the portfolio value analysis.

The management of interest rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Bank's NIII and market value of equity to extreme interest rate movements. At a minimum, scenarios include hypothetical interest rate shocks, both up and down, of at least 100 basis points.

The re-pricing profile as at 31 March 2023 is encapsulated in the table below. As reflected in the 12-month cumulative re-pricing gap, the Bank is asset sensitive, with an immediate 100 basis points upward or downward shift in short term rates expected to result in an increase (decrease) in net interest income over the projected 12-month period of approximately R128.08 million (March 2022: R207.86 million).

43.1.2.2 Hedging interest rate risk

Desired changes to the Bank's interest rate risk profile are achieved through the use of derivative instruments, particularly interest rate swaps, in line with the Bank's hedging guidelines.

As at 31 March 2023 the Bank had a ZAR interest rate swap portfolio with a total notional amount of R15.61 billion (31 March 2022: R180 million). The Bank classifies interest rate swaps as cash flow hedges, economic and fair value hedges and states them at fair value (refer to note 8). The net fair value of cashflow hedges as at 31 March 2023 was R274.7 million (31 March 2022: RNil), comprising of assets of R13.8 million (31 March 2022: RNil) and liabilities of R288.5 million. Net fair value of fair value hedges as at 31 March 2023 RNil (31 March 2022: R13.6 million).

43. RISK MANAGEMENT (continued)

43.1 Market risk (continued)

43.1.1 Overview (continued)

43.1.2.3 Contractual repricing gap

The table below shows the contractual repricing gap for 31 March 2023:

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	EUR	954	-	-	-	-	-	-	-	954
	USD	740	-	-	-	-	-	-	-	740
	ZAR	4 472	-	-	-	-	-	-	-	4 472
Investment securities	ZAR	36	130	-	181	-	-	-	-	347
Development bonds	ZAR	-	42	42	585	83	83	83	1 292	2 210
Development loans	USD	9 514	3 994	6 571	628	359	369	329	613	22 377
	EUR	627	1 898	4 672	-	-	-	-	-	7 197
	ZAR	9 671	27 687	1 387	2 057	1 985	2 438	7 159	20 794	73 178
Derivative held for risk management purposes - interest rate swaps	ZAR	-	75	171	567	567	567	567	8 688	11 202
	EUR	-	115	222	547	547	547	2 166	261	4 405
Derivative held for risk management purposes - foreign exchange contracts	ZAR	1 575	-	-	-	-	-	-	-	1 575
Total financial market assets		**27 589**	**33 941**	**13 065**	**4 565**	**3 541**	**4 004**	**10 304**	**31 648**	**128 657**
Debt funding at amortised cost - funding bonds	ZAR	(3 336)	(10 774)	(2 093)	(2 933)	-	(500)	(5 069)	(590)	(25 295)
	EUR	-	-	-	-	-	-	(3 854)	-	(3 854)
Debt funding at amortised funding lines of credit	EUR	(1 195)	(1 064)	(449)	(122)	(79)	(79)	(79)	(169)	(3 236)
	USD	-	(4 815)	(13 692)	(100)	(103)	(78)	(51)	(91)	(18 930)
	ZAR	(3 860)	(1 240)	(21)	-	-	-	-	-	(5 121)
Debt funding at amortised cost - money market debt	ZAR	-	(600)	(1 500)	-	-	-	-	-	(2 100)
Derivative liabilities held for risk management purposes - interest rate swaps	EUR	-	(115)	(4 290)	-	-	-	-	-	(4 405)
	ZAR	-	(11 200)	-	-	-	-	-	-	(11 200)
Derivative liabilities held for risk management purposes - forward exchange contracts	EUR	(1 542)	-	-	-	-	-	-	-	(1 542)
Total financial market liabilities		**(9 933)**	**(29 808)**	**(22 045)**	**(3 155)**	**(182)**	**(657)**	**(9 053)**	**(850)**	**(75 683)**
Repricing gap		**17 656**	**4 133**	**(8 980)**	**1 410**	**3 359**	**3 347**	**1 251**	**30 798**	**52 974**
Cumulative repricing gap		**17 656**	**21 789**	**12 809**	**14 219**	**17 578**	**20 925**	**22 176**	**52 974**	

The above analysis excludes non-performing assets. Variable interest rate instruments are included in the maturity bucket in which they re-price. Fixed rate instruments, although not subject to re-pricing risk, are included in the maturity bucket in which they matures, due to the assumption that it will be rolled at maturity or that it will convert to cash.

43. RISK MANAGEMENT (continued)
43.1 Market risk (continued)
43.1.1 Overview (continued)

The table below shows the contractual repricing gap for 31 March 2022:

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	EUR	108	-	-	-	-	-	-	-	108
	USD	1 338	-	-	-	-	-	-	-	1 338
	ZAR	6 544	-	-	-	-	-	-	-	6 544
Investment securities	ZAR	33	-	75	130	181	-	-	-	419
Development bonds	ZAR	-	-	-	-	502	-	-	750	1 252
Development loans	USD	4 418	2 606	7 635	302	535	280	272	312	16 360
	EUR	808	991	3 655	-	-	-	-	-	5 454
	ZAR	6 871	24 667	1 431	1 745	1 953	1 894	2 347	27 174	68 082
Derivative assets held for risk management purposes- cross currency swaps	ZAR	360	-	-	-	-	-	-	-	360
	EUR	-	24	95	119	83	48	48	146	563
Derivative assets held for risk management purposes - interest rate swaps	ZAR	-	180	-	-	-	-	-	-	180
	USD	-	484	-	-	-	-	-	-	484
Derivative assets held for risk management purposes - forward exchange contracts	ZAR	1 821	-	-	-	-	-	-	-	1 821
Total financial market assets		**22 301**	**28 952**	**12 891**	**2 296**	**3 254**	**2 222**	**2 667**	**28 382**	**102 965**
Derivative liabilities held for risk management purposes - cross currency swaps	USD	(380)	-	-	-	-	-	-	-	(380)
	ZAR	-	(50)	(56)	(65)	(42)	(18)	(18)	(76)	(325)
Debt funding at amortised cost and FVTPL - funding bonds	ZAR	(2 931)	(9 983)	(7 796)	(2 093)	(3 000)	-	(500)	(5 125)	(31 428)
	EUR	-	-	-	-	-	-	-	(3 232)	(3 232)
Debt funding at amortised cost and FVTPL - funding lines of credit	EUR	-	(1 215)	(448)	(188)	(102)	(67)	(67)	(208)	(2 295)
	USD	(730)	(3 303)	(12 291)	(80)	(82)	(85)	(64)	(116)	(16 751)
	ZAR	-	(1 253)	(38)	-	-	-	-	-	(1 291)
Derivative liabilities held for risk management purposes - interest rate swaps	ZAR	-	-	-	(180)	-	-	-	-	(180)
Debt funding at amortised cost - money market debt	ZAR	(125)	(225)	(250)	-	-	-	-	-	(600)
Derivative liabilities held for risk management purposes - forward exchange contracts	EUR	(485)	(485)	-	-	-	-	-	-	(970)
	USD	(1 314)	-	-	-	-	-	-	-	(1 314)
Total financial market liabilities		**(5 965)**	**(16 514)**	**(20 879)**	**(2 606)**	**(3 226)**	**(170)**	**(649)**	**(8 757)**	**(58 766)**
Repricing gap		**16 336**	**12 438**	**(7 988)**	**(310)**	**28**	**2 052**	**2 018**	**19 625**	**44 199**
Cumulative repricing gap		**16 336**	**28 774**	**20 786**	**20 476**	**20 504**	**22 556**	**24 574**	**44 199**	

The above analysis is based on performing assets only. Variable interest rate instruments are included in the maturity bucket in which they re-price. Fixed rate instruments, although not technically subject to re-pricing risk, are included in the maturity bucket in which it matures, due to the assumption that it will be rolled at maturity or that it will be held as cash.

43. RISK MANAGEMENT (continued)

43.1 Market risk (continued)

43.1.3 Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates.

43.1.3.1 Currency risk

Currency risk in the Bank arises primarily as a result of foreign currency denominated borrowings, foreign currency lending, equity investments, foreign currency net interest income, expenditure and dividends.

The Bank's primary currency risk management objective is to protect its net earnings against the impact of adverse exchange rate movements. Hedging of currency exposures is effected either naturally through offsetting assets and liabilities of substantially similar size, maturities, currency, and re-pricing bases, or to adjust residual risk exposures to within acceptable parameters, through the use of approved derivative instruments transacted with approved financial institutions.

43.1.3.2 Hedging of foreign currency risk exposure

The Bank uses cross currency swaps, currency options and forward exchange contracts (FECs) to hedge its foreign currency risk.

As at 31 March 2023, the Bank had cross-currency swaps with a notional amount of RNil (31 March 2022: R704 million) and forward exchange contracts with nominal R 1.57 billion (31 March 2022 R2.3 billion). and the Bank held foreign exchange option hedges to an aggregate notional amount of R15.15 billion (31 March 2022: R5.9 billion).

The notional amounts indicate the volume of currency hedges outstanding at the balance sheet date and do not represent the amount at risk.

43.1.3.3 Foreign currency sensitivity analysis

Potential impact of rand volatility on profit/loss based on current net open position/currency exposure:

in thousands	2023		2022	
	EUR	USD	EUR	USD
Assets				
Cash and cash equivalents	49 508	41 628	6 654	91 635
Development loans	398 657	1 336 708	338 490	1 364 924
Equity investments	37 005	140 266	33 445	154 518
Total assets	**485 170**	**1 518 602**	**378 589**	**1 611 077**
Liabilities				
Debt funding and lines of credit	(367 928)	(1 064 713)	(341 995)	(1 147 071)
Total liabilities	**(367 928)**	**(1 064 713)**	**(341 995)**	**(1 147 071)**
Net open position before hedging	**117 242**	**453 889**	**36 594**	**464 006**
Cross-currency swaps	-	-	34 808	(26 000)
Currency options	-	(330 165)	-	(292 183)
Foreign exchange contracts	(80 000)	-	(60 000)	(56 886)
Net open position after hedging	**37 242**	**123 724**	**11 402**	**88 937**

The assumption used in the sensitivity analysis has changed to include non-performing loans and arrears given the fact there are collections on this portion of the development loan book. The change has no impact on assets or equity or liabilities or profit and loss.

(d) Foreign currency exchange rate (FX) sensitivity analysis

Sensitivity	%	EUR/ZAR	EUR potential impact	USD/ZAR	USD potential impact	FX Sensitivity combined
	(15)	16.3813	(107 659)	15.1133	(329 972)	(437 631)
	(10)	17.3449	(71 773)	16.0023	(219 981)	(291 754)
	(5)	18.3085	(35 886)	16.8913	(109 991)	(145 877)
	-	19.2721	-	17.7803	-	-
	5	20.2357	35 886	18.6693	109 991	145 877
	10	21.1993	71 773	19.5583	219 981	291 754
	15	22.1629	107 659	20.4473	329 972	437 631
Spot exchange rate used		**19.2721**		**17.7803**		

43.1.4 Equity and development loans at FVTPL

43.1.4.1 Equity investments

(a) Definition of equity investment risk

Equity investment risk refers to the risk of changes in the value (both adverse and favourable) of either listed or unlisted equity investments. The key drivers to the equity risks are included under market risk and these include price risk, interest rate risk and currency risk. Equity investments are an alternative development funding mechanism in addition the key funding product being development loans, and these may include direct investments in shares or investments in third party managed funds.

(b) Approach to management of equity investment risk

The DBSA's approach to the management of equity investment risk is managed in terms of the investment life cycle phase:

(i) Unlisted equity investments

Evaluation of potential investments: All proposed investments are subject to the same DBSA's formal credit and deal screening process and investment decisions are approved by the appropriate governance forum. The investment process follows exactly the same process as the loan process.

Investment holding phase: All investments are subject to performance management and monitoring, both in terms of quantitative and qualitative risk factors. The investment monitoring process followed is the same as the loan process monitoring. The DBSA continuously engages the management of investee entities through both formal and informal channels to keep abreast of material changes in business and operational risk factors and the impact of macro-economic change on operations and underlying investment valuations. The DBSA modus operandi is to negotiate the appointment of suitable qualified delegated staff members to serve as members of key governance forums of investee entities.

Investment valuation: The DBSA values each investment according to the most appropriate valuation methodology, aligned with industry best practice.

Harvest/exit phase: All proposed exits from existing investments are subject to appropriate approvals and evaluation of the actual return against suitable benchmarks.

(ii) Listed equity investments

Listed investment holdings commonly originate by way of capital distributions in the form of dividends in specie by unlisted investee entities. The DBSA monitors the market value of listed investments in order to ensure that market losses are minimized whilst concurrently seeking to identify appropriate exit prices, in the context of the current market trends, applicable minimum return rates and benchmarks.

43. RISK MANAGEMENT (continued)
43.1 Market risk (continued)
43.1.4 Equity and development loans at FVTPL (continued)

(c) Portfolio level sensitivity analysis - change in fair value due to general macro-economic stress

Sensitivity analyses were performed on the entire equity portfolio to determine the possible effect of changes in the entire fair value of the portfolio. In calculating the sensitivities for investments using a top-down approach, the entire fair value adjustment was stressed with a factor ranging from -10% to +10%. The range selected is derived from management's experience of variations in investment values over an extended time period.

The impact of the top-down approach that uses fair value adjustment is disclosed in the table below. From the table below a 10% increase on the fair value adjustment will have a R35 million decrease in the equity values as at 31 March 2023, and a 10% decrease in fair value adjustment results in a R29 million increase in the equity values as at 31 March 2023.

in thousands of rands	10% decrease in fair value	Fair value adjustments	10% increase in fair value
31 March 2023			
Equity instruments listed and unlisted	**28 698**	**31 887**	**35 076**
Unlisted	28 698	31 887	35 076
31 March 2022			
Equity instruments listed and unlisted	**51 907**	**46 349**	**63 442**
Listed	-	(11 325)	-
Unlisted	51 907	57 674	63 442

(d) Sensitivity analysis of equity investments disclosed under level 3

The Bank performed a sensitivity analysis on each investment to determine the potential impact of macro economic stocks, using a bottom-up approach, with the total impact on the portfolio determined and noted in the table below. In the current period the analysis is performed using a top-down approach with the potential variances as disclosed below.

in thousands of rands	Fair value gain	Variance	Valuation	Variance %
31 March 2023				
Actual	53 115	-	2 655 087	-
Stressed - adverse case	5 312	(5 312)	2 649 775	(0.20)
Stressed- positive case	5 312	5 312	2 660 399	0.20
31 March 2022				
Actual	8 909	-	2 659 291	-
Stressed - adverse case	891	(891)	2 658 400	(0.03)
Stressed- positive case	891	891	2 660 182	0.03

(e) Sensitivity analysis - Marketability discounts

Sensitivity analyses are performed on the equity portfolio to determine the possible effect on the reported fair values should a range of input variables change, e.g. currency, liquidity, etc. These assumptions were built into the applicable valuation models. In calculating the sensitivities for investments, the key input variables were changed by a factor ranging from -15% to +15% and prior year (-15% to +15%). The effect of each change on the value of the investment was disclosed below:

in thousands of rands	Base value	15% increase in marketability discount	Fair value-actual	15% decrease in marketability discount
31 March 2023				
Unlisted				
Level 2	2 878 325	2 427 905	2 493 963	2 560 020
Level 3	3 041 891	2 585 085	2 655 087	2 725 090
Total	**5 920 216**	**5 012 990**	**5 149 050**	**5 285 110**
% change in fair value		**(2.64)**		**2.64**

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.64%.

in thousands of rands	Base value	15% increase in marketability discount	Fair value-actual	15% decrease in marketability discount
31 March 2022				
Listed				
Level 1	60 672	60 672	60 672	60 672
Unlisted				
Level 2	2 543 025	2 199 847	2 256 544	2 313 241
Level 3	3 093 657	2 573 296	2 659 291	2 745 288
Total	**5 697 354**	**4 833 815**	**4 976 507**	**5 119 201**
% change in fair value		**(2.87)**		**2.87**

For 15% movement in marketability discount rate the fair value change on the equity portfolio was +/-2.87%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

43. RISK MANAGEMENT (continued)
43.1 Market risk (continued)
43.1.4 Equity and development loans at FVTPL (continued)

(f) Sensitivity analysis - Currency exchange rates

The reported fair value of certain equity investments are highly sensitive to currency exchange rates, based on the nature and structure of the noted investments. In terms of the fair value hierarchy approach outlined in IFRS 13, the DBSA has determined currency exchange rate to be the single most significant lowest level input driving the fair values of the noted investments. Accordingly the DBSA calculates the sensitivity of the portfolio to changes in key exchange rates, in order to determine the impact of such changes on the fair value of the portfolio. For the current year the applied range is determined by calculating the difference between the year end exchange rate and the 3 average year-end exchange rate for the preceding 3 financial year ends. For 22% movement in foreign exchange rate the fair value change on the equity portfolio was +-14.68% and prior year (+-4.62%). The exchange rates used at measurement date are ZAR/USD at R17.7803 and ZAR/EUR at R19.2721.

in thousands of rands	22% decrease in exchange rate	Fair value actual	22% increase in exchange rate
31 March 2023			
Unlisted			
Level 2			
USD	1 945 291	2 493 963	3 042 635
Level 3			
EUR	556 266	713 161	870 056
USD	178 413	228 735	279 057
ZAR	1 713 191	1 713 191	1 713 191
Total	**4 393 161**	**5 149 050**	**5 904 939**
% change in fair value	**(14.68)**		**14.68**

Currency exchange rate (which is observable) is the single significant lowest level input that drives the fair value of the investments in its entirety and across the DBSA portfolio. For 8% movement in foreign exchange rate the fair value change on the equity portfolio was +/-4.62%. The exchange rates used at measurement date USD/ZAR R14.6038 and EUR/ZAR R16.1646.

in thousands of rands	8% decrease in exchange rate	Fair value actual	8% increase in exchange rate
31 March 2022			
Listed			
Level 1			
ZAR	60 672	60 672	60 672
Unlisted			
Level 2			
USD	2 085 633	2 256 544	2 427 455
Level 3			
EUR	497 370	540 619	583 869
USD	181 737	197 540	213 344
ZAR	1 921 132	1 921 132	1 921 132
Total	**4 746 544**	**4 976 507**	**5 206 472**
% change in fair value	**(4.62)**		**4.62**

(g) Marketability discount rates applied

The Bank may apply a marketability discount to each investment with reference to factors, including but not limited to the following: the location of the investment operations, the passage of time between the Bank's reporting date and the date of the most recent asset or earning-based valuation, investment specific risk factors, general and sectoral economic conditions and their current and projected impact on the investment operations, the relative size of the Bank's proportionate interest, the relative age of the investment (i.e. the investment stage and time to maturity), and recent transactional information or lack thereof, i.e. anticipated ease of liquidation (relating to exits of similar investments). COVID-19 adjustments were factored into each investment discount rate.

in thousands of rands	Level 1	Level 2	Level 3	Total
Discount rate applied				
31 March 2023				
0% -12.5%	-	-	-	-
12.5%-15.0%	-	-	31 238	31 238
15.0%-16.5%	-	2 493 963	2 623 849	5 117 812
20.0%-22.5%	-	-	-	-
22.5%-25.0%	-	-	-	-
Total	**-**	**2 493 963**	**2 655 087**	**5 149 050**
31 March 2022				
0% -12.5%	60 672	-	-	60 672
12.5%-15.0%	-	109 729	53 041	162 770
15.0%-16.5%	-	2 146 815	1 218 530	3 365 345
20.,0%-22.5%	-	-	1 316 353	1 316 353
22.5%-25.0%	-	-	71 367	71 367
Total	**60 672**	**2 256 544**	**2 659 291**	**4 976 507**

43.1.4.2 Development loans held at FVTPL

The most significant inputs affecting the fair value of development loans are ZAR/USD swap rates, ZAR/USD exchange rate and the estimated risk discount factor applied to the value of cash flows due on contractual payment dates. The table below details the changes to the reported fair value which will result in changes to the risk discount factor applied.

in thousands of rands	Base value	10% increase in risk discount factor	Fair value - actual	10% decrease in risk discount factor
31 March 2023				
Level 3	**160 754**	**42 850**	**48 309**	**53 770**
% of change		**(11.30)**		**11.30**
31 March 2022				
Level 3	115 535	8 367	19 309	30 251
% of change		(56.7)		56.7

A 10% movement in the risk discount rate applied results in a fair value change of approximately +/-57%.

43. RISK MANAGEMENT (continued)

43.2 Liquidity risk

43.2.1 Definition of liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis and in the currency due without incurring above normal costs. In the case of the Bank, this risk specifically would arise from an inability to honour obligations with respect to commitments to borrowers, lenders and investors, and operational expenditure.

43.2.2 Management of liquidity risk

In order to shield the Bank against the risk of a liquidity shortfall, the Bank's liquidity risk management policy requires the maintenance of prudential liquidity levels higher than or equal to the highest average monthly disbursements based on the previous four quarters. In addition, in the interest of added prudence, the Bank has adopted the Basel III recommended liquidity risk metrics - the Liquidity Coverage Ratio and the Net Stable Funding Ratio - as part of its liquidity risk management policy parameters.

Liquidity is held primarily in the form of money market instruments such as call deposits, treasury bills, negotiable certificates of deposit, promissory notes as well as liquid debt issues from government, municipalities and other approved issuers.

Total liquidity at 31 March 2023 was R6.3 billion (31 March 2022: R8.2 billion). This includes cash and cash equivalents of R6.1 billion (31 March 2022: R8 billion), segregated money market funds of R36 million (31 March 2022: R33 million) and SOE and municipal bonds of R130 million (31 March 2022: R205 million).

43.2.3 Available liquidity

in thousands of rands	2023	2022
The table below shows the available liquidity of the Bank.		
High quality liquid assets		
Cash and cash equivalents	6 166 069	7 990 108
Other less liquid assets		
Investment in segregated funds	36 332	33 480
Municipal bonds - nominal value	130 000	130 000
SOE bonds - nominal value	-	75 000
Total available liquidity	**6 332 401**	**8 228 588**

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (tradable market securities) as described above, the Bank has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions, committed loan facilities with multilateral, bilateral and other development finance institutions, money and capital securities issuance under the Bank's domestic medium-term programme and capital market repurchase transactions. Liquidity includes undrawn credit facilities for the year amounted to approximately R4.27 billion (31 March 2022: R1.9 billion).

The Bank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by ALCO on a quarterly basis. The 12 month cumulative liquidity gap as at 31 March 2023 was R6.86 billion (31 March 2022: R404 million).

43. RISK MANAGEMENT (continued)

43.2 Liquidity risk (continued)

43.2.4 Contractual liquidity gap

The table below analyses the contractual liquidity gap for 31 March 2023.

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	ZAR	4 472	-	-	-	-	-	-	-	4 472
	USD	740	-	-	-	-	-	-	-	740
	EUR	954	-	-	-	-	-	-	-	954
Investment securities	ZAR	36	130	-	181	-	-	-	-	347
Development bonds	ZAR	-	42	42	585	83	83	83	1 292	2 210
Development loans	EUR	-	111	837	1 217	1 220	1 129	722	1 962	7 198
	USD	128	769	3 791	3 777	3 124	2 880	2 449	5 458	22 376
	ZAR	100	3 110	2 912	3 924	3 867	4 591	9 411	45 263	73 178
Derivative assets held for risk management purposes- forward exchange contracts	ZAR	1 575	-	-	-	-	-	-	-	1 575
Total financial market assets		**8 005**	**4 162**	**7 582**	**9 684**	**8 294**	**8 683**	**12 665**	**53 975**	**113 050**
Debt funding at amortised cost - funding bonds	ZAR	-	-	(4 393)	(8 375)	(1 948)	(2 913)	(5 453)	(2 213)	(25 295)
	EUR	-	-	-	-	-	-	(3 854)	-	(3 854)
Debt funding at amortised cost - lines of credit	EUR	-	(1 064)	(148)	(147)	(243)	(261)	(264)	(1 111)	(3 238)
	USD	-	(74)	(2 334)	(1 523)	(7 304)	(1 500)	(999)	(5 196)	(18 930)
	ZAR	-	(7)	(1 223)	(328)	(1 300)	(1 287)	(977)	-	(5 122)
Debt funding at amortised cost - money market debt	ZAR	-	(600)	(1 500)	-	-	-	-	-	(2 100)
Derivative liabilities held for risk management purposes - forward exchange contracts	EUR	(1 542)	-	-	-	-	-	-	-	(1 542)
Total financial market liabilities		**(1 542)**	**(1 745)**	**(9 598)**	**(10 373)**	**(10 795)**	**(5 961)**	**(11 547)**	**(8 520)**	**(60 081)**
Net liquidity gap		**6 463**	**2 417**	**(2 016)**	**(689)**	**(2 501)**	**2 722**	**1 118**	**45 455**	**52 969**
Cumulative liquidity gap		**6 463**	**8 880**	**6 864**	**6 175**	**3 674**	**6 396**	**7 514**	**52 969**	

Note that the contractual liquidity gap has been adjusted to include the Bank's 2027 zero coupon liability at current book value. This bond contractually matures in 2027 and accrues interest semi-annually toward a maturity value of R7.27 billion.

As per the table above the Bank has a positive cumulative liquidity gap where the contractual inflows exceed outflows across all time buckets. This profile is anticipated due to the nature of the business where the Bank has raised long dated stable funding and generated short term amortising assets.

There are no behavioural assumptions made on the liquidity gap and all assets and liabilities are disclosed with the underlying contractual maturity as determined by the cash flow profile for each record.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

43. RISK MANAGEMENT (continued)
43.2 Liquidity risk (continued)
43.2.4 Contractual liquidity gap (continued)

The table below analyses the contractual liquidity gap for 31 March 2022.

in millions of rands		<1M	1-3M	3-12M	1-2 Yrs	2-3 Yrs	3-4Yrs	4-5Yrs	>5Yrs	Total
Cash and cash equivalents	ZAR	6 544	-	-	-	-	-	-	-	6 544
	USD	1 338	-	-	-	-	-	-	-	1 338
	EUR	108	-	-	-	-	-	-	-	108
Investment securities	ZAR	33	-	75	130	181	-	-	-	419
Development bonds	ZAR	-	-	-	-	502	-	-	750	1 252
Development loans	EUR	-	-	308	717	1 112	982	906	1 431	5 456
	USD	129	618	2 472	2 941	2 624	1 956	1 720	3 900	16 360
	ZAR	55	1 018	2 745	2 975	3 594	3 573	4 297	49 825	68 082
Derivative assets held for risk management purposes - cross currency swaps	EUR	-	24	95	119	83	48	48	146	563
	ZAR	-	-	360	-	-	-	-	-	360
Derivative assets held for risk management purposes - forward exchange contracts	USD	-	484	-	-	-	-	-	-	484
	ZAR	1 821	-	-	-	-	-	-	-	1 821
Total financial market assets		**10 028**	**2 144**	**6 055**	**6 882**	**8 096**	**6 559**	**6 971**	**56 052**	**102 787**
Derivative liabilities held for risk management purposes - cross currency swaps	USD	-	-	(380)	-	-	-	-	-	(380)
	ZAR	-	(12)	(59)	(71)	(48)	(24)	(24)	(86)	(324)
Debt funding at amortised cost and FVTPL - funding bonds	ZAR	-	-	(9 327)	(4 393)	(8 442)	(550)	(2 913)	(5 803)	(31 428)
	EUR	-	-	-	-	-	-	-	(3 232)	(3 232)
Debt funding at amortised cost - lines of credit	EUR	-	(84)	(1 305)	(208)	(123)	(89)	(91)	(394)	(2 294)
	USD	-	(17)	(3 725)	(1 232)	(1 235)	(4 158)	(1 216)	(5 168)	(16 751)
	ZAR	-	(7)	(23)	(1 230)	(18)	(13)	-	-	(1 291)
Debt funding at amortised cost - money market debt	ZAR	(125)	(225)	(250)	-	-	-	-	-	(600)
Derivative liabilities held for risk management purposes - forward exchange contracts	EUR	(485)	(485)	-	-	-	-	-	-	(970)
	USD	(1 314)	-	-	-	-	-	-	-	(1 314)
Total financial market liabilities		**(1 924)**	**(830)**	**(15 069)**	**(7 134)**	**(9 866)**	**(4 834)**	**(4 244)**	**(14 683)**	**(58 584)**
Net liquidity gap		**8 104**	**1 314**	**(9 014)**	**(252)**	**(1 770)**	**1 725**	**2 727**	**41 369**	**44 203**
Cumulative liquidity gap		**8 104**	**9 418**	**404**	**152**	**(1 618)**	**107**	**2 834**	**44 203**	

Note that the contractual liquidity gap has been adjusted to include the Bank's 2027 zero coupon liability at current book value. This bond contractually matures in 2027 and accrues interest semi-annually toward a maturity value of R7.27 billion

As per the table above the Bank has a positive cumulative liquidity gap where the contractual inflows exceed outflows across all time buckets. This profile is anticipated due to the nature of the business where the Bank has raised long dated stable funding and generated short term amortising assets.

There are no behavioural assumptions made on the liquidity gap and all assets and liabilities are disclosed with the underlying contractual maturity as determined by the cash flow profile for each record.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

43. RISK MANAGEMENT (continued)

43.2 Liquidity risk (continued)

43.2.5 Cash flow hedges nominal values

During the current financial year the cross currency swap portfolio was closed out.

in millions of rands		1-3M	3-6M	6-9M	9-12M	1-2Yrs	2-3Yrs	3-5Yrs	5-7Yrs	7-10Yrs	10-15Yrs	Total
31 March 2022												
Cross currency swaps	EUR	18	-	18	-	35	35	71	61	38	30	306
Total financial market assets		**18**	**-**	**18**	**-**	**35**	**35**	**71**	**61**	**38**	**30**	**306**
Cross currency swaps	EUR	(18)	-	(18)	-	(35)	(35)	(71)	(61)	(38)	(30)	(306)
	ZAR	(9)	-	(9)	-	(18)	(18)	(36)	(32)	(24)	(20)	(166)
Total financial market liabilities		**(27)**	**-**	**(27)**	**-**	**(53)**	**(53)**	**(107)**	**(93)**	**(62)**	**(50)**	**(472)**
Liquidity gap		**(9)**	**-**	**(9)**	**-**	**(18)**	**(18)**	**(36)**	**(32)**	**(24)**	**(20)**	**(166)**
Cumulative liquidity gap		**(9)**	**(9)**	**(18)**	**(18)**	**(36)**	**(54)**	**(90)**	**(122)**	**(146)**	**(166)**	

43.2.6 Concentration of debt funding

	2023 %	2022 %
Concentration of debt funding as per source of funding		
Domestic bond markets	30	43
Domestic money markets	12	3
European bond markets	9	8
International Development Finance Institution	34	30
International money markets	10	10
International unlisted bonds	5	6
Total	**100**	**100**
Concentration of debt funding per currency		
USD	32	28
EUR	12	10
ZAR	56	62
Total	**100**	**100**

43.3 Credit risk

43.3.1 Overview

Credit risk is the risk of economic loss should any of the Bank's clients or market counterparties fail to fulfill their contractual obligations and is mainly prevalent in the Bank's development financing and lending operations as a result of potential counterparty defaults on loan repayments. Credit risk may also arise in the equity investments of the Bank, where the downgrading of a client's rating causes the fair value of the investment in that entity to deteriorate. Country risk is taken into account when cross border loans are evaluated and form part of the credit risk rating of these loans. Any movement in the risk profile of a country in which an exposure or counterparty is domiciled, could therefore result in a changed credit rating and lead to in a change in the value of the affected assets.

43.3.2 Management of credit risk

The Bank as a development finance institution, faces a unique challenge in maintaining a sustainable balance between maximising development returns and minimising financial loss in its lending and other investment operations. As a result, the performance of the Bank is to a large extent dependent on its ability to take credit risks responsibly in exchange for appropriate rewards and to manage the resultant exposure to credit risk effectively in the pursuance of its corporate objectives.

The Bank meets its credit risk management objectives through i) an enterprise-wide framework of credit risk oversight, governance and assurance, ii) an integrated system of internal credit risk ratings, pricing and mitigation guided by its risk appetite, and iii) a rigorous standard for the measurement, monitoring and control of credit risk exposures in the credit portfolios.

43.3.3 Credit risk oversight, governance and assurance

Credit risk oversight: The Board of Directors, as part of their oversight duties, sets the tone for the management of risk and defines the level of risk that the Bank is willing to assume, as well as considers the granting of large credits and reviews the overall performance in the management of risk through its subcommittees. A risk appetite statement, that details the level of risk that the Bank is willing to take in order to achieve its objectives and mandate, is approved annually by the Board of Directors.

Credit risk governance: The ongoing governance of the Bank's risk taking activities is devolved to management. For credit risk management, the Bank has in place board and corporate level credit committees mandated to maintain credit policies and standards, review and approve credits under delegated authority, as well as monitor and report the overall level of exposures to credit risk and performance in the management of these exposures. Portfolio reports are presented to the corporate credit committee on a quarterly basis and board valuations committee on a semi-annual basis. The board also reviews and approves the Bank's risk appetite statement on an annual basis.

Credit risk assurance: The quality of credit risk management is assured through a three way approach. Firstly, the Credit Analysts report into the Financing Operations Division having been deployed as a first line of defence to provide an objective view of the quality of individual credits under consideration and work closely with the frontline to monitor the performance of assets post approval, on an ongoing basis. Secondly, the Credit Lab that runs the models forms part of the Financing Operations Division with an independent reporting line to the Investment Technical Committee to validate its models. Finally, the Group Risk Assurance Division is responsible for the development of policies and monitoring thereof to support an efficient and effective Credit Risk Management throughout the Bank.

43.3.4 Credit risk ratings

Obligor credit risk ratings: The Bank is not regulated by the SARB under the Banks Act, but rather by the DBSA Act, and as such is not formally obligated to comply with the Basel II requirements. However, as a leveraged financial institution, prudence requires it to maintain adequate levels of capital to cover expected losses, for this reason the Bank complies with Basel standards in the development of risk models as industry best practice, more than for regulatory purposes. The key variables in the Bank's quantitative assessment of expected loss and by implication in setting risk-adjusted pricing are:

- **Probability of default (PD)**, which determines the likelihood that the client will not be able to meet its debt repayments based on creditworthiness.
- **Exposure at default (EAD)**, which calculates the size of exposure and thus potential loss at the point of default.
- **Loss given default (LGD)**, which estimates the portion of exposure that is expected not to be recovered in the event of default.

The Bank has developed a number of internal credit risk rating models for all of its major asset classes to calculate credit risk ratings as a basis for assigning a probability of default. All credit ratings are confirmed through the credit committee process to ensure consistency and effective challenge. The credit risk rating models are all subjected to validation and review before implementation.

The models are subjected to performance monitoring and validation by a technical committee as a part of governance requirements every three years. The principal objective for this is to ensure that assumptions used in model development are still appropriate and to ensure that any deficiencies are identified early and that the models produce the most accurate quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. As part of model reviews, these models are calibrated to performance along with functional improvements to cater appropriately for the asset classes being measured.

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FOR THE YEAR ENDED 31 MARCH 2023

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.4 Credit risk ratings (continued)

A key element of DBSA's internal risk rating and pricing model is the PD master rating scale as shown below. This Scale was developed to distinguish meaningful differences in the probability of default risk throughout the risk range. The banding estimates are derived from internal data which is based on the performance of the Bank's loan book. The master-scale is comparable and has been approximately benchmarked to rating agencies as well as similar financial institutions.

Rating Grade	Mid joint PD (%)	Lower bound PD (%)	Upper bound PD (%)	Mapping to S&P	Mapping to Moody's
MS 1	0.01 %	- %	0.02 %	AAA	Aaa
MS 2	0.02 %	0.02 %	0.03 %	AA+	Aa1
MS 3	0.03 %	0.03 %	0.04 %	AA	Aa2
MS 4	0.04 %	0.04 %	0.05 %	AA-	Aa3
MS 5	0.05 %	0.05 %	0.06 %	A+	A1
MS 6	0.06 %	0.06 %	0.08 %	A	A2
MS 7	0.10 %	0.08 %	0.14 %	A-	A3
MS 8	0.17 %	0.14 %	0.24 %	BBB+	Baa1
MS 9	0.30 %	0.24 %	0.40 %	BBB	Baa2
MS 10	0.50 %	0.40 %	0.68 %	BBB-	Baa3
MS 11	0.85 %	0.68 %	1.13 %	BB+	Ba1
MS 12	1.40 %	1.13 %	1.90 %	BB	Ba2
MS 13	2.40 %	1.90 %	3.20 %	BB-	Ba3
MS 14	4.00 %	3.20 %	5.50 %	B+	B1
MS 15	7.00 %	5.50 %	9.50 %	B	B2
MS 16	12.00 %	9.50 %	16.00 %	B-	B3
MS 17.1	17.20 %	16.00 %	22.10 %	CCC	Caa
MS 17.2	28.51 %	22.10 %	36.80 %	CCC	Caa
MS 17.3	47.40 %	36.80 %	61.10 %	CCC	Caa
MS 17.4	78.70 %	61.10 %	99.99 %	CCC	Caa
Default	100.00 %	99.99 %	100.00 %	Default	D

43.3.5 Pricing of loans

The pricing of loans has been stable and consistent through the use of a standardised pricing model applied since January 2013. The model was developed to take into account risk capital and deliver an accurate risk adjusted return on capital (RAROC), net present value (NPV) and sustainability profit on an economic basis.

The pricing model has been updated annually to take into account changes to cost structure and budget as well as credit risk performance. The risk ratings from credit risk models approved by the investment committee are used for both the calculation of expected loss in the cash-flow of the model as well as the influence on risk capital held at the cost of capital and the hurdle rate of return required on the risk capital.

43.3.6 Credit risk models

The credit risk models (PD, LGD, and EAD) for all major portfolios of the Bank's loan book (Municipal, Balance Sheet Lending, Project Finance and Higher Education) were subjected to review and further development during the 2022/23 financial year. The results using the IFRS 9 compliant models for the calculation of ECL are included in the impairment of the loan book for the 2022/23 annual financial statements.

This is required to be carried out on a 3 year cycle for governance purposes and approved by the Risk Models Technical Committee which is a sub-committee of Investment Committee.

The requirement to comply with IFRS9 in 2018/19 called for further enhancements of the outputs of the credit risk models. The new versions of the models are more adaptable and predictive. The models were recalibrated to current performance of the Bank's loan book and larger benchmark portfolios. The new versions of the credit risk models were successfully approved by the Technical Committee for implementation in 2018/19 financial year. Performance of these models are tracked as part of governance requirements. Further enhancements to the outputs of credit risk models for the purposes of IFRS 9 compliance will be subject to the review process which governs the credit risk models 12 month PDs and LGDs were transformed to lifetime measures in order to consider the term structure of loans and enable the calculation of lifetime Expected Credit Loss(ECL) applicable to stage 2 classification loans contributing to the portfolio impairment. The results using the IFRS 9 compliant models for the calculation of ECL are included in the impairment of the loan book.

43.3.7 Country risk ratings

The Bank has implemented an internal country risk rating model which uses external rating agency ratings as well as economic data from various sources such as IMF and the World Bank combined with in country visits by the Country Risk team. The Investment Committee reviews the country ratings on an annual basis or more frequently if adverse events take place.

The country risk rating methodology considers solvency, liquidity, economic and political issues to risk rate countries and generate probability of default. The model inputs are continuously updated to reflect economic and political changes in individual countries. The Bank's country risk limits are calculated using sovereign risk ratings in conjunction with debt absorption capacity of countries as measured by the gross domestic product. The limits therefore consider the economic strength of countries ensuring that country exposures are related to the degrees of perceived risk as well as the country's debt absorption capacity. Using PD and LGD in the calculation of the risk limits per country, the limits set are also subject to the availability of capital and the number of simultaneous defaults that can be absorbed by that capital. All limits are set in line with the approved risk appetite.

43.3.8 Credit risk mitigation

In addition to pricing for risk, the Bank uses collateral and guarantees to enhance the quality of credit and/or reduce the expected losses in its lending portfolio. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. The main types of collateral taken comprise mortgage bond over commercial and industrial properties, bonds over plant and equipment, and the underlying moveable assets financed. The Bank use various forms of specialised legal agreements such as guarantees and similar legal contracts in support of credit extension, where necessary.

43.3.9 Credit risk monitoring, measurement and reporting

The Bank dedicates considerable resources to monitor the quality of credit throughout the life time of assets and measure the exposure and performance of assets across portfolios.

At individual counterparty level:
- Performance of credit is monitored and reported in terms of adherence to terms and conditions;
- Credit risk ratings are reviewed and updated on an annual basis;
- Potential problem loans are identified based on early indications of distress and placed on a credit watch list;
- Non-performing accounts are transferred for independent workout and recovery;
- Financial covenants are an important tool for credit mitigation within the Bank in monitoring the quality and performance of counterparties; and
- A watch list process is in place where clients that are in stress, or where there are signs of possible future stress due to a changing operating environment are monitored closely and strategies are put in place to minimise the possibility of default.

At portfolio level:
- Limits are established within the Bank's risk appetite to monitor and control the aggregate amount of risk that the Bank is taking on; and
- Overall performance of portfolios is measured and reported on a quarterly basis in terms of standard KPIs.

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)

43.3.10 Risk rating in relation IFRS 9 staging

Prior to IFRS 9 adoption and as part of the established credit risk management practices, the Bank classifies development loans as either High risk (MS14 – MS17.4), Medium risk (MS8-MS13) and Low risk (MS1-MS7) categories. This means a development loan can be originated at High risk category and be classified as stage 1 IFRS 9 purposes should there be no demonstrable significant increase in credit risk from initial recognition to reporting date.

43.3.11 Credit risk exposure

43.3.11.1 Maximum exposure

The Bank prepares monthly financial results as well as quarterly financial reports. These results are crucial for internal decision making. Consequently, it is imperative that the asset portfolio be comprehensively reviewed and significant risk indicators impacting the valuations and impairments be reflected timeously and adequately in the financial results. As a result, quarterly reviews are conducted on the loans and equities portfolio. The Bank reviews the accounting implications of credit risk and investment specific factors within the portfolio on a monthly basis. This ensures that the effect of the changes reported in the monthly financial results and quarterly financial statements are on a proactive and timely basis.

These reviews are conducted as part of and in complementing the Investment Committee process. The following factors are reviewed:
- global and local economic factors;
- observable and unobservable market factors;
- asset specific factors affecting portfolio impairment levels; and
- fair values and discount rates with the objective of ensuring that risk in the asset portfolio is adequately, fairly and timely reflected in the Bank's results.

The reviews include assessment of the impairment triggers and reversals within the asset portfolio, review of performance of the equity portfolio on a regular basis with the asset managers. In addition, watch list meetings are held monthly.

The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk as well as the impact of collateral and other credit enhancements on credit risk.

(a) Credit exposure per class of financial instruments

in thousands of rands	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
31 March 2023			
Cash and cash equivalents	6 166 069	-	-
Development bonds at amortised cost	2 284 485	(130 140)	-
Development loans at amortised cost	105 854 034	(12 174 945)	493 979
Development loans at FVTPL	48 309	-	-
Loan commitments	10 869 873	(36 943)	-
Trade receivables and other assets	348 827	(21 731)	-
Total	**125 571 597**	**(12 363 759)**	**493 979**
31 March 2022			
Cash and cash equivalents	7 990 108	-	-
Development bonds at amortised cost	1 290 413	(138 510)	-
Development loans at amortised cost	95 876 051	(11 698 997)	474 448
Development loans at FVTPL	19 309	-	-
Loan commitments	10 129 902	(2 430)	-
Trade receivables and other assets	179 209	(18 460)	-
Total	**115 484 992**	**(11 858 397)**	**474 448**

(b) Credit exposure of municipal book

The table below provides a breakdown of the municipal loan book of the Bank:

in thousands of rands	Market 1*	Market 2**	Market 3***	Total 2023	Market 1*	Market 2**	Market 3***	Total 2022
Low risk	-	1 350 034	145 544	1 495 578	27 331	443 755	45 690	516 776
Medium risk	23 310 291	1 263 626	240 454	24 814 371	21 459 632	2 675 368	350 082	24 485 082
High risk	5 213 689	1 595 752	209 962	7 019 403	5 281 397	1 571 634	276 617	7 129 648
Total	**28 523 980**	**4 209 412**	**595 960**	**33 329 352**	**26 768 360**	**4 690 757**	**672 389**	**32 131 506**

** Metropolitan municipalities*
*** Secondary municipalities*
**** Under-resourced municipalities.*
The risk assignment for low, medium and high risk is explained in note 43.3.10.

43.3.11.2 Credit quality analysis

(a) Risk composition of gross loan book

The following table sets out risk composition of the gross loan book:

in thousands of rands		2023	2022
Internal rate grade	Internal rate description		
MS1	Low risk	-	-
MS2	Low risk	-	-
MS3	Low risk	144 206	198 786
MS4	Low risk	-	-
MS5	Low risk	156 969	196 479
MS6	Low risk	73 147	-
MS7	Low risk	5 947 446	4 925 372
MS8	Medium risk	5 011 744	9 130 179
MS9	Medium risk	1 088 391	3 056 946
MS10	Medium risk	6 400 487	17 952 857
MS11	Medium risk	18 158 660	22 736 182
MS12	Medium risk	41 402 215	11 709 248
MS13	Medium risk	4 686 773	1 156 136
MS14	High risk	2 770 704	7 750 743
MS15	High risk	3 288 623	4 805 875
MS16	High risk	5 614 043	2 331 990
MS17.1	High risk	366 241	717 495
MS17.2	High risk	6 742 673	-
MS17.3	High risk	-	-
MS17.4	High risk	537 088	4 770 874
Default	Default	3 464 624	4 436 889
Total		**105 854 034**	**95 876 051**

43. RISK MANAGEMENT (continued)

43.3 Credit risk (continued)

43.3.11 Credit risk exposure (continued)

(b) Credit quality of financial assets measured at amortised cost

The following tables set out information about the credit quality of financial assets measured at amortised cost unless, specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The total carrying amounts represent the maximum gross exposure to credit risk before collateral, expected credit losses and other securities at the reporting date.

(i) Development loans

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	2023 Total	2022 Total
Stage 3						
Municipalities	-	-	343 720	59 737	403 457	443 990
Other	-	-	3 120 904	477 351	3 598 255	5 103 674
Less provision for ECLs						
Municipalities	-	-	(112 068)	(39 914)	(151 982)	(107 787)
Other	-	-	(2 287 613)	(477 351)	(2 764 964)	(4 007 910)
Net carrying amount	**-**	**-**	**1 064 943**	**19 823**	**1 084 766**	**1 431 967**
Net carrying amount: Municipalities	-	-	231 652	19 823	251 475	336 203
Net carrying amount: Other	-	-	833 291	-	833 291	1 095 764
Net carrying amount	**-**	**-**	**1 064 943**	**19 823**	**1 084 766**	**1 431 967**
Low risk (MS1-MS7)						
Municipalities	1 495 578	-	-	-	1 495 578	516 776
Other	4 826 189	-	-	-	4 826 189	4 803 861
Less provision for ECLs						
Municipalities	(44 867)	-	-	-	(44 867)	(15 503)
Other	(16 265)	-	-	-	(16 265)	(3 785)
Net carrying amount	**6 260 635**	**-**	**-**	**-**	**6 260 635**	**5 301 349**
Net carrying amount: Municipalities	1 450 711	-	-	-	1 450 711	501 273
Net carrying amount: Other	4 809 924	-	-	-	4 809 924	4 800 076
Net carrying amount	**6 260 635**	**-**	**-**	**-**	**6 260 635**	**5 301 349**
Medium risk (MS8-MS13)						
Municipalities	8 720 746	16 093 625	-	-	24 814 371	24 485 082
Other	38 286 223	13 647 676	-	-	51 933 899	41 256 466
Less allowance for ECLs						
Municipalities	(78 891)	(197 171)	-	-	(276 062)	(734 783)
Other	(681 410)	(1 850 219)	-	-	(2 531 629)	(1 143 657)
Net carrying amount	**46 246 668**	**27 693 911**	**-**	**-**	**73 940 579**	**63 863 108**
Net carrying amount: Municipalities	8 641 855	15 896 454	-	-	24 538 309	23 750 299
Net carrying amount: Other	37 604 813	11 797 457	-	-	49 402 270	40 112 809
Net carrying amount	**46 246 668**	**27 693 911**	**-**	**-**	**73 940 579**	**63 863 108**
High risk (MS14-MS17.4)						
Municipalities	275 898	6 340 048	-	-	6 615 946	6 685 658
Other	2 840 570	9 325 769	-	-	12 166 339	12 580 544
Less provision for ECLs						
Municipalities	(8 277)	(892 015)	-	-	(900 292)	(891 182)
Other	(72 238)	(5 416 646)	-	-	(5 488 884)	(4 794 390)
Net carrying amount	**3 035 953**	**9 357 156**	**-**	**-**	**12 393 109**	**13 580 630**
Net carrying amount: Municipalities	267 621	5 448 033	-	-	5 715 654	5 794 476
Net carrying amount: Other	2 768 332	3 909 123	-	-	6 677 455	7 786 154
Net carrying amount	**3 035 953**	**9 357 156**	**-**	**-**	**12 393 109**	**13 580 630**
Gross carrying amount	**56 445 204**	**45 407 118**	**3 464 624**	**537 088**	**105 854 034**	**95 876 051**
Provision for ECLs	(901 948)	(8 356 051)	(2 399 681)	(517 265)	(12 174 945)	(11 698 997)
Net carrying amount	**55 543 256**	**37 051 067**	**1 064 943**	**19 823**	**93 679 089**	**84 177 054**

(ii) Development bonds at amortised cost

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	2023 Total	2022 Total
Medium risk (MS8-MS13)						
Municipalities	993 877	772 743	-	-	1 766 620	1 290 413
Less provision for ECLs	(794)	(1 696)	-	-	(2 490)	(138 510)
Net carrying amount	**993 083**	**771 047**	**-**	**-**	**1 764 130**	**1 151 903**
High risk (MS14-MS17)						
Municipalities	-	517 865	-	-	517 865	-
Less provision for ECLs	-	(127 650)	-	-	(127 650)	-
Net carrying amount	**-**	**390 215**	**-**	**-**	**390 215**	**-**
Gross carrying amount	**993 877**	**1 290 608**	**-**	**-**	**2 284 485**	**1 290 413**
Less provision for ECLs	(794)	(129 346)	-	-	(130 140)	(138 510)
Net carrying amount	**993 083**	**1 161 262**	**-**	**-**	**2 154 345**	**1 151 903**

(iii) Loan commitments

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	2023 Total	2022 Total
Stage 3						
Other	**-**	**-**	**-**	**-**	**-**	**719 962**
Low risk (MS1-MS7)						
Other	**4 484 564**	**-**	**-**	**-**	**4 484 564**	**4 584 327**
Medium risk (MS8-MS13)						
Municipalities	37 900	-	-	-	37 900	37 900
Other	5 772 747	63 120	-	-	5 835 867	3 024 609
Gross carrying amount	**5 810 647**	**63 120**	**-**	**-**	**5 873 767**	**3 062 509**
High risk (MS14-MS17.4)**						
Municipalities	-	-	-	-	-	105 000
Other	30 378	480 996	-	-	511 374	1 657 966
Gross carrying amount	**30 378**	**480 996**	**-**	**-**	**511 374**	**1 762 966**
Gross carrying amount	**10 325 589**	**544 116**	**-**	**-**	**10 869 705**	**10 129 764**
Provision for ECLs	(23 928)	(13 015)	-	-	(36 943)	(2 430)
Net carrying amount	**10 301 661**	**531 101**	**-**	**-**	**10 832 762**	**10 127 334**

** An additional R 168 000 has been committed for development loans held at fair value through profit or loss.*
*** Refer to page 141 for risk rating in relation to IFRS 9 staging.*

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(c) Cash and cash equivalents

The Bank held cash and cash equivalents of R7 billion at 31 March 2023 (31 March 2022: R8 billion). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA+ and AA, based on a national scale credit rating.

43.3.11.3 Collateral held and other credit enhancements

The Bank holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collaterals are determined with reference to the realisable value of security under forced-sale conditions. Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored closely.

The following types of collateral are held in respect of the above loans: guarantees, cession of debtors, cession of income streams, mortgages, investments, notarial bonds, sinking fund investments, promissory notes, insurance policies and treaty obligations.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 March 2023, the gross carrying amount of credit-impaired loans amounted to R4 billion (31 March 2022: R5 billion) and the fair value of identifiable collateral held against those loans amounted to R86 million (31 March 2022: R99 million). The carrying amount of collateral taken in possession during the year is R Nil (31 March 2022: R Nil).

(a) Principles types of collateral held against different types of financial assets

The following table sets out the principal types of collateral held against different types of financial assets.

in thousands of rands	Nature of the collateral held	% of exposure that is subject to collateral requirements	2023	2022
Development loans	Bank account	79	389 626	354 511
Development loans	Guarantee	11	54 442	54 442
Development loans	Mortgage bond	10	49 911	65 495
Total			**493 979**	**474 448**

For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

The above collaterals consist of guarantees, cession of debtors, mortgages, investments, notarial bonds, sinking fund investments and insurance policies. The Bank also holds collateral in the form of assignment agreements, bank accounts, bank guarantees, debentures, escrow accounts, floating charges, guarantees, income streams, letters of comfort/ intent, shares, subordination agreements, sureties and undertakings.

(b) Collateral held for financial assets that are credit impaired - Stage 3 and POCI

Financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below.

in thousands of rands	Gross exposure	Provision for ECL	Carrying amount	Fair value of collateral held
31 March 2023				
Development loans	4 001 712	(2 916 946)	1 084 766	86 497
31 March 2022				
Development loans	5 547 664	(4 115 697)	1 431 967	99 173

43.3.11.4 Expected credit losses(ECL)

The amount of Expected Credit Loss (ECL) is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive.

Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

(a) Assessments of clients

The Bank assesses credit risk on loans on an individual basis using all relevant information about the loan and the borrower. The Bank individually assesses significantly large exposures. There are no amounts that have been written off for which enforcement activity is still being enforced. Further, any recoveries post write off are accounted for in the income statement as bad debts recovered.

(b) 12 Month expected credit losses

Represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(c) Lifetime expected credit losses

Lifetime Expected Credit Losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected life is estimated by considering cash flows taking into account all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options).

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term (Maturity) of the financial instrument.

A collective assessment of impairment takes into account data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.

43. RISK MANAGEMENT (continued)

43.3 Credit risk (continued)

43.3.11 Credit risk exposure (continued)

(d) Significant increase in credit risk

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 Bank uses the table below to determine significant increase in credit risk.

Grade at origination date	Notch movement	Grade at reporting date	Stage
MS 1	6	MS 7	Stage 2
MS 2	6	MS 8	Stage 2
MS 3	6	MS 9	Stage 2
MS 4	6	MS 10	Stage 2
MS 5	6	MS 11	Stage 2
MS 6	5	MS 11	Stage 2
MS 7	4	MS 11	Stage 2
MS 8	4	MS 12	Stage 2
MS 9	3	MS 12	Stage 2
MS 10	3	MS 13	Stage 2
MS 11	2	MS 13	Stage 2
MS 12	2	MS 14	Stage 2
MS 13	2	MS 15	Stage 2
MS 14	2	MS 16	Stage 2
MS 15	2	MS 17.1	Stage 2
MS 16	1	MS 17.1	Stage 2
MS17.1	1	MS 17.2	Stage 2
MS17.2	1	MS 17.3	Stage 2
MS17.3	1	MS 17.4	Stage 2
MS17.4	Default	Default	Stage 3

(e) Origination date and contractual life of loans

The Bank's development loans are mostly non-revolving credit facilities. The Bank defines the loan origination date as the date of initial recognition when the Bank becomes party to an irrevocable commitment. Where applicable this could be the date of signing of the lending agreement if conditions precedent are met or the date on which all remaining conditions precedent for disbursement are met and the Bank is irrevocably bound to the lending agreement.

The tenor used in assessing significant increase in credit risk is the contractual tenor of the loan. The Bank assesses significant increase in credit risk from the origination date to date of transition and after transition date, assessments are done from origination date to date of reporting.

The Bank lends long tenors sometimes extending up to 30 years and for some development loans that were very old at IFRS 9 transition date, the Bank has assumed that the origination date is the first loan disbursement date and where applicable the Bank has used reasonable and supportable information without undue effort and costs in assessing origination date of some loans.

The Bank currently has one revolving credit facility, the Bank has used the maximum contractual period, and the Bank has not applied the exception of using a shorter period for estimating ECLs.

The Bank use the number of days past due (DPD) to determine significant increase in credit risk. The Bank assigns each facility a credit rating at initial recognition based on available information about the borrower. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an asset is more than 30 DPD.

The Bank uses a series of quantitative, qualitative and backstop criteria to determine if a loan has experienced significant increase in credit risk. The assessment of whether there has been SICR is to be based on both of the following:

- A significant downgrade of a loan through the Bank's internal credit rating system where downgrade is not influence by changes in the model but influenced by actual deterioration of a borrower's/project's credit risk. This will be measured by the increase in a loan's lifetime forward-looking PD at origination rating date compared to the remaining lifetime PD at reporting rating date; and
- Qualitative factors that are not captured through the Bank's internal credit rating process. The qualitative criteria include the observation of specific adverse events in the economy/industry/market the borrower is operating in, which events may have an adverse impact on the ability of the borrower to fulfill its obligations.

A backstop will be applied, whereby a loan is considered to have experienced SICR when a borrower is more than 30 days-past-due (DPD) on its contractual payments. The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular review.

Key factors considered in assessing whether there is significant increase in credit risk:

- Negative changes in credit risk pricing;
- Terms, which would change if a loan, were granted again at reporting date;
- Market indicators;
- External ratings;
- Internal ratings;
- Business/economic conditions;
- Operating results of the borrower;
- Risk on other lending products extended to the borrower;
- Regulatory, technical or other economic changes;
- Reduced value of collateral;
- Deterioration in the quality of guarantees;
- Financial support;
- Expected breach of terms;
- Performance of behaviour; and
- Changes in lender credit.

(f) Low credit risk assessment at reporting date

At reporting date, the Bank has assessed whether there has been significant increase in credit risk for all financial assets at amortised cost. The Bank has not made an election to assume that some financial instruments have low credit risk thereby requiring no assessment of significant increase in credit risk.

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(g) Lifetime PD

Lifetime PD is the probability of a default event when assessed over the lifetime of a financial asset.

There is no single method for estimating a lifetime PD measure as it applies to a very large variety of financial assets. The following dimensions are useful for classification:
- Referencing an individual entity versus collective assessment for pools;
- Model estimation based on market data or historical default data; and
- Credit process assumptions based on hazard rate models, markov chains and structural default models, etc. Categories of risks are detailed in the table below.

Development loans	Company definition of category	Basis for recognition of ECL provision
Stage 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its Expected lifetime
Stage 2	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due except certain circumstances	Lifetime expected losses
Stage 3	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments where there is no reasonable expectation of recovery	Asset is written off
Purchased or originated credit impaired loans	Loans that are credit impaired on initial recognition	Lifetime expected credit losses

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following data:
- Information obtained during periodic review of customer files such as audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings; and
- Significant actual and expected changes in the political, regulatory and technological environment of the borrower or in its business activities

(h) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on recommendation from the Financial Planning Working Group and Investment Committee, economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

(i) Modified financial assets

Generally, loan restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of a restructure may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the financial asset has been cured, as per the rehabilitation process in the Business Support and Recovery Unit (BSRU) policy of the Bank, the Bank measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date if its stage 1. In terms of the policy, a financial instrument will be transferred back from Stage 2 to Stage 1, when the specified quantitative threshold, qualitative measures or backstop criteria are no longer met. This is when there is a significant improvement in credit risk. This is approved through the governance process of the Bank i.e. approved by the Investment Committee or Portfolio Committee, as mandated. The BSRU Unit monitors defaulted clients until curing process is successfully completed. BSRU does regular loan risk reviews; review reports are submitted to Bank governance committees for approval. When clients when successfully rehabilitated, they are monitored for a period of time until the clients are moved to performing loan book where there are monitored by Loan Management and Credit Risk Units.

(j) Credit impaired

For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provisions for doubtful debt) rather than the gross carrying amount. Unrecognised interest when a credit-impaired (stage 3) financial asset is subsequently paid in full or is no longer credit-impaired (cures) is recognized as a reversal of impairment losses.

(k) Definition of default and credit impaired assets

In order to determine whether financial assets are credit-impaired the Bank considers:
- 90 days past due;
- Any bad debt write-off;
- Distressed restructuring of credit obligations;
- Obligor's bankruptcy or similar protection such as Business Rescue; and
- The borrower is insolvent.

A financial contract (loan, other credit product, derivative etc.) is past due when a counterparty has failed to make a payment when that payment was contractually due.

The missed payment concerns any amount due under the contract (interest, principal, fee or other amount) that has not been paid in full at the date when it was due. An exposure should be considered past due from the first day of missed payment, even when the amount of the exposure or the past-due amount, as applicable, is not considered material. The default definition has been applied consistently to model of PD, EAD and LGD throughout the bank's ECL calculations.

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

(l) Incorporation of forward- looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning, budgeting and capital management. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

43. RISK MANAGEMENT (continued)

43.3 Credit risk (continued)

43.3.11 Credit risk exposure (continued)

The Bank has identified and documented key drivers of credit risk and credit losses for each financial instrument and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used included the following ranges of key indicators for South Africa for the years ending 31 March 2023 and 2022.

The key indicators are:

- South African CPI;
- Sub-Saharan nominal GDP;
- Crude oil;
- Three-month Libor/Jibar; and
- USD/ZAR exchange rate.

In estimating the expected credit losses, the Bank considers a range of possible outcomes with the respective risks of default as weights. The Bank does not rely on one economic scenario. The Bank uses at least three scenarios for the purposes of incorporating forward-looking information and the various inputs to the scenarios are relevant and appropriate to the classes of financial assets and off balance sheet items across the various geographies in which the Bank operates. In incorporating forward-looking information as well estimating the expected credit loss assessment, the Bank uses reasonable and supportable information available without undue effort and costs.

In estimating the expected credit losses, the Bank considers the probability of default on a loan level over the lifetime of the assets, forward looking information, which has an impact on the loan book and weightings for each of the scenarios based on the likelihood of each scenario. For the purposes of incorporating forward-looking information in the calculation of ECL, the Bank uses three macro-economic scenarios. The Bank has considered the base-case scenario, which simulates the most expected economic conditions for the Bank's loan portfolio given current economic state i.e. conditions similar to what is known at year-end. The best-case scenario represents the most favourable economic conditions for the performance of Bank's loan book. The adverse-case scenario represents unfavourable economic conditions for the performance of the Bank's loan book. The Bank considers several factors such as interest rates, GDP growth rates, exchange rate and inflation as macroeconomic drivers.

The expected credit losses are an estimate and therefore there is an inherent degree of subjectivity and that the current estimate of the expected credit losses may not perfectly predict the actual outcome in future. The Bank has applied the principles of unbiased probability weighted average, time value of money and has used reasonable and supportable information without undue effort and costs in the estimation process. In estimating the expected credit losses, the Bank has considered the base-case scenario, which simulates the most expected economic conditions for the Bank's loan portfolio given current economic state i.e. conditions similar to what is known at year-end. The best-case scenario represents the most favourable economic conditions for the performance of Bank's loan book. The adverse-case scenario represents unfavourable economic conditions for the performance of the Bank's loan book. The Bank considers several factors such interest rates such as GDP growth rates, exchange rate and inflation.

The Bank conducts back testing of macro-economic forecasts. Further, the Bank has a Financial Planning Working Group, which reports to ALCO and Investment Committee comprising of various specialists within the Bank. The Working Group reviews various sources of economic data (both internal and external) and formulates a house view of key macroeconomic variables for use in all models within the bank. These scenarios are relevant and appropriate to the classes of financial assets and off balance sheet items across the various geographies in which the Bank operates. The Bank has applied regression analysis of the macroeconomic variables against the observed default rates. The Credit Lab performs a regression analysis at least annually and where applicable marginal adjustments are made to the PD curves to incorporate future looking information. The PD and LGD used for the ECL calculation are produced from benchmarked credit risk models which are reviewed and calibrated to performance. A regression analysis of PD against the forecasts of macro variables informs the forecast change in PDs given the forecast of macro variables. The outcome of the regression analysis is updated annually and where applicable marginal adjustments are made to the PD curves to incorporate future looking information.

The Bank has applied the principles of unbiased probability weighted average, time value of money and has used reasonable and supportable information without undue effort and costs in the estimation process. Where applicable overlays are applied depending on various factors and considerations including the directionally relationship between changes in expected credit loss and results of observable data. The overlays are subject to strict governance and approval process by the Bank's Investment Committee and Board Audit and Risk Committees.

(m) Most significant period-end assumptions

The most significant period-end assumptions used in the ECL calculation are set out below:

Economic Variable	2023	2024	2025	2026
South African CPI				
Mild case	6.60	5.60	5.40	5.30
Base case	5.80	4.70	4.60	4.60
Best case	6.40	5.30	5.20	5.20
Sub-Saharan nominal GDP				
Mild case	2.90	3.30	3.40	3.50
Base case	3.70	4.10	4.20	4.30
Best case	4.30	4.60	4.50	4.60
Crude oil				
Mild case	73.90	75.80	71.00	67.40
Base case	86.40	87.30	83.30	80.40
Best case	98.90	100.80	97.50	95.40
Three-month Libor				
Mild case	4.90	3.70	3.00	3.10
Base case	5.00	3.80	3.10	3.00
Best case	5.20	4.00	3.30	3.40
ZAR USD exchange rate				
Mild case	19.30	17.90	18.20	18.60
Base case	17.50	16.30	16.80	17.30
Best case	16.30	14.80	15.10	15.70

The forward looking information is incorporated into the PD curves used for the lifetime ECL calculation. Multivariate non-linear regression analysis is conducted to take into account economic forecasts of variables which affect the assets in the loan portfolio, and their effect on our prediction of PD forward looking. This analysis is an accurate prediction for the shape of the PD curves for the following 4 years. Following the first four years, the shape of the PD curves uses the TTC (through the cycle) PD of the DBSA loan portfolio. Each loan's PD will however be at the level of PD as determined by its MS rating. The ECL is calculated over the full life of the loan for stage 2 assets.

(n) Weightings of best, base and adverse case:

	Best case	Base case	Adverse case
Weightings (%)	5	55	40

(o) Macro-economic factors

IFRS 9 requires the use of macro-economic factors when calculating ECL. To the extent that it is relevant and practical the Bank has used macro-economic factors in the ECL methodology. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed annually.

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(p) Measurement of expected credit losses

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

In the current year, changes were made to the probability weightings applied to the base case and adverse case scenarios in determining the ECLs.

	2023		2022		2021
	%	% change	%	% change	%
Best case	5	-	5	-	5
Base case	55	5	50	-	50
Adverse case	40	(5)	45	-	45
Total %	**100**	**-**	**100**	**-**	**100**

In the current year, there have been changes in the assumptions used however, there have been no changes in the estimation techniques used to measure the expected credit losses except the changes due to COVID-19 where multivariate approach was used. In the current year the estimation technique methods continue to be appropriate and have gone through the necessary governance processes.

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on PD, LGD and EAD; expected credit losses are discounted to the reporting date using the effective interest rate.	PD, LGD and EAD over current PDs survival rate and expected credit losses	Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on survival rate, seasoning and cyclicality effects.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclically.
			The current LGD is the output of the LGD model; analyses showed that the subsequent LGDs are the same as the first year's LGD.	LGD: LGD model calibrated with own data history.
			Lifetime is the contractual tenor of the loan; no prepayments assumed.	EAD: Inclusion of repayment schedules.
Whether a credit risk has increased significantly since initial recognition	According to the Stage 2 definition; different Bank specific identifiers including the minimum 30 days past due criteria (after relevant exclusion rules have been applied) have been selected for the identification of SICR.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is assessed at an individual loan level.	Stage classification is fact based using current flags and information available the Bank's data base.
Whether a financial asset is a credit-impaired financial asset	Definition; in general, unlikeliest to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of The Bank's identifier e.g. for specific cases of unlikeliest to pay	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client level,i.e. if one loan is considered to be credit impaired (stage 3) then all loans of the same clients are considered to be so as well.	Stage classification is fact based using current flags and information available in the Bank's data base. Maximum stage across all loans per client rule applies.

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(q) Sensitivity analysis

(i) Changes in ECL that will result from changes in the weightings applied due to changes in economic indicators

The most significant assumptions affecting ECL are GDP, crude oil prices, interest rate and ZAR/USD exchange rate. Detailed in the table below are changes to the ECL that will result from changes in the weightings applied due to changes in the economic indicators used in the Bank's economic variable assumption.

	Actual weight	Adjusted weight	Change	Actual ECL	Adjusted ECL	Change in ECL
	%	%	%	(R'000)	(R'000)	%
31 March 2023						
Adverse case	40	50	10	2 885 904	3 601 974	25
Base case	55	45	(10)	322 824	322 824	0
Best case	5	5	-	6 049 271	5 924 702	(2)
Weighted ECL - Stage 1 and Stage 2				**9 257 999**	**9 849 500**	**6.4**
Credit impaired ECL				2 916 946	2 916 946	-
Total ECL				**12 174 945**	**12 766 446**	**4.9**
31 March 2022						
Worst case	50	45	(5)	5 367 104	5 112 006	(5)
Base case	45	50	5	2 114 465	2 349 405	11
Best case	5	5	-	242 671	242 671	-
Weighted ECL - Stage 1 and Stage 2				**7 724 240**	**7 704 082**	**(0.3)**
Credit impaired ECL				4 115 697	4 115 697	-
Total ECL				**11 839 937**	**11 819 779**	**(0.2)**

The Bank has changed the naming conventions of the scenarios and renamed the Worst Case the Adverse Case and the new naming convention did not affect how the Adverse case (previously referred to as Worst Case) is determined.

(ii) Probability weightings of the above three scenarios

The following table shows a comparison of the forward-looking impact on the ECL provision based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% rating of the above factors:

	Weight %	Unweighted ECL (R'000)	Difference to weighted ECL (R'000)	Difference to weighted ECL %
31 March 2023				
Base case	100	12 705 851	530 906	4.2
Adverse case	100	12 980 523	805 578	6.2
Best case	100	11 955 033	(219 912)	(1.8)
31 March 2022				
Base case	100	11 630 666	(209 271)	(1.8)
Adverse case	100	12 033 816	193 879	1.6
Best case	100	11 784 576	(55 361)	(0.5)

(iii) Sensitivity analysis - single name impairments

In defining the recoverable amounts attributed to distressed/defaulted borrowers, management considers a range of factors attributable to the economy at large was well as the state of affairs of the borrower. Changes resulting from the elevated uncertainty due to the pandemic as well as specific conditions applicable to each borrower may have a significant impact on the value of recoveries and estimation of recoverable amounts involves.

Development loans

The following table shows a comparison of the impact on the aggregated total of single name ECL provision (stage 3 NPL and POCI) should the estimated recoverable amounts either increase or decrease by a factor of 10%.

	10% decrease in management value	Actual	10% increase in management value
	R'000	R'000	R'000
31 March 2023			
Credit impaired ECL (Stage 3 NPL and POCI)	2 993 393	2 916 946	2 822 805
% change	2.62		(3.23)
31 March 2022			
Credit impaired ECL (Stage 3 NPL and POCI)	4 257 318	4 115 697	3 974 059
% change	3.42		(3.46)

43.3.11.5 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector, region and by geographic location. An analysis of concentrations of credit risk from development loans, development bonds, trade and other receivables, loan commitments and financial guarantees.

(a) Development loans and loan commitments

	Development loans		Loan commitments	
	2023	2022	2023	2022
Concentration of risk				
Gross carrying amount /amount committed (R'000)	105 854 034	95 876 051	10 869 873	10 129 902
Concentration by Sector: Energy %	44.98	47.36	28.48	29.57
Concentration by Country: South Africa %	71.09	73.35	65.61	73.72
Concentration by location: Currency (ZAR) %	71.09	73.38	65.61	73.72

Concentration by location for development loans, loan commitments and financial guarantees is based on the customers country of domicile.

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(b) Geographical analysis of development loans at amortised cost

in thousands of rands	Stage 1	Stage 2	Stage 3	POCI	Total 2023	Total 2022
Stage 3						
South Africa	-	-	1 100 073	59 737	1 159 810	1 858 202
Rest of Africa	-	-	2 364 551	477 351	2 841 902	3 689 462
Total	**-**	**-**	**3 464 624**	**537 088**	**4 001 712**	**5 547 664**
Provision for ECL						
South Africa	-	-	(827 466)	(39 914)	(867 380)	(1 319 197)
Rest of Africa	-	-	(1 572 215)	(477 351)	(2 049 566)	(2 796 500)
Total	**-**	**-**	**(2 399 681)**	**(517 265)**	**(2 916 946)**	**(4 115 697)**
Carrying amount: South Africa	-	-	272 607	19 823	292 430	539 005
Carrying amount: Rest of Africa	-	-	792 336	-	792 336	892 962
Carrying amount - Stage 3	**-**	**-**	**1 064 943**	**19 823**	**1 084 766**	**1 431 967**
Stage 1 and 2						
South Africa	38 704 690	35 383 100	-	-	74 087 790	68 467 105
Rest of Africa	17 740 514	10 024 018	-	-	27 764 532	21 861 282
Total	**56 445 204**	**45 407 118**	**-**	**-**	**101 852 322**	**90 328 387**
Provision for ECL						
South Africa	(580 545)	(3 220 943)	-	-	(3 801 488)	(3 024 914)
Rest of Africa	(321 403)	(5 135 108)	-	-	(5 456 511)	(4 558 386)
Total	**(901 948)**	**(8 356 051)**	**-**	**-**	**(9 257 999)**	**(7 583 300)**
Carrying amount: South Africa	38 124 145	32 162 157	-	-	70 286 302	65 442 191
Carrying amount: Rest of Africa	17 419 111	4 888 910	-	-	22 308 021	17 302 896
Carrying amount - Stage 1 and 2	**55 543 256**	**37 051 067**	**-**	**-**	**92 594 323**	**82 745 087**
Gross carrying amount	**56 445 204**	**45 407 118**	**3 464 624**	**537 088**	**105 854 034**	**95 876 051**
Provision for ECL	(901 948)	(8 356 051)	(2 399 681)	(517 265)	(12 174 945)	(11 698 997)
Net carrying amount - stage 1, 2 and 3	**55 543 256**	**37 051 067**	**1 064 943**	**19 823**	**93 679 089**	**84 177 054**

ECL

in thousands of rands	2023	2022
12-month ECL	901 948	1 333 626
Lifetime ECL- not credit impaired	8 356 051	6 249 674
Lifetime ECL- credit impaired	2 094 262	2 936 797
Purchased - credit impaired	517 265	867 489
Total	**11 869 526**	**11 387 586**

ECL statement of financial position amount above excludes interest in suspense of R305 million (31 March 2022: R311 million).

(c) Development bonds

in thousands of rands	12-month ECL	Lifetime ECL - not credit impaired	Total 2023	Total 2022
Performing				
Municipal	993 877	1 290 608	2 284 485	1 290 413
Provision for ECL	(794)	(129 346)	(130 140)	(138 510)
Net carrying amount	**993 083**	**1 161 262**	**2 154 345**	**1 151 903**

The maximum exposure relating to development bond is R2.2 billion (31 March 2022: R1.3 billion).

(d) Trade receivable and other assets

in thousands of rands	Default rate 0%	Default rate 17% and 100%	Default rate 100%	Total 2023	Total 2022
Trade receivables					
Trade debtors	265 796	81 013	2 018	348 827	179 209
Provision for ECL	-	(19 713)	(2 018)	(21 731)	(18 460)
Net carrying amount of trade receivables	**265 796**	**61 300**	**-**	**327 096**	**160 749**
Financial and other assets					
Accrued interest				1 254	1 429
Deposits				4	4
Payroll expenses receivable				27	786
Prepayments				71 447	93 824
Staff loans				83	67
Subsistence and travel				566	936
VAT receivable				1 589	1 498
Total of financial and other assets				**74 970**	**98 544**
Balance at end of the year				**402 066**	**259 293**

(e) Commitments (loans signed, but not yet fully disbursed)

in thousands of rands		2023	2022
Low risk	- Other	4 484 564	4 584 327
Medium risk	- Municipal	37 900	37 900
	- Other	5 835 867	3 024 609
High risk	- Municipal	-	105 000
	- Other	511 542	2 378 066
Gross carrying amount		**10 869 873**	**10 129 902**
Provision for ECL		(36 943)	(2 430)
Net carrying amount		**10 832 930**	**10 127 472**

43. RISK MANAGEMENT (continued)
43.3 Credit risk (continued)
43.3.11 Credit risk exposure (continued)

(f) Loans that are past due not individually impaired

	31 March 2023					31 March 2022				
in thousands of rands	Total	< 3 months	3-6 months	6-12 months	> 12 months	Total	< 3 months	3-6 months	6-12 months	> 12 months
Overdue amounts	649 737	619 415	24 601	5 654	67	68 315	66 845	1 468	2	-
Not yet due	19 405 292	-	-	-	-	3 690 872	-	-	-	-
Total	**20 055 029**	**619 415**	**24 601**	**5 654**	**67**	**3 759 187**	**66 845**	**1 468**	**2**	**-**

An amount of R213 million (31 March 2022: R67 million) was received after the reporting date but before the authorisation of the Annual Financial Statements.

The fair value of collateral amounted to R494 million (31 March 2022: R121 million). For the purposes of calculating this aggregated total, the fair value of each collateral is limited to the carrying value for each individual loan.

(g) Financial counterparty exposure

in thousands of rands	2023	2022
Bonds	311 000	386 000
Cash and cash equivalents	6 166 069	7 990 108
Derivatives	(624 277)	446 031
Segregated funds	36 332	33 480
Total	**5 889 124**	**8 855 619**

43.4 Capital management

The Bank objectives when managing capital are:
- To safeguard the Bank's ability to continue as a going concern, through ensuring a sufficient cushion against unexpected losses, and to provide for an acceptable growth rate in the Bank's development finance activities.
- To maintain an adequate credit rating to ensure that the Bank continued access to Fund at optimal rates in support of its mission to provide affordable development finance solution.
- To align the returns on the Bank's assets to its associated risks.

The Bank monitors and manages its capital adequacy within the regulatory leverage constraint and in line with the capital adequacy framework approved by the Board. Whereas the Bank has adopted a self-imposed capital adequacy framework that differentiates between the risks assumed on different asset classes and provides for market and operational risk, the overarching regulatory capital requirement applicable to the institution is derived from the debt-equity maximum of 250%. Implicit in this is a minimum unweighted capital requirement of 28.6%.

The leverage ratio is calculated as total debt divided by shareholders' capital, where total debt comprises total liabilities excluding other creditors (as shown on the statement of financial position). Capital comprises share capital, permanent government funding, retained earnings, and reserves. As at 31 March 2023, the debt to equity ratio stood at 124% (31 March 2022: 130%), and the debt to equity ratio including callable capital stood at 87% (31 March 2022 :88%). The capital ratio is calculated as shareholders' capital divided by unweighted assets, where unweighted assets comprise total assets (as shown on the statement of financial position). Shareholders capital comprises share capital, permanent government funding, retained earnings, general provisions and the fair reserve. As at 31 March 2023, the capital ratio stood at 44% (31 March 2022: 43%).

43.5 Impact of macro-economic shock events on the Bank

43.5.1 Assets portfolio

43.5.1.1 Credit models

The base credit models were re-calibrated during the year under review following the completion of the independent credit model review. The new base models were applied to the Top 20 loans (76% of the book) and with the exception of the Top 20 loans, the base models applied in finalising ECLs for the year remained consistent with the prior year. There were no other changes made to the base credit models during the year under review in response macro-economic shock events such as the Russia-Ukraine conflict or inflation or the South Africa's subdued economic recovery that lingers post the COVID-19.

43.5.1.2 Forward looking information models

IFRS 9 requires the 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. The model methodology was reassessed to determine applicability given current market conditions. During the initial advent of the pandemic in early 2020 in South Africa, the DBSA revised the Forward-Looking Model based on linear regression methodology because the linear regression model provided results that were less reliable by under and overestimating ECL at various time periods. The linear regression approach limitation was in only predicting linear relationships between dependent variables. Non-linear methodologies were investigated, and non-parametric regression methods were approved for use as a good option given the shape of the development data.

The Generalised Additive Model (GAM), a form of non-parametric regression was utilized to model the effects of macro-economic factors on the DBSA PD's in order to appropriately determine ECL at year end. The full extent of factors such as elevated consumer inflation driven by the Russia-Ukraine conflict, sovereign debt situation and impact on performance risk continue to remain unknown and evolving at year end.

Management has, however, estimated impact of these shock events on forward-looking information (including modelling associated default rates) using multivariate regression approaches. The estimated impact has been factored into the first three years of the FLI forecasting casting window and there after assumption was made that the probability adjustment will revert to through the cycle (TTC) levels onwards.

The GAM model has been consistently applied during the year under review.

43.5.1.3 Staging impact

The Bank did not offer blanket payment holidays in response to macro-economic shock events. Accordingly, there was no change in automatic IFRS 9 staging triggers. The Bank continued to apply the banking guidance provided, where the staging of loans with satisfactory performance prior to COVID-19 were not automatically changed in terms of IFRS loan staging. However, underperforming loans that showed negative COVID-19 induced deterioration which was permanent were downgraded to Stage 3

43.5.1.4 Consideration of post balance sheet information

Consideration of post balance sheet information Prior to the advent of the COVID-19 pandemic, the Bank's standard practice was to use forward-looking information obtained approximately a month before the reporting date. In the post-pandemic era, the Bank applied this practice in the prior year and in the current year, the Bank used forward looking information for March 2023 obtained in April 2023.

Management continuously monitors the current and forecast effects of macro-economic shock events in order to determine whether these indicate evidence of the occurrence of adjusting post balance sheet events. Given the current macro-economic outlook, the impact of changes to forward-looking information for March 2022 was reviewed (in a manner consistent with the 2021 year). However, for March 2023, the Bank used FLI information obtained at year end (in April 2023 for March 2023).

43. RISK MANAGEMENT (continued)

43.5 Impact of macro-economic shock events on the Bank (continued)

43.5.1 Assets portfolio (continued)

43.5.1.5 Changes in weighting in response to macro-economic shock

During the 2020 financial year, the DBSA increased the assigned weighting for its defined Adverse case ECL estimation scenario to 50% in anticipation of an RSA sovereign credit rating downgrade (which subsequently materialised). Additionally, due to the higher probability assigned to the Adverse case scenario, the Adverse case scenario became the Bank's Base case scenario. Since the Bank's initial adoption of IFRS 9, there has been, and continues to be, an overall continuing negative trend on most key macro-economic factors, this excludes the limited initial recovery in numerous high-frequency indicators following the roll back of mobility restrictions in most jurisdictions.

Notwithstanding the fact that Bank had proactively increased the weighing assigned to negative scenarios, the Bank continues to perform various scenario analyses and stress testing of the ECL, with the summary below showing limited results from stress testing and changes in weightings:

- Increase in Adverse case by 5% causes ECL to increase by approximately 0.2%
- Increase in Adverse case by 10% causes ECL to increase by approximately 0.4%
- Increase in Adverse case by 15% causes ECL to increase by approximately 0.6%.

During the period under review the Bank considered the economic outlook and changed the weights by increasing the base case (Adverse case) 55% from 50% and reducing the Adverse case from 45% to 40%. Further the bank has changed the naming conventions of the scenarios and renamed the Worst Case the Adverse Case and the new naming convention did not affect how the Adverse case (previously referred to as Worst Case) is determined.

43.5.1.6 IFRS 9 post-implementation plan

After successful embedment of IFRS 9 over the preceding 4 financial reporting periods, the Bank's post implementation review project is currently underway. The Bank has identified a number of key focal areas and the project has been delineated into corresponding workstreams each with a working group established to deal with each focus area. As part of the review, the Bank seeks to continue compliance with best practice in a manner commensurate with its internal risk and governance approach. Any required changes or updates to internal policies and/or processes are subject to approval under the Bank's applicable governance framework.

The two critical workstreams that were completed during the year under review are the following:

(a) Review of Significant Increase in Credit Risk

The Bank engaged an independent audit firm to review the SICR and benchmark these to best practice and the results from the benchmarking indicated that the Bank's SICR rules are in compliance with IFRS 9 and also in line with local, regional and international benchmarks.

(b) Review of discounts rates used in equities valuations

The Bank engaged an independent audit firm to benchmark the discount rates applied by the Bank on a post COVID-19 basis and the results from the benchmarking indicated that the Bank's discounts rates post COVID-19 are in line with the industry asset classes.

43.5.2 Liabilities portfolio

43.5.2.1 Liquidity risk management

The Bank primarily sources funding from lines of credit, debt capital market and repurchase agreements. There has been no default or breaches relating to the borrowings recognized during and at interim reporting date. The Bank undertakes rigorous cashflow forecasting and liquidity management techniques. The Bank's foreign currency borrowing limit was approved and this enables the Bank, to also raise funding in the international markets. The DV23 bond with a nominal value of R7.8 billion matured and was settled in February 2023.

43.5.2.2 Hedge accounting

The Bank continues to apply the provision of IFRS 9 in the management of risks associated with hedging activities. The Bank continues to use various derivative instruments for risk management and there was no change in the derivative instruments used. In applying hedge accounting, the Bank has considered the appropriateness of the cash flow hedging accounting and concluded that forecast transactions remain highly probable.

The Bank's cash flow hedges comprise predominantly of currency swaps and currency options. These are highly probable transactions for which there is a minimal risk of uncertainty and these instruments have been effective in managing currency risk. Post interim reporting date there has been no reclassification of irrecoverable loss from the cash flow hedge reserve to profit or loss. The currency swaps are 100% effective and the time value of money component of currency options is recognised in cash flow reserve.

43.6 Risks and uncertainties associated with Ukraine-Russia War

The ongoing hostility in eastern Europe continues to be driver of risk and uncertainty across the globe. Disruption to international supply chains increases risk of food insecurity, notably in countries dependent on Ukrainian agricultural exports. In the prior year, the fuel shortages driven by the initial loss of the Russian supply contribution resulted in elevated global fuel costs, driving rapid inflation in both developed and developing countries, outside policymakers' desired target ranges. Inflation continues to be a driver of risk and uncertainty and policy responses have seen a rapid unwinding of pandemic era monetary policy support measures, increased cost of borrowing while simultaneously buffeting nearly all exchange rates against the US dollar.

While oil producing countries continue to benefit from relatively elevated price levels, energy importing economies have seen significant increases in imported inflation due to relatively high fuel and gas prices, contributing the headline inflation that remains very high. The Bank's portfolio includes both oil importers and oil exporters and with the full impact and anticipated duration of the war still in doubt, the economic uncertainty caused by the conflict will continue to affect the Bank's clients across the continent.

43.7 Reference rate reform

43.7.1 Overview

The Bank is exposed to market risk associated with the following interest rate benchmarks in its hedge accounting relationships and contractual agreements: JIBAR, LIBOR and EURIBOR which extends beyond 31 March 2023. Various groups have been established which are comprising of various skills sets and professionals across the Bank to work on reference rate reform transition. In addition, training sessions have been held.

In light of the amendments issued by the IASB to IAS39/IFRS 9 which provides relief to all hedging relationships that are directly affected by interest rate benchmark reform , the Bank will continue to apply the phase 1 amendments to IFRS9/IAS39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cashflows to which the Bank is exposed to ends.

The Bank has been preparing for the IBOR reform for the past 2 years and there is a dedicated project management team that ensures that all project deliverables are effectively and efficiently met. The Bank's project governance structure was established, and the key function is to provide direction and approve key decisions and project metrics. The reference rate project is overseen by the Reference Rate Reform project Steering Committing (SteerCo).The Reference Rate Reform SteerCo comprising of group executives is responsible for the transition and governance of the reference rate reform. In addition to the SteerCo, the project operations are managed by the reference rate reform Operations Committee (OpsCo) which comprises heads of business units across the Bank

(a) IBOR reform update

The Financial Stability Board initiated a reform of the major interest reference rates to new alternative reference rates which are more reliable and robust. The ICE Benchmark Administration (IBA, administrator of LIBOR) issued a publication in March 2021 regarding the replacement of reference interbank rates and their cessation dates. The LIBOR rates which the Bank is exposed to will cease to be published on 30 June 2023. As at 31 March 2023, the Bank has loan contracts that transitioned from USD LIBOR to Overnight SOFR and Term SOFR. The Bank is now in the final phases on contract repapering for all those contracts affected by the IBOR reform.

43. RISK MANAGEMENT (continued)

43.7 Reference rate reform (continued)

43.7.1 Overview (continued)

(b) JIBAR reform update

The South African Reserve Bank is in a process of replacing JIBAR, however the end date for JIBAR publication has not been communicated. The Market Practitioners Group (MPG) designated the South African Overnight Index Average (ZARONIA) as the preferred successor rate that will most likely replace JIBAR. ZARONIA is currently being published to allow market participants to observe the rate, while the MPG considers its implications and plans for the Jibar transition. The Bank continues to monitor developments in the local regulator (SARB) on local reference rate reforms (JIBAR) and is engaging with local bodies as well as international developments regarding the reference rate reform.

(c) Judgements and assumptions

No significant judgements and assumptions were made. Given the nature of the Bank's portfolio, each loan was individually assessed and negotiated with the relevant counterparty.

(d) Various workstreams

The Bank has established various workstreams that are cross functional and led by different heads to ensure effective risk management, ownership, accountability, and smooth transition to alternative reference rates.

43.7.2 Updates on key developments on interest rate reform

The updates on key developments on interest rate reform is detailed below

43.7.2.1 Contract reviews and amendments

The Bank completed the review of all affected loan agreements within the asset and liability portfolios that are affected by the IBOR reform in 2022. The Bank is now in the process of finalizing the contract repapering with clients and the process is expected to be completed by 30 June 2023.

43.7.2.2 ICT Systems and models

The changes to systems and adoption of new methodologies is an area of significant management focus. The Bank system upgrades have been completed for Treasury Portfolio and the Loan Portfolio is due for completion by 30 June 2023.

43.7.2.3 Risk management

Effective risk management is critical to the success of the project. The project is structured in a manner that allows effective risk management. Below is a summary of the key remaining risks (given the stage of Reference Rate Reform project) that the Bank is exposed to as a result of the IBOR reform:

(a) Model risk

Risk of the credit and valuation models not being able to accommodate the new interest rates. Risk mitigation
The Bank's Investment Committee has approved a model risk governance framework and policy. The Bank has a project plan to ensure that all models and systems are updated to accommodate the new reference rates.

(b) Legal risk

Risk of being non-compliant to the agreements previously agreed with clients. Risk mitigation
The Bank has a dedicated inhouse counsel that has access to external counsel to ensure that all the contracts have been repapered.

(c) Operational risk

The risk of DBSA systems not being able to Incorporate the required interest rate changes as negotiated as per the existing and new contracts, risk of strategies, procedure manuals, processes and policies not being updated for the ARRs.

Risk Mitigation

Impact assessment was done on system, policies, procedures. The Quantum system has been upgraded for the new reference rates and the SAP system upgrade is work in progress.

(d) Compliance/regulatory risk

Risk that the bank is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

Risk Mitigation

The Bank has a stakeholder management strategy which includes proactive engagement with regulators. Further the Bank has a compliance universe as part of ensuring that regulatory requirements are assessed and complied with. The assessments are ongoing to ensure that any new developments are complied with.

(e) Reputational risk

The risk to the bank's reputation from failing to adequately prepare for the transition. Risk mitigation
The Bank has established various workstreams that are cross functional and led by different heads to ensure effective risk management, ownership, accountability, and smooth transition to alternative reference rates.

(f) Conduct risk

Risk of client dissatisfaction with the new rates negotiated for the transition. Risk Mitigation
The Bank does not advise clients on which rate to use however the Bank negotiates with clients. All club deals are coordinated by agent banks.

43.7.3 Exposures of significant IBORs subject to interest rate reform

The Bank predominately has USD and EUR exposure to financial instruments and the table below shows the Bank's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end. The table exclude exposures to IBOR that will expire before transition is required.

(a) IBOR exposure in ZAR currency amount

The table below shows IBOR exposure in ZAR currency amount:

in thousands of rands	Non derivative financial assets - carrying value	Non-derivative financial liabilities – carrying value	Loan commitments	Derivatives Nominal amount
31 March 2023				
LIBOR tenors				
USD LIBOR (1 month)	2 719 633	-	129 170	-
USD LIBOR (3 months)	1 685 992	-	-	-
USD LIBOR (6 months)	13 845 500	10 428 566	2 187 169	-
Total	**18 251 125**	**10 428 566**	**2 316 339**	**-**
31 March 2022				
LIBOR tenors				
USD LIBOR (1 month)	2 575 193	-	108 038	-
USD LIBOR (3 months)	834 795	-	-	-
USD LIBOR (6 months)	10 791 097	13 654 649	2 196 987	-
Total	**14 201 085**	**13 654 649**	**2 305 025**	**-**

43. RISK MANAGEMENT (continued)
43.7 Reference rate reform (continued)
43.7.3 Exposures of significant IBORs subject to interest rate reform (continued)

(b) IBOR exposure in USD currency amount

The table below shows IBOR exposure in USD currency amount:

in thousands	Non derivative financial assets - carrying value	Non-derivative financial liabilities – carrying value	Loan commitments	Derivatives Nominal amount
31 March 2023				
LIBOR tenors				
USD LIBOR (1 month)	152 958	-	7 265	-
USD LIBOR (3 months)	94 824	-	-	-
USD LIBOR (6 months)	778 699	586 524	123 011	-
Total	**1 026 481**	**586 524**	**130 276**	**-**
31 March 2022				
LIBOR tenors				
USD LIBOR (1 month)	176 337	-	7 398	-
USD LIBOR (3 months)	57 163	-	-	-
USD LIBOR (6 months)	738 924	935 007	150 439	-
Total	**972 424**	**935 007**	**157 837**	**-**

44. RELATED PARTIES

44.1 Related party relationships

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.

44.2 Transactions with related parties

The following is a summary of transactions with related parties during the year and balances due at end of year.

44.2.1 National public entities

The total book debt of loans extended to national public entities amounts to R23.2 billion (31 March 2022: R19.4 billion). None of these loans are non-performing. Of the loan commitments disclosed in note 46, R5.0 billion (31 March 2022: R4.5 billion) relates to national public entities.

44.2.2 National mandates

The net amount outstanding at year end amounted to R331 million (31 March 2022: R175 million) (refer note 6).

45. CONTINGENCIES

45.1 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	2023	2022

46. COMMITMENTS

At the reporting date, the Bank had the following commitments:		
Capital commitments	150 081	150 081
Development expenditure	69 000	19 624
Development loan commitments	10 869 873	10 129 902
Equity investments commitments	169 045	672 440
Project preparation expenditure	181 006	153 654
Gross carrying amount	**11 439 005**	**11 125 701**
Provision for ECL	(36 943)	(2 430)
Net commitments at end of the year	**11 402 062**	**11 123 271**

46.1 Development loan commitments

As the disbursement pattern for loans committed but not disbursed is a primary function of individual borrowers' implementation and administrative capacities, this pattern is not quantifiable. Loan commitments are to be financed from funds generated from operations and funds raised from local financial markets and foreign sources.

46.1.1 Client classification of development loan commitments

Educational institutions	200 300	180 078
Local government	37 900	142 900
National and provincial government	1 827 365	408 703
Private sector intermediaries	2 353 343	2 715 427
Public utilities	6 450 965	6 682 794
Total	**10 869 873**	**10 129 902**

46. COMMITMENTS (continued)
46.1 Development loan commitments (continued)

in thousands of rands	2023	2022
46.1.2 Geographical analysis of development loan commitments		
Eastern Cape	6 670	105 000
Free State	4 275 308	4 250 000
Gauteng	1 312 157	1 230 546
KwaZulu- Natal	251 674	296 032
North-West	25 713	91 542
Northern Cape	291 345	1 061 794
Western Cape	969 117	104 665
Rest of Africa	3 737 889	2 990 323
Total	**10 869 873**	**10 129 902**
Rest of Africa		
Angola	376 579	464 883
Congo	-	108 038
Cote d'Ivoire	383 012	-
Democratic Republic of Congo	129 170	-
Ethiopia	58 768	48 269
Ghana	334 071	571 697
Mozambique	1 214 791	1 109 656
Mauritius	168	6 500
Senegal	259 791	-
Sierra Leone	-	137
Tanzania	537 031	673 967
Uganda	444 508	-
Zimbabwe	-	7 176
Total	**3 737 889**	**2 990 323**
46.1.3 Sectorial analysis of development loan commitments		
Commercial	444 508	-
Communication and transport	1 706 750	1 613 684
Education	593 989	195 425
Energy - electricity	3 096 030	3 264 699
Energy – Non-grid standalone	100 000	100 000
Institution Building	204	-
Oil and gas	418 726	343 919
Roads and drainage	-	7 175
Sanitation	19 999	105 000
Social Infrastructure	26 224	-
Water	4 463 443	4 500 000
Total	**10 869 873**	**10 129 902**

46.1.4 Reconciliation of development loan commitments gross carrying amount and provision for ECLs

The tables below show the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for ECLs for 31 March 2023:

Reconciliation of carrying amount

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Balance at beginning of the year	8 698 868	710 934	719 962	138	10 129 902
Disbursements	(12 632 029)	(54 999)	-	-	(12 687 028)
Foreign exchange gains	561 971	91 864	-	30	653 865
New loan commitments issued	11 025 115	-	-	-	11 025 115
Transfer from stage 1 to stage 2	(535 200)	535 200	-	-	-
Transfer from stage 2 to stage 1	502 783	(502 783)	-	-	-
Withdrawals	2 704 081	(236 100)	(719 962)	-	1 748 019
Balance at end of the year	**10 325 589**	**544 116**	**-**	**168**	**10 869 873**

Reconciliation of provision for expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	2 429	1	-	2 430
New loan commitments issued	15 480	13 014	-	28 494
Subsequent changes in expected credit losses due to changes in risk parameters (PDs, LGDs, EAD)	6 019	-	-	6 019
Balance at end of the year	**23 928**	**13 015**	**-**	**36 943**

Expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	2023
ECLs recognised in the income statement excluding interest in suspense and write off	**21 499**	**13 014**	**-**	**34 513**

46. COMMITMENTS (continued)

46.1 Development loan commitments (continued)

The tables below show the reconciliation of the opening balance to the closing balance of development loan commitments gross carrying amount and provision for ECLs for 31 March 2022:

Reconciliation of carrying amount

in thousands of rands	Stage 1	Stage 2	Stage 3	Fair value	Total
Balance at beginning of the year	4 067 578	450 612	713 965	139	5 232 294
Disbursements	(11 453 174)	(1 464 094)	(2 516)	-	(12 919 784)
Foreign exchange losses	(111 270)	(36 784)	(99)	(1)	(148 154)
New loan commitments issued	16 789 340	1 518 050	-	-	18 307 390
Transfer from stage 1 to stage 2	(370 407)	370 407	-	-	-
Withdrawals	(223 199)	(127 257)	8 612	-	(341 844)
Balance at end of the year	**8 698 868**	**710 934**	**719 962**	**138**	**10 129 902**

Reconciliation of provision for expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	125	1	-	126
New loan commitments issued	41	-	-	41
Subsequent changes in expected credit losses due to changes in risk parameters (PDs, LGDs, EAD)	2 263	-	-	2 263
Balance at end of the year	**2 429**	**1**	**-**	**2 430**

Expected credit losses

in thousands of rands	Stage 1	Stage 2	Stage 3	2022
ECLs recognised in the income statement excluding interest in suspense and write off	**(2 304)**	**-**	**-**	**(2 304)**

46.2 Development expenditure, project preparation expenditure, equity investments and capital commitments

The commitments approved are to be financed from funds generated from operations and funds raised from local financial markets and foreign sources.

47. LEASE OBLIGATIONS

in thousands of rands	2023	2022
Minimum lease payments due (IFRS 16)		
Within 1(one) year	4 158	386
Within 2 (second) to 5 (fifth) year inclusive	8 545	150
Total	**12 703**	**536**

The Bank has entered into commercial lease agreements on property and equipment. These leases have an average life of between one and three years with no renewal option or option to acquire the assets at termination date included in the contracts. There are no restrictions placed upon the Bank by entering into these leases.

48. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

in thousands of rands	2023	2022
Fruitless and wasteful expenditure	-	-
Irregular expenditure	111	-
Total	**111**	**-**

One case of irregular expenditure was assessed, determined and investigated during the financial period. Disciplinary process and application for condonation still in process.

49. FUNDS ADMINISTERED ON BEHALF OF THIRD PARTIES

in thousands of rands	2023	2022
Balance at beginning of the year	2 332 669	1 806 053
Funds disbursed	(4 442 988)	(3 931 816)
Funds received	4 782 825	4 371 801
Interest, foreign exchange and other movements	113 254	86 631
Balance at end of the year	**2 785 760**	**2 332 669**

The Bank manages funds on behalf of third parties. Funds administered on behalf of third parties are in ring fenced bank accounts which are restricted and are utilised for specific purposes as determined in the agreements with third parties and as instructed by the parties to the agreements. The funds are not disclosed in the Bank's statement of financial position as they do not meet the definition of an asset as per the accounting framework.

In August 2019, the Cabinet of the Government of South Africa approved the establishment of the Infrastructure Fund (IF) through a dedicated implementation unit housed in the DBSA which would facilitate the financial structuring, procurement and implementation of priority blended-finance projects and programmes. The IF was established through a Memorandum of Agreement (MoA) which was signed on 17 August 2020 between the Department of Public Works and Infrastructure: Infrastructure South Africa (ISA), the National Treasury (Treasury) and the Development Bank of Southern Africa (DBSA). As per the MOA it was agreed that the DBSA and the National Treasury will each contribute 50% towards the operating costs of the Infrastructure Fund for the first 5 years of the agreement. During the financial year, the DBSA committed an amount of R42 million (31 March 2022: R52 million) towards the operational costs of the IF and the amount is disclosed under general and administration expenses.

50. THIRD PARTY MANAGED FUNDS COST RECOVERED

in thousands of rands	2023	2022
Third party funds and mandates		
African World Heritage Fund(AWHF)	6 871	5 351
District Development Model (DDM)	45 390	40 270
Global Environment Facility (GEF)	1573	3 470
Green Climate Fund	69	-
Infrastructure Delivery Management System (IDMS)	41	1 670
Infrastructure Fund	40 324	29 132
Infrastructure Investment Programme for South Africa (IIPSA)	1 781	1 845
Jobs Fund	1 589	1 544
KFW SADC Water Fund	3 000	2 282
National Department of Basic Education for Accelerated Infrastructure Schools Programme	5 992	7 539
National Department of Energy - Independent Power Producer Office (IPPO)	66 696	49 364
National Department of Health	1 998	3 655
National Treasury Cities Support Programme (NTCSP)	12 038	11 767
Pan African Capacity Building Platform (PACBP)	5 078	4 822
Student Housing Infrastructure Programme (SHIPMO)	12 530	8 340
World Economic Forum -Sustainable Development Investment Partnership Programme (WEF-SDIP)	2 395	1 614
Total costs recovered	**207 365**	**172 665**
Third party managed funds managed per division		
Coverage	45 390	40 270
Finance	52 342	39 305
Infrastructure Delivery	23 069	28 758
Project Preparation	86 564	64 332
Total	**207 365**	**172 665**
Cost recovery per division		
Corporate Services	113 339	166 530
Finance	14 963	644
Infrastructure Delivery	24 850	5 304
Project Preparation	54 213	187
Total	**207 365**	**172 665**

51. TAXATION

The Bank is exempt from South African normal taxation in terms of section 10(1)(t)(x) of the Income Tax Act,1962 (Act No. 58 of 1962), as amended, and consequently no liability for normal taxation has been recognised. The bank is registered for VAT, PAYE, SDL and UIF.

52. EVENTS AFTER THE REPORTING PERIOD

52.1 Adjusting events

(a) There were no material adjusting events after the reporting date other that those already addressed in the notes to the annual financial statements (refer to note 43 page 119).

52.2 Non-adjusting events

(a) Ms Boitumelo Mosako was appointed the Chief Executive Officer of the Bank from 1 April 2023 to 31 March 2028.

(b) Ms N P Zodwa was appointed Acting Chief Financial Officer of the Bank effective 1 April 2023 for the next six months to 30 September 2023. Mr. Mpho Mokwele currently Head: Project Finance in Transacting Division has been appointed as the acting Group Executive: Transacting with effect from 01 April 2023 till 30 September 2023.

(c) On Sunday 21 May 2023, at around 14:00, DBSA detected an abnormality during a routine check of its information systems. Further inquiry confirmed a breach of the Bank's information systems which immediately prompted the Bank's disaster recovery protocol. DBSA is taking the necessary precautionary measures and thoroughly investigating this breach in partnership with the Bank's data security partners and forensic investigators to determine the origin and extent of the breach. The findings of the investigation will inform further action.

ABBREVIATIONS AND ACRONYMS

ALCO	Assets & Liability Management Committee
ARR	Accounting Rate of Return
AWHF	African World Heritage Fund
B-BBEE	Broad-Based Black Economic Empowerment
BSC	Balanced Scorecard
BSRU	Business Support and Recovery Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CVA	Credit value adjustment
DBSA	Development Bank of Southern Africa Limited
DDM	District Development Model
DEFF	Department of Environment, Forestry and Fisheries
DFI	Development Finance Institution
DFID	The United Kingdom's Department for International Development
DPD	Days Past Due
DVA	Debit value adjustment
EAD	Exposure at default
ECL	Expected credit loss
EIR	Effective interest rate
ERR	Early risk review
Etc	Et cetera
EUR	Euro (currency)
EURIBOR	Euro Interbank Offered Rate
FLI	Forward-Looking Information
FVTPL	Fair value through profit or loss
GAM	Generalised Additive Model
GDP	Gross domestic product
GRA	Group Risk Assurance
HRC	Human Resources Committee
IASB	International Accounting Standards Board
IBA	ICE Benchmark Administration Limited
IBOR	Interbank Offered Rate
ICT	Information and communications technology
IDD	Infrastructure Delivery Division
IDKC	Infrastructure Delivery and Knowledge Management Committee
IESBA	International Ethics Standards Board for Accountants
IF	Infrastructure Fund
IFRS	International Financial Reporting Standards
IIPSA	Infrastructure Investment Programme for South Africa
IPPO	Independent Power Producers Office
ISA	International Standards on Auditing
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
KfW	The German Agency, Kreditanstalt für Wiederaufbau
KZN	KwaZulu-Natal
LGD	Loss given default
LIBOR	London Interbank Offered Rate
MEVs	Macroeconomic Variables
MISA	Municipal Infrastructure Support Agency
MoA	Memorandum of Agreement
NAV	Net asset value
NCD	Negotiable certificate of deposit
NDP	National Development Plan
NII	Net interest income
NPL	Non-performing loans
NTCSP	National Treasury Cities Support Programme
OCI	Other comprehensive income
ODRs	Observed Default Rates
OECD	Organisation for Economic Co-operation and Development
OpsCo	Operations Committee
PAA	Public Audit Act, No. 25 of 2004
PACBP	Pan African Capacity Building Platform
PAYE	Pay As You Earn
PD	Probability of default
PEG	Price Earnings Growth
PFMA	Public Finance Management Act, No. 1 of
POCI	Purchased or originated credit impaired
RAROC	Risk Adjusted Return On Capital
RFR	Risk Free Rates
ROE	Return on equity
RSA	Republic of South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank
SHIP	Student Housing Infrastructure Programme
SICR	Significant increase in credit risk
SMME	Small, medium and micro enterprises
SOC	State-owned company
SOE	State-Owned Entity
SPPI	Solely payments of principal and interest
TTC	Through The Cycle
USD	United States dollar (currency)
VAT	Value Added Taxation
ZAR	South African rand (currency)
ZARONIA	South African Overnight Index Average

FINANCIAL DEFINITIONS

Callable capital	The authorised but unissued share capital of the DBSA
Cost-to-income ratio	Operating expenses, (including personnel, general and administration, depreciation and amortisation expenses), project preparation and development expenditure as a percentage of income from operations
Income from operations	Net interest income, net fee income and other operating income
Interest cover	Interest income divided by interest expense
Long term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, as percentage of total equity
Long term debt-to-equity ratio (including callable capital)	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits as a percentage of total equity and callable capital
Net interest margin	Net interest income (interest income less interest expense) as a percentage of interest bearing assets
Return on average assets	Net profit or loss for the year expressed as a percentage of average total assets
Return on average equity	Net profit or loss for the year expressed as a percentage of average total equity
Sustainable earnings	Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments

GENERAL INFORMATION

Registered office	Headway Hill 1258 Lever Road Midrand Johannesburg South Africa
Business address	1258 Lever Road Headway Hill Halfway House 1685 South Africa
Postal address	PO Box 1234 Halfway House 1685 South Africa
Banker	Standard Bank of South Africa
Registered Auditor	Auditor-General of South Africa
Company registration number	1600157FN
Preparer	The Annual Financial Statements were compiled under the supervision of the Acting Chief Financial Officer, Ms Ntombizodwa Petunia Mbele CA (SA).
JSE debt sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Primary Debt Listing	JSE Limited
Telephone	+ 27 11 313 3911
Fax	+ 27 11 313 3086
Home page	www.dbsa.org
LinkedIn	www.linkedin.com/company/dbsa/
Twitter	twitter.com/DBSA Bank
Email	dbsa@dbsa.org