INVESTOR UPDATE

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

CONTENT

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

DBSA OVERVIEW

DBSA MANDATE AND VISION

DBSA

MANDATE

Our primary purpose is to promote economic development and growth, human resource development and institutional capacity building in South Africa and the wider African continent

VISION

A prosperous and integrated resource-efficient region, progressively free of poverty and dependency

MISSION

Advance development impact in Africa by expanding access to development finance and effectively integrating and implementing sustainable development solutions to:

- Improve quality of life through the development of social infrastructure
- Support economic growth through investment in economic infrastructure
- Support regional integration
- Promote sustainable use of scarce resources

STRATEGIC OBJECTIVES

- **Financial sustainability –** maintain profitability and operational efficiency to enable growth in equity and fund developmental activities
- **Accelerated developmental impact –** programmatic infrastructure development aligned with government's ambition
- **Building future-fit DBSA –** harness the power of the digital economy and maintain a relevant workforce
- **Smart partnerships –** purpose-driven public and private collaborations that drive development solutions

INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

DBSA

PLAN

- Infrastructure Needs assessment
- Bulk infrastructure plans
- Infrastructure planning advice

PREPARE

- Project identification
- Feasibility assessments
- Technical assistance
- Programme development
- Project preparation funds

FINANCE

- Long-term senior and subordinated debt
- Corporate and project finance
- Mezzanine finance
- Structured financing solutions
- Equity support for BEE entities

BUILD

- Managing design and construction of projects in education, health and housing sectors
- Project management support

MAINTAIN

- Supporting the maintenance / improvement of social and economic infrastructure projects

CLIENTS

South Africa

- Municipalities
- SOEs *(infrastructure mandate alignment)*
- Private sector
- Public–Private Partnerships
- National and provincial government departments

Rest of Africa

- SOEs
- Public–Private Partnerships
- Sovereigns

OPERATING ENVIROMENT

Navigating a challenging operating environment

DBSA

Economy
- High inflation
- High interest rates
- Indebtedness
- Low growth

COVID-19
- New variants (zero-COVID)

Geo-politics
- Russia-Ukraine
- Food insecurity & conflicts

RSA Specific
- Load-shedding
- Logistical challenges
- Political noise
- Rule of law
- Social discontent
- Slow-cession

Financial market volatility
- Dollar strength
- Commodities

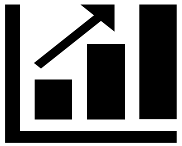
Unstoppable trends
- Greening earth (climate-related)
- Digitalisation
- Future of energy
- Work-Life

2023

DELICATE BALANCE TO INVESTING

FINANCIAL SUSTAINABILITY

- We continue to drive financial sustainability through:
  - Driving revenue growth through right products and markets
  - Limiting costs and driving efficiency
  - Deploying capital sustainably
  - Managing our risks



DEVELOPMENT IMPACT

- Maintaining the drive to achieve socio -economic transformation and impact at scale in the sectors of focus:
  - We seek to achieve impact in all that we do through supporting and driving our development goals and working towards our aspirational end-states of reduced unemployment, poverty and inequality, net zero effect & promoting economic access
  - We are development activists at heart

DBSA COMMITMENT TO SUSTAINABLE DEVELOPMENT

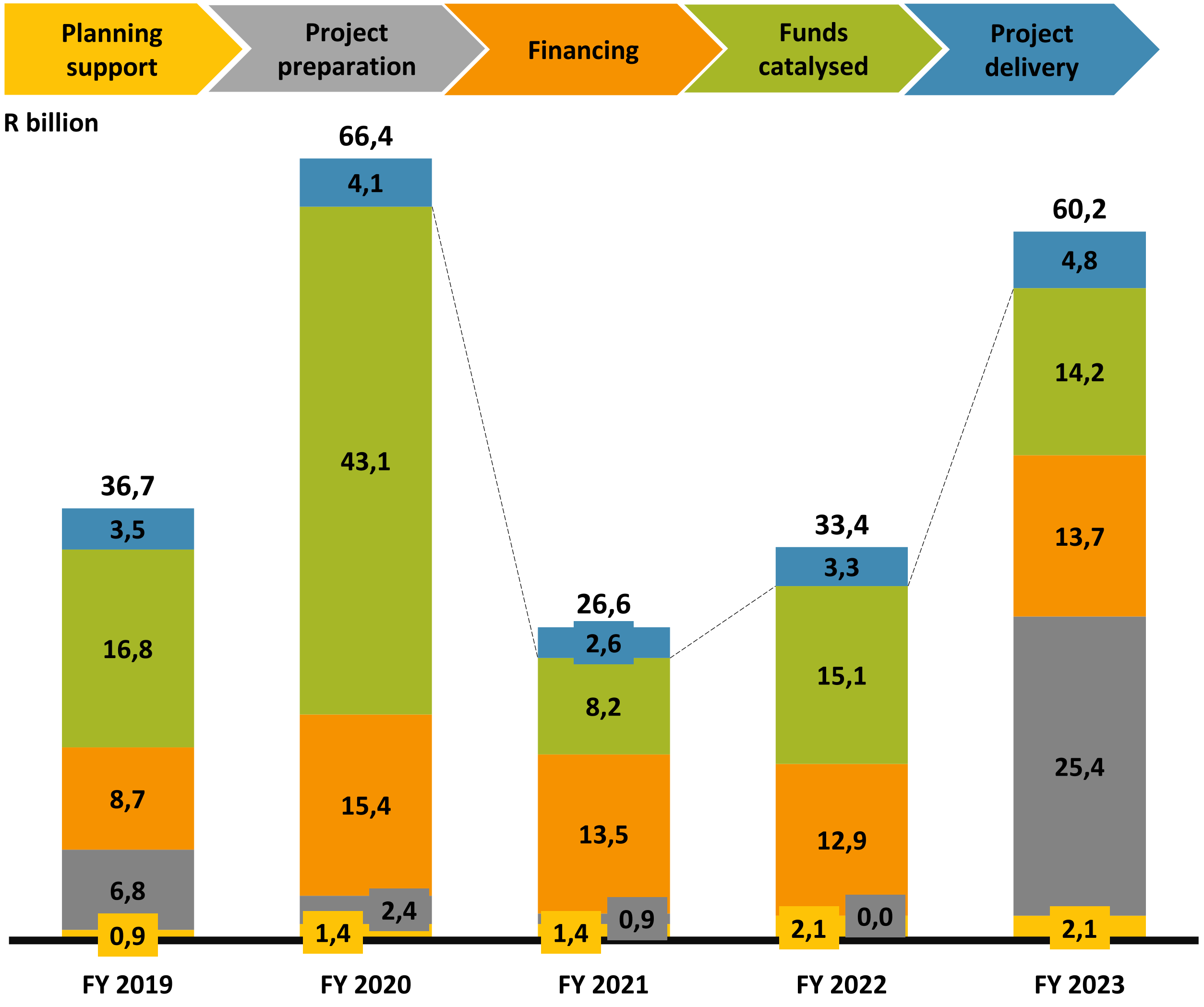
- One of the main founding principles is to enhance sustainable development of the social, economic and ecological environment.
- In support of these principles, the DBSA Development Statement and Position outlines the Bank's commitment to:
  - ➢ South African development policy, including the National Development Plan 2030, the Integrated Resource Plan 2019, and the Integrated Urban Development Framework
  - ➢ Continental development pledges, including the African Union Agenda 2063, Regional Infrastructure Development Master Plan
  - ➢ Global targets: The Sustainable Development Goals (SDGs) and the 2015 Paris Agreement
- Leading role in South Africa's Just Transition to a low carbon economy and climate resilient society.

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

DEVELOPMENT IMPACT- FY23

TOTAL INFRASTRUCTURE DEVELOPMENT SUPPORT



Key highlights for the Year End performance (31 March 2023)

- Total disbursements of R13.7 billion (annual target: R13.5 billion*)*
- Infrastructure unlocked of R 2.1 billion (annual target: R1.3 billion)
- Value of prepared projects approved of R25.4 billion (annual target: R2.5 billion)
- Infrastructure delivered by IDD: R4.8 billion (Annual target: R4.2 billion)
- Funds catalysed of R14.2 billion

DEVELOPMENT IMPACT

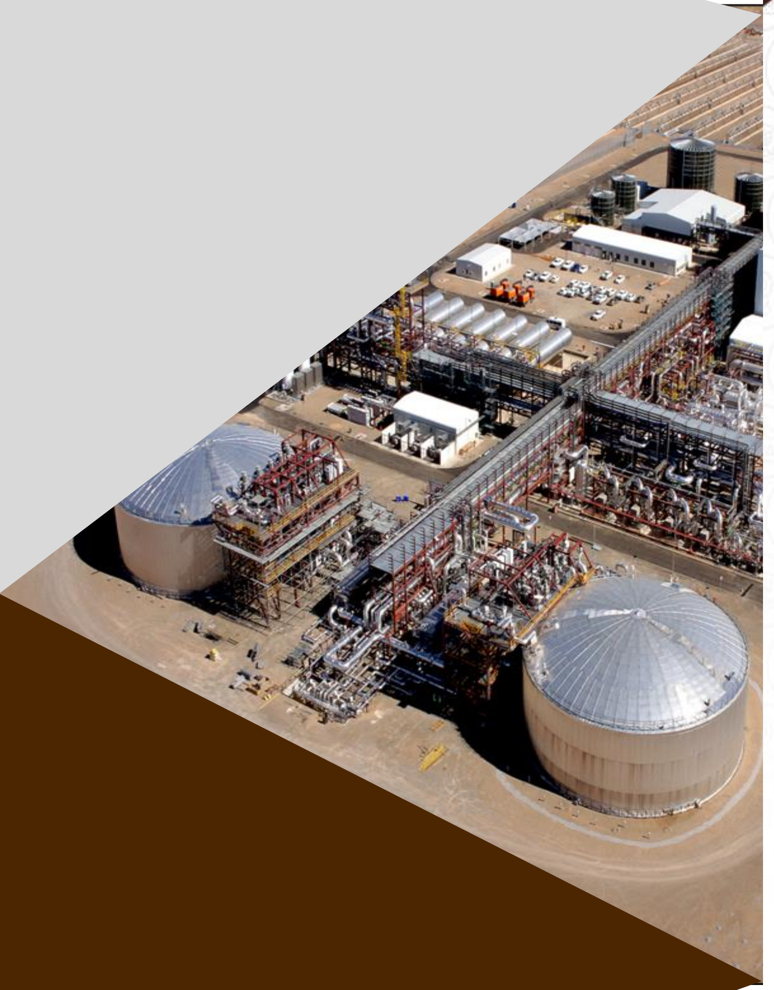
DEVELOPMENT IMPACT

2 208	Learners benefitted from two newly built schools
29 555	Learners benefitted from 117 refurbished schools
1 524	Local SMMEs and subcontractors employed in the construction of projects
R3.8 billion	Value of infrastructure delivered by black-owned entities, R1.4 billion of which was delivered by black women-owned entities
R0.8 billion	Benefit accrued to local small, medium, and micro enterprises (SMMEs) and subcontractors employed in the construction of projects
68 687	Learners benefitting from construction and upgrade of sanitation facilities in 177 schools
10 362	Temporary and permanent jobs created

DBSA EQUITY INVESTMENTS IMPACT

3 842 965	144 519	14 006	8	48 008
Tonnes of food and food-related products delivered to date	Total smallholder farmers and micro-entrepreneurs impacted	Permanent jobs sustained in the agricultural sector	Kilometres of road and rail network built	Kilometres of fibre laid

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity



GOVERNANCE

GOVERNANCE STRUCTURE

DBSA

SHAREHOLDER – NATIONAL TREASURY

DBSA BOARD OF DIRECTORS

- AUDIT & RISK COMMITTEE
  - INTERNAL AUDIT
- BOARD CREDIT INVESTMENT COMMITTEE
- INFRASTRUCTURE DELIVERY & KNOWLEDGE COMMITTEE
- HUMAN RESOURCES & REMUNERATION COMMITTEE
- NOMINATION COMMITTEE
- SOCIAL & ETHICS COMMITTEE

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE

- ASSET & LIABILITY MANAGEMENT COMMITTEE
- INVESTMENT COMMITTEE
- SUPPLY CHAIN MANAGEMENT COMMITTEE
- INFRASTRUCTURE DEVELOPMENT & KNOWLEDGE COMMITTEE
- MANCO

- Chief Investment Officer (CIO)
  - COVERAGE
  - TRANSACTING
  - PROJECT PREPARATION
- Infrastructure Delivery Division (IDD)
- Chief Financial Officer (CFO)
- TREASURY & BALANCE SHEET MANAGEMENT
- FINANCING OPERATIONS
- Chief Risk Officer (CRO)
- Human Capital
- Office of the CEO
  - Strategic Stakeholder Partnership
  - Corporate Services
  - Office of the Chief Economist

DBSA GOVERNANCE

HOW WE ARE GOVERNED

- Schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA).
- 100% SA Government owned - Minister of Finance as the Executive Authority.
- Board comprising 13 non-executive directors and 2 executive directors.
- Shareholder Compact regulates the relationship between the Shareholder and the Board.
- Regulated by the DBSA Act, PFMA & National Treasury Regulations, JSE Debt Listings Requirements, and Corporate Governance Legislation (e.g. Companies Act & King IV Code of Corporate Governance). Board Charter developed.
- No operational involvement by the shareholder in the day-to-day affairs of the Bank, including participation in any management structure below Board.

BOARD APPOINTMENT PROCESS

- Appointment process of Board members is defined in the DBSA Act.
- Board Nomination Committee nominates appropriate individuals and recommends to Board for approval.
- The Board approves nominations and makes submission to National Treasury for the Minister's consideration.
- Board appointments remain the prerogative of the executive authority (Minister of Finance).

LEADERSHIP UPDATE

- Boitumelo Mosako replaced Patrick Dlamini as CEO on 1 April 2023.
- Zodwa Mbele was appointed CFO on 1 July 2023.
- Board nominations to fill existing vacancies.

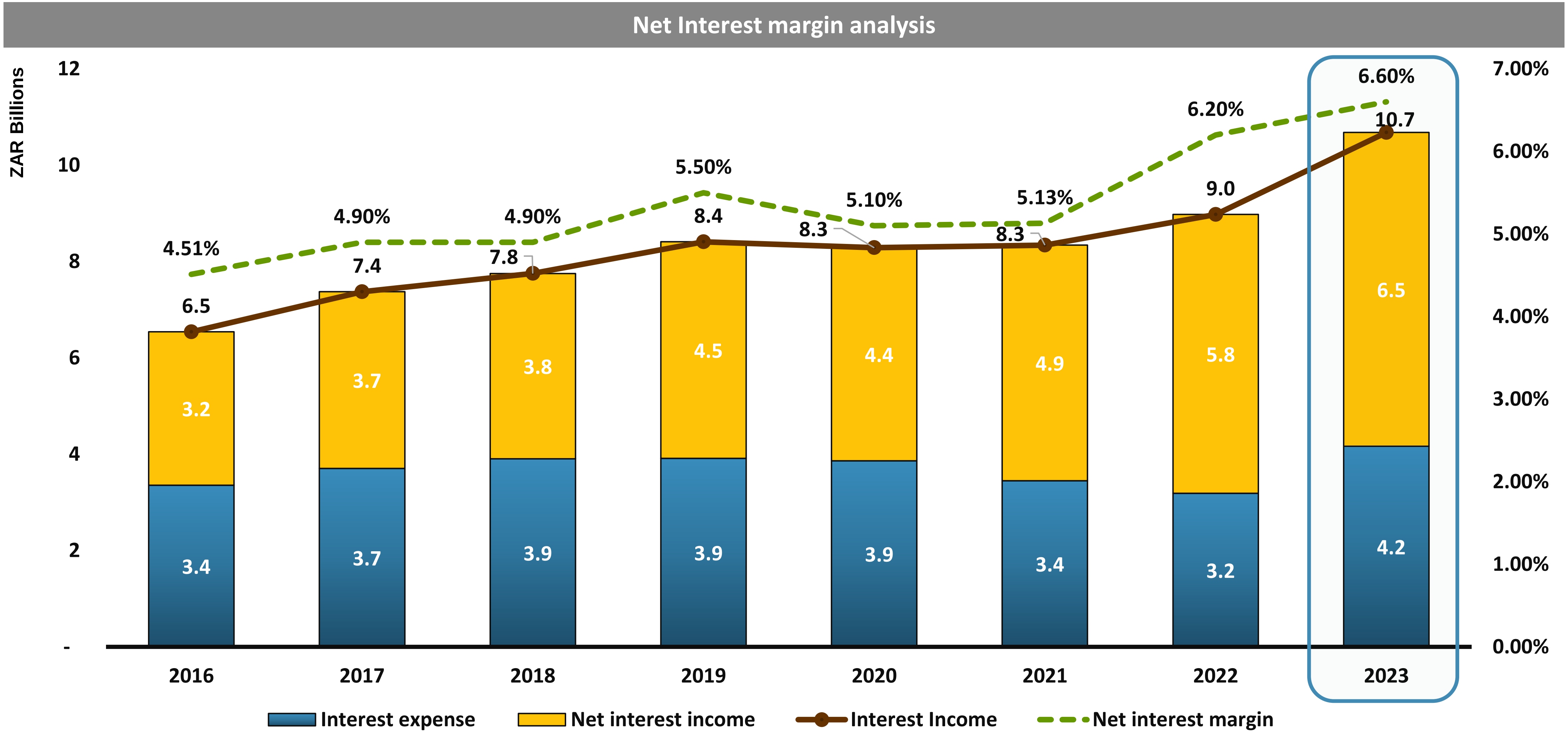
DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

FINANCIAL RESULTS HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME

	NET PROFIT	NET INTEREST INCOME	OPERATING INCOME	ECL CHARGE
MARCH 2023	R5.2bn	R6.5bn	R7.9bn	R1.1bn
	↑ 36%	↑ 13%	↑ 26%	↑ 8%
MARCH 2022	R3.8bn	R5.8bn	R6.3bn	R1.0bn

MARGIN ANALYSIS



YEAR END ECL PROVISIONS AND MOVEMENT

Total ECL Provisions (Total)	Balance Sheet 31-Mar-23 *R'000*	Balance Sheet 31-Mar-22 *R'000*	Income Statement *R'000*
Performing ECL	9 425 083	7 583 300	1 841 783
POCI ECL	477 351	867 489	(390 138)
Non-performing ECL	2 439 031	3 248 208	(809 177)
Total impairment (excluding write offs)	12 341 465	11 698 997	642 468

ASSET QUALITY ECL - KEY DRIVERS OF ECL CHARGE

DBSA

March 2023

UNCHANGED
multivariate methodology

UPDATED
Forward Looking Information (incl. marginal PD adjustment) impact for March 2023

IFRS 9 considerations, management overlay, ECL reversals, settlements, modifications, DSSI/Common Framework/Migration

UNCHANGED
Risk rating scale

CHANGED
Base Credit Models- recalibration

TOTAL INCOME STATEMENT CHARGE = R1.1bn

March 2022

UNCHANGED
multivariate methodology

UPDATED
Forward Looking Information (incl. marginal PD adjustment) impact for March 2022

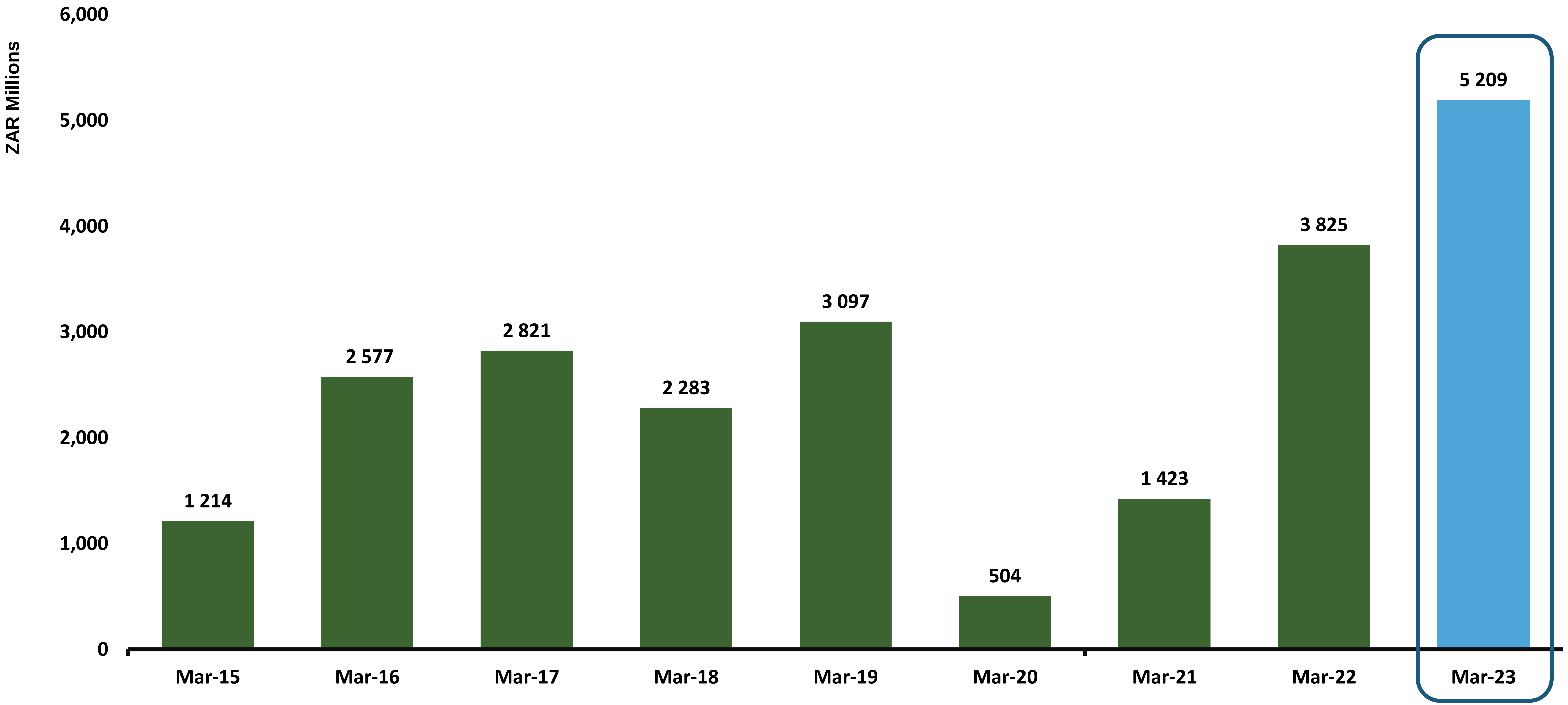
IFRS 9 considerations, management overlay, ECL reversals, settlements, modifications, DSSI/Common Framework/Migration

UNCHANGED
Risk rating scale

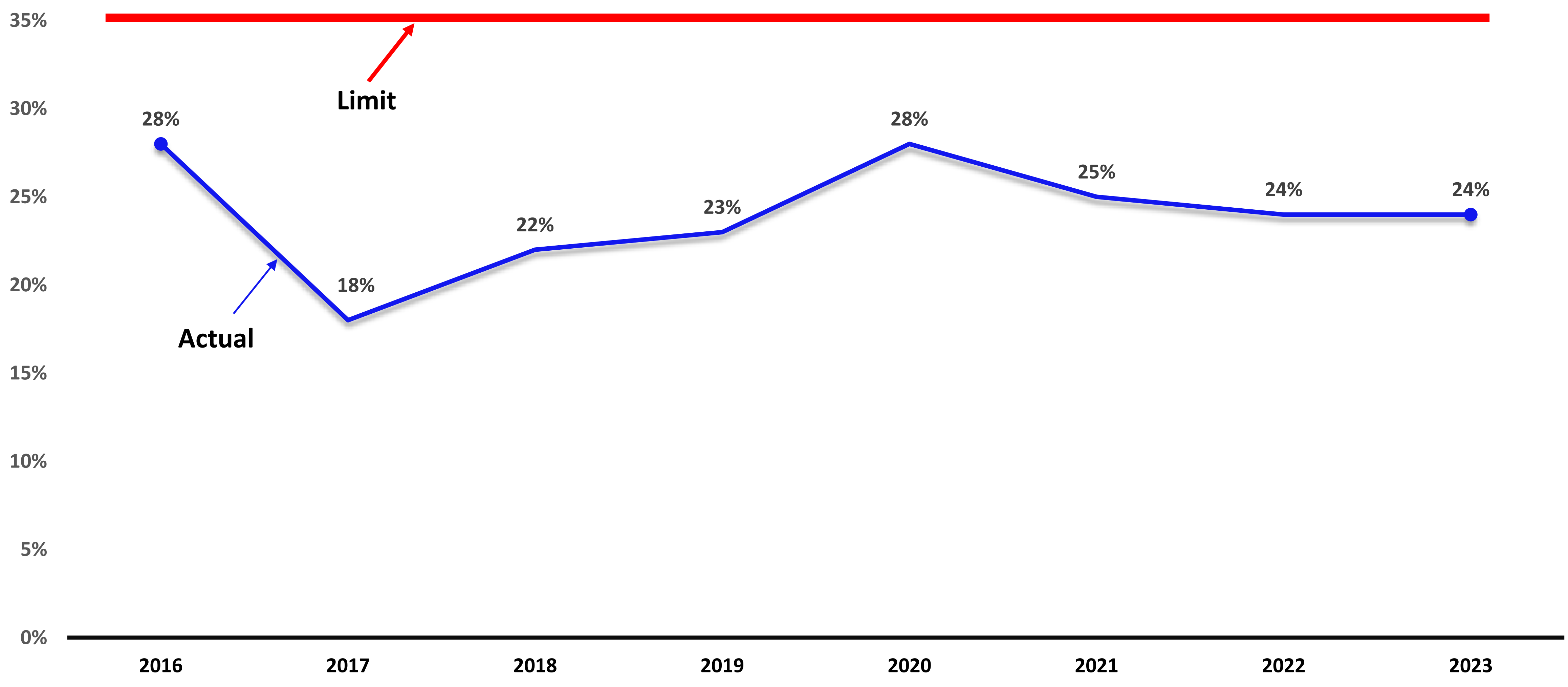
UNCHANGED
Base Credit Models

TOTAL INCOME STATEMENT CHARGE = R1bn

PROFITABILITY – 9-YEAR TREND ANALYSIS



COST OPTIMIZATION: COST TO INCOME RATIO



DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

BALANCE SHEET HIGHLIGHTS

DEVELOPMENT LOANS & BONDS

TOTAL LOAN BOOK

March 2023: R93.70bn
March 2022: R84.17bn

TOTAL ASSETS

March 2023: R109bn
March 2022 R100bn

TOTAL DISBURSEMENTS

March 2023: R13.7bn
March 2022: R12.9bn

TOTAL REPAYMENTS

March 2023: R17.3bn
March 2022: R18.6bn

FOREX

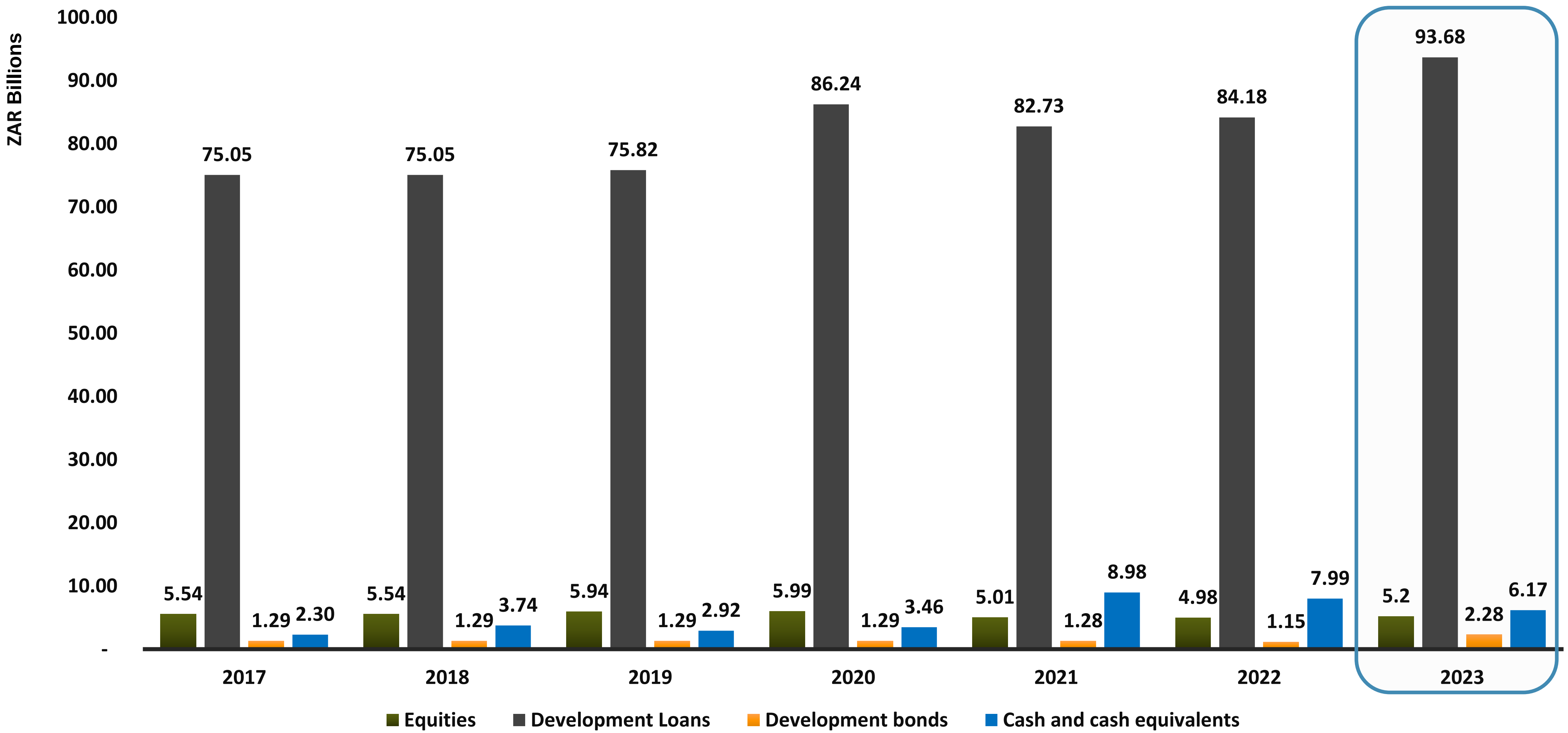
March 2023: R5.5bn
March 2022: -R0.7bn

INTEREST CAPITALISED

March 2023: R9.8bn
March 2022: R8.5bn

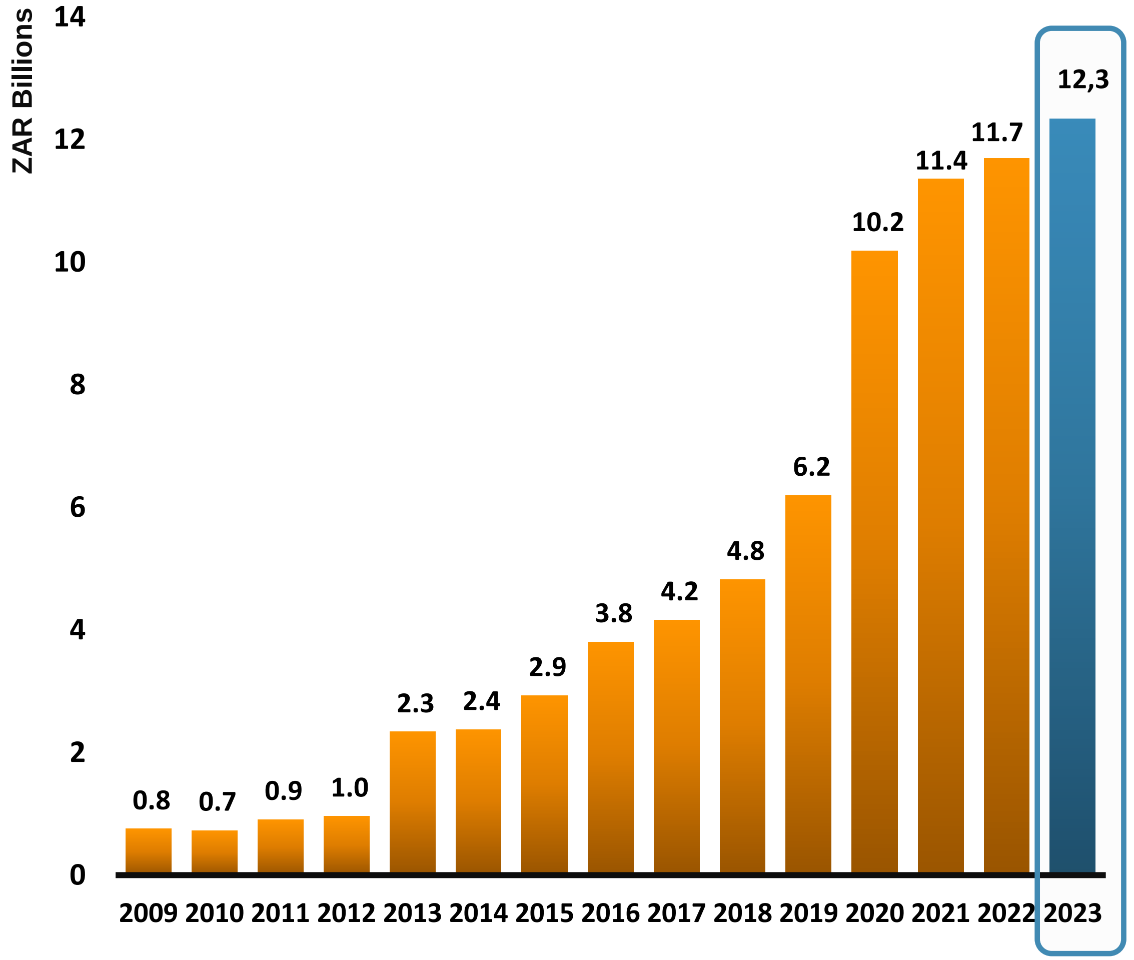
ASSET PORTFOLIO –

Development Loans, Development Bonds, Equity Investments and Cash balances

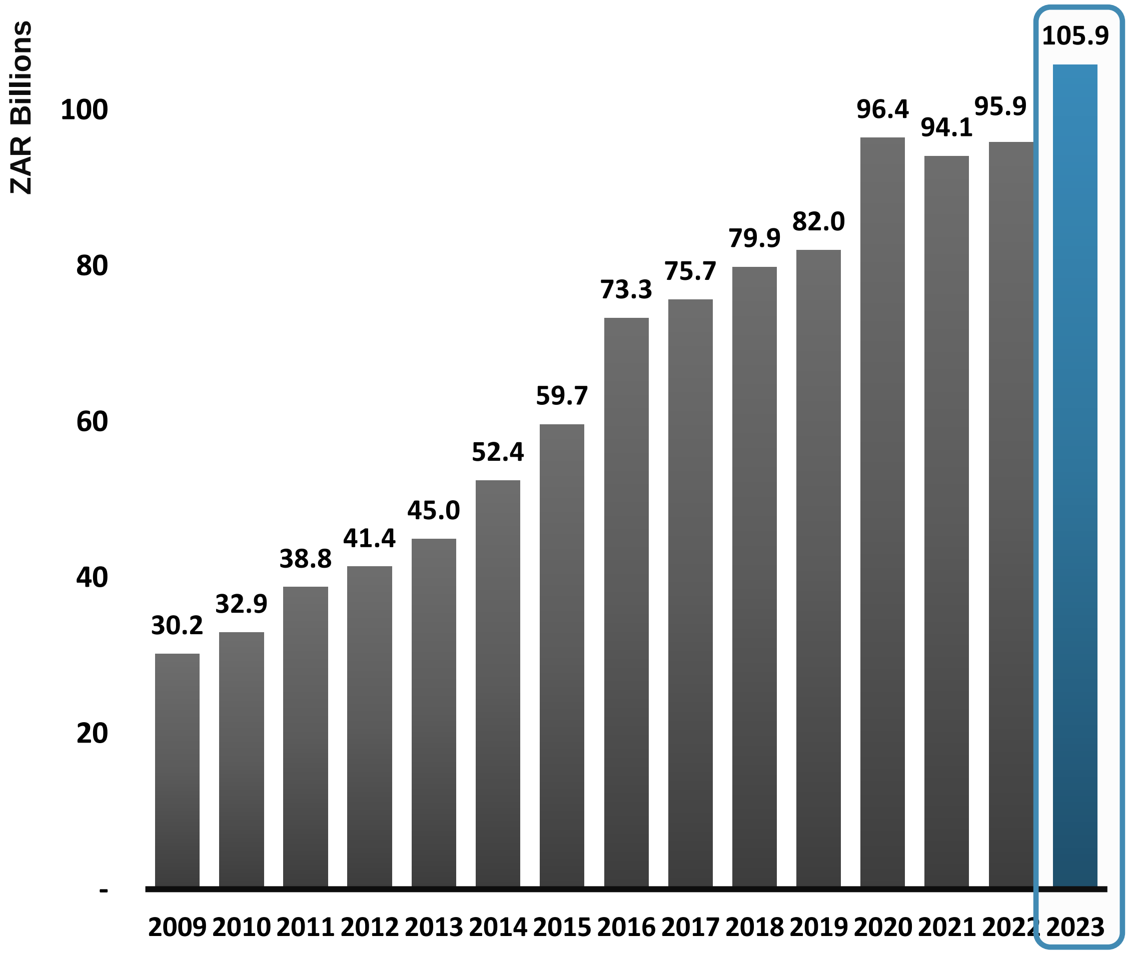


ASSET QUALITY- ECL TREND VS LOAN BOOK GROWTH

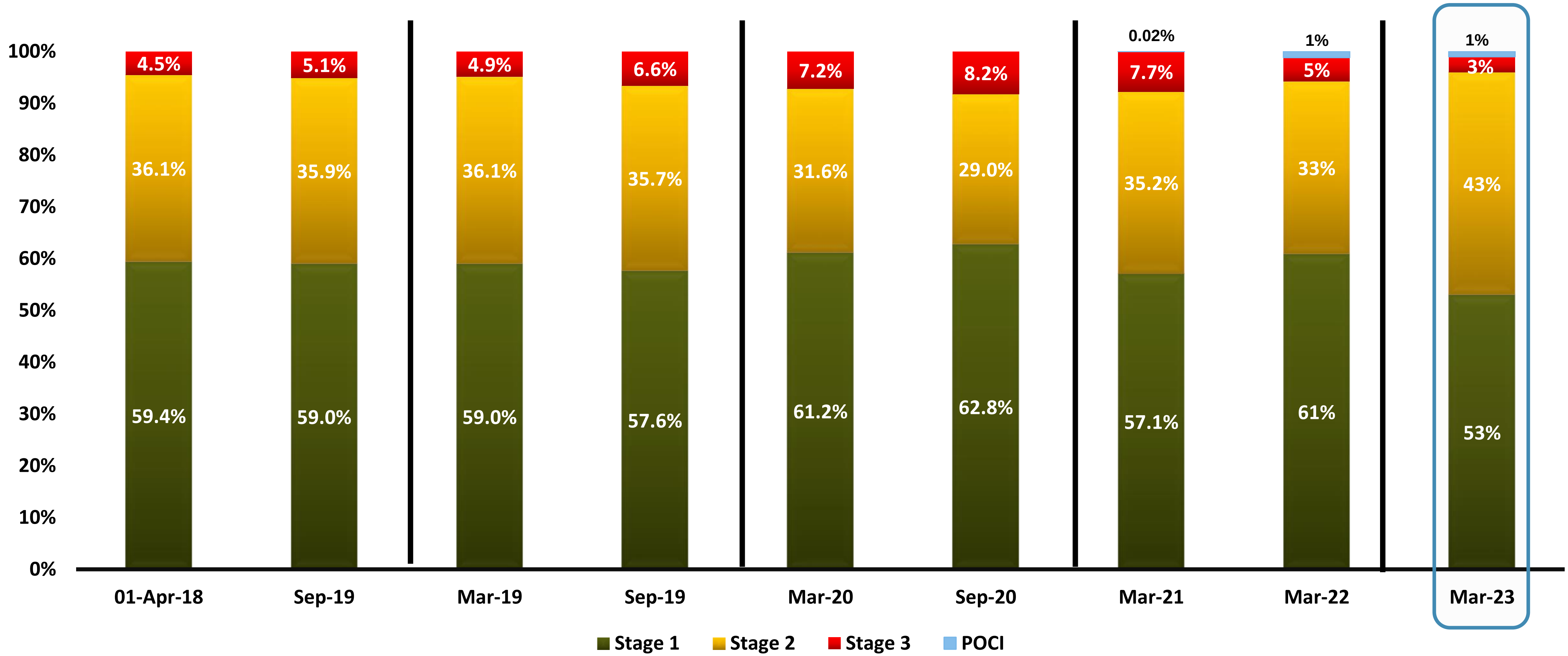
ECL Provisions – Trend 2009 - 2023



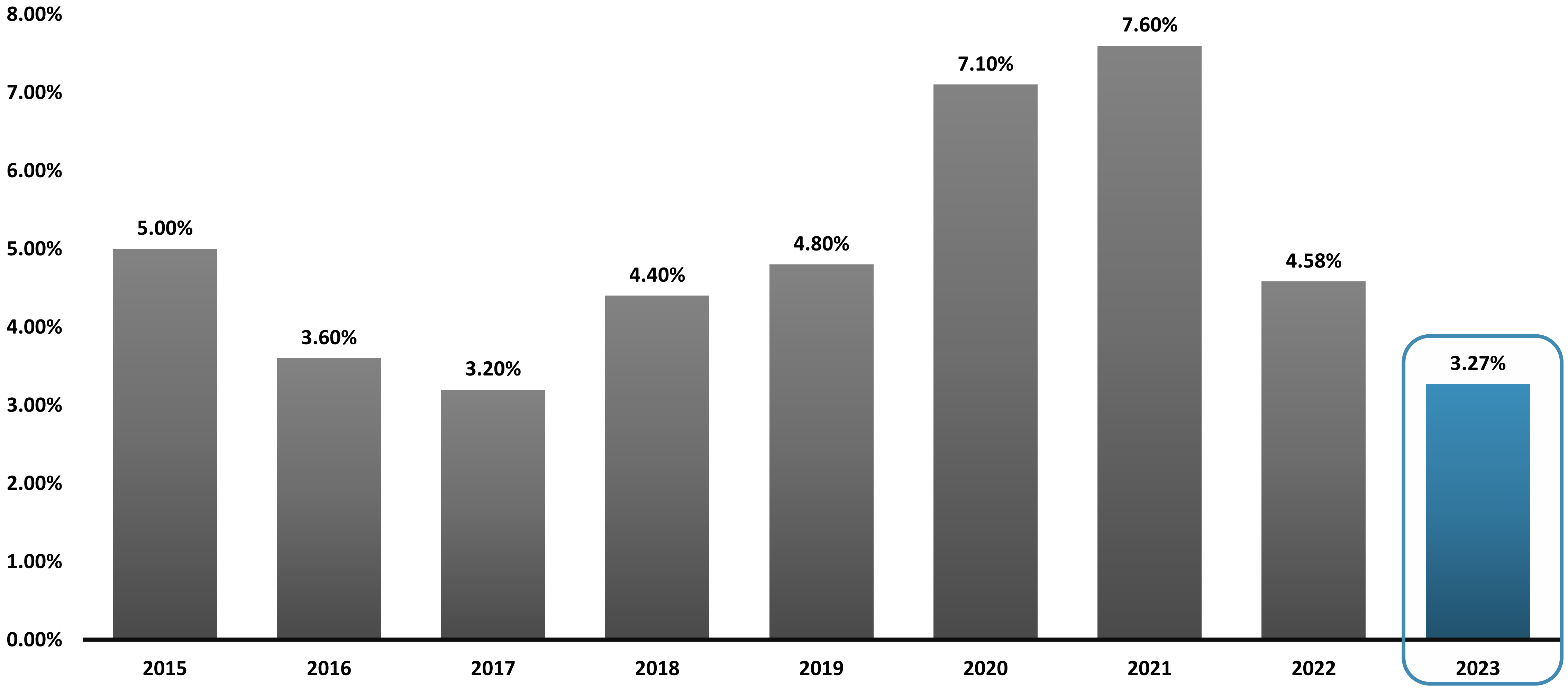
Development Loan Book Growth 2009 - 2023



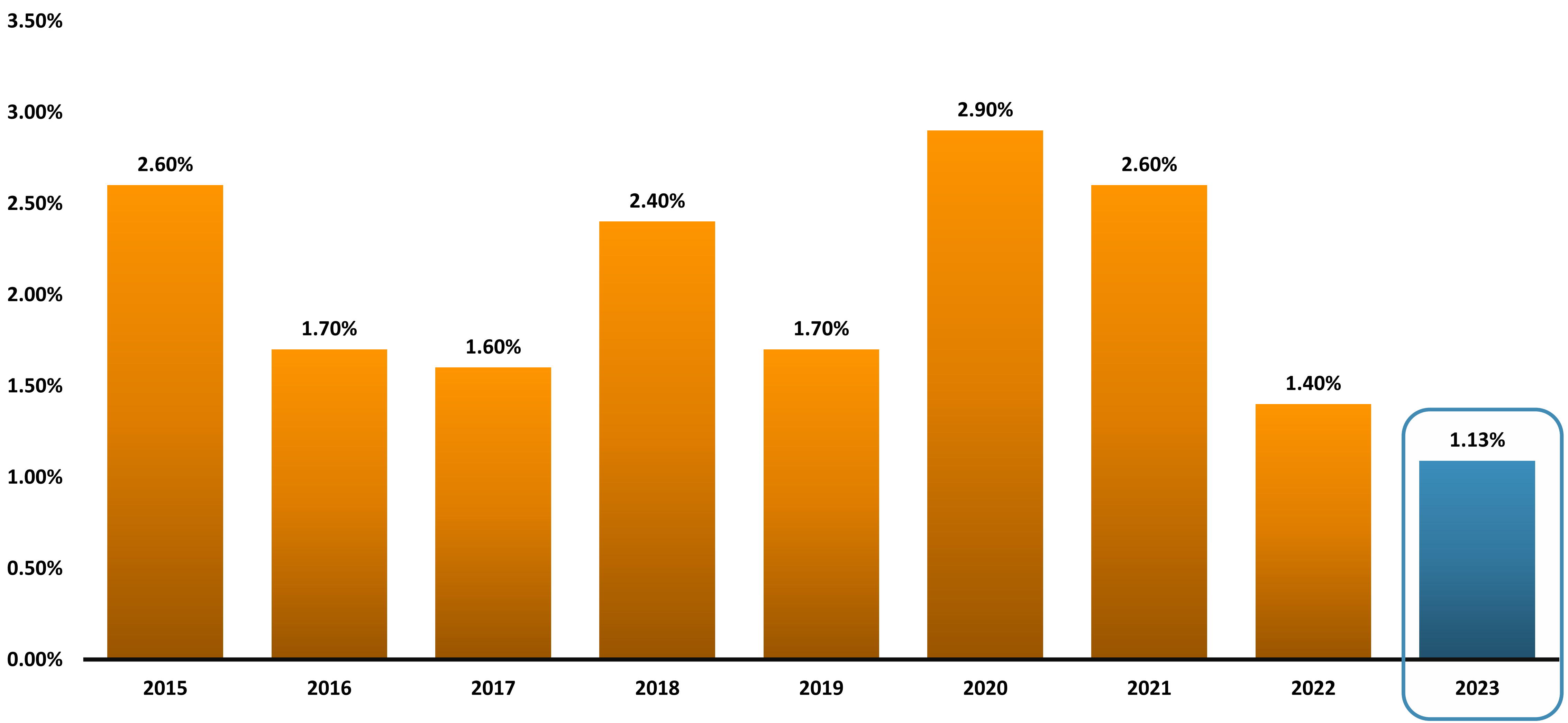
ASSET QUALITY – GROSS LOAN BOOK STAGING



NPL RATIO ANALYSIS (GROSS NPL VS GROSS LOAN BOOK)



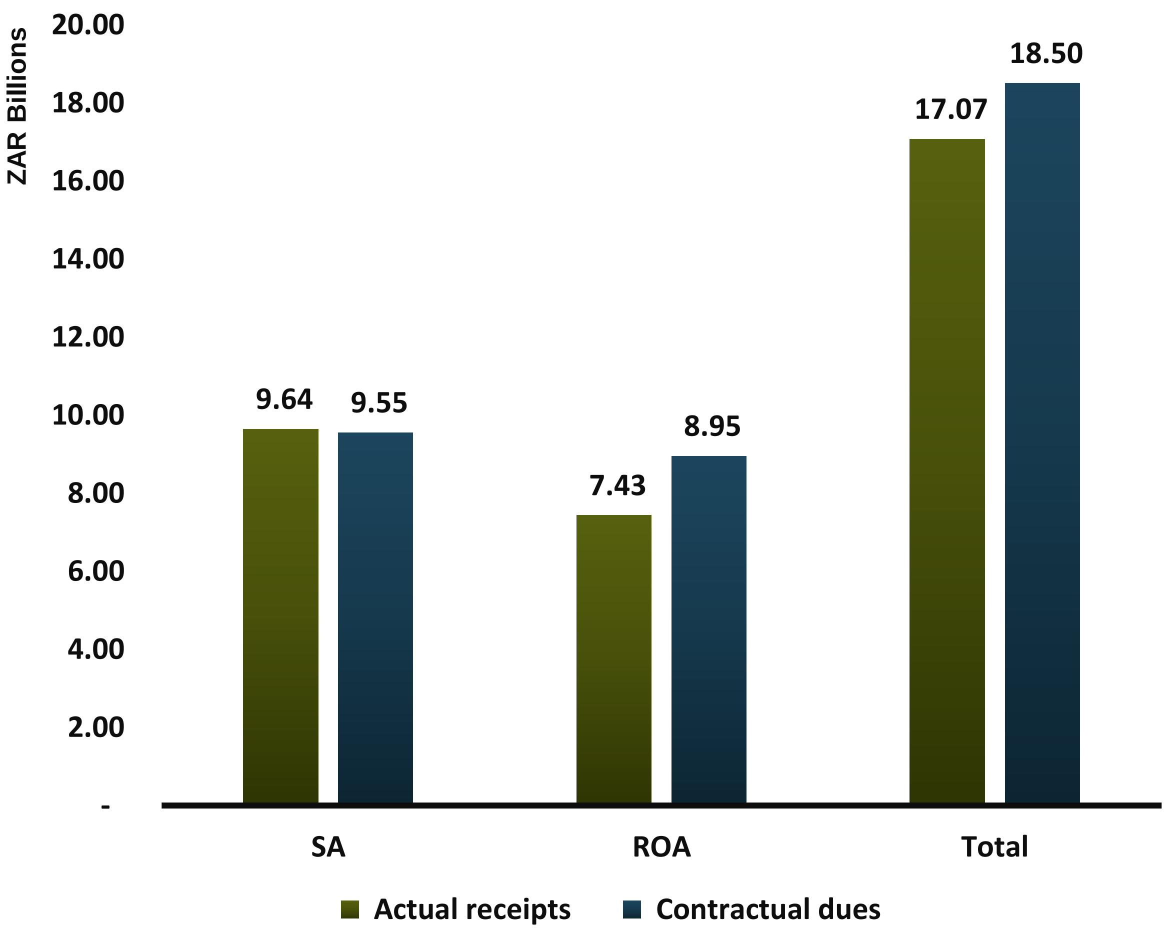
ASSET QUALITY- NPL NET OF ECL PROVISIONS



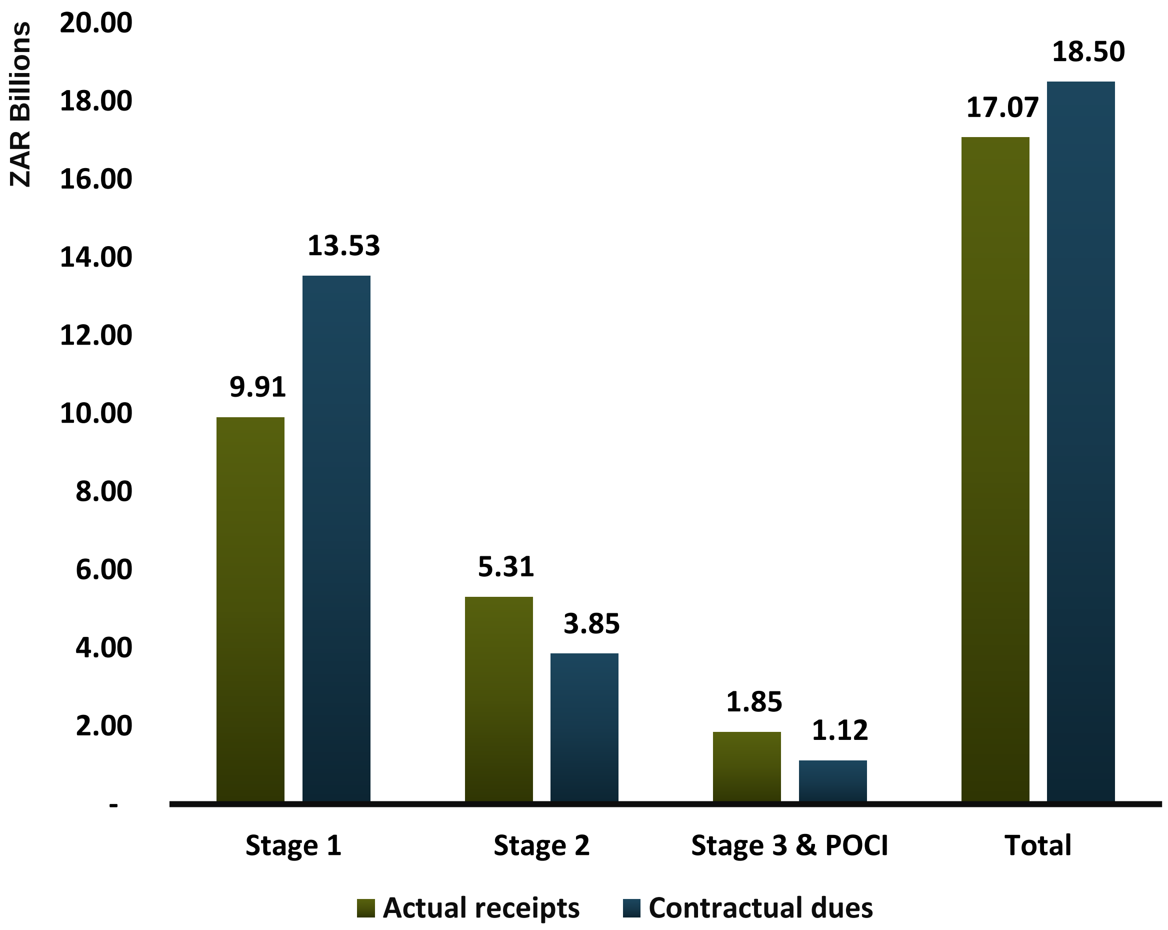
ASSET QUALITY – YEAR TO DATE CASH COLLECTIONS

DBSA

Cash Collections – SA vs ROA



Cash Collections by IFRS 9 Stage

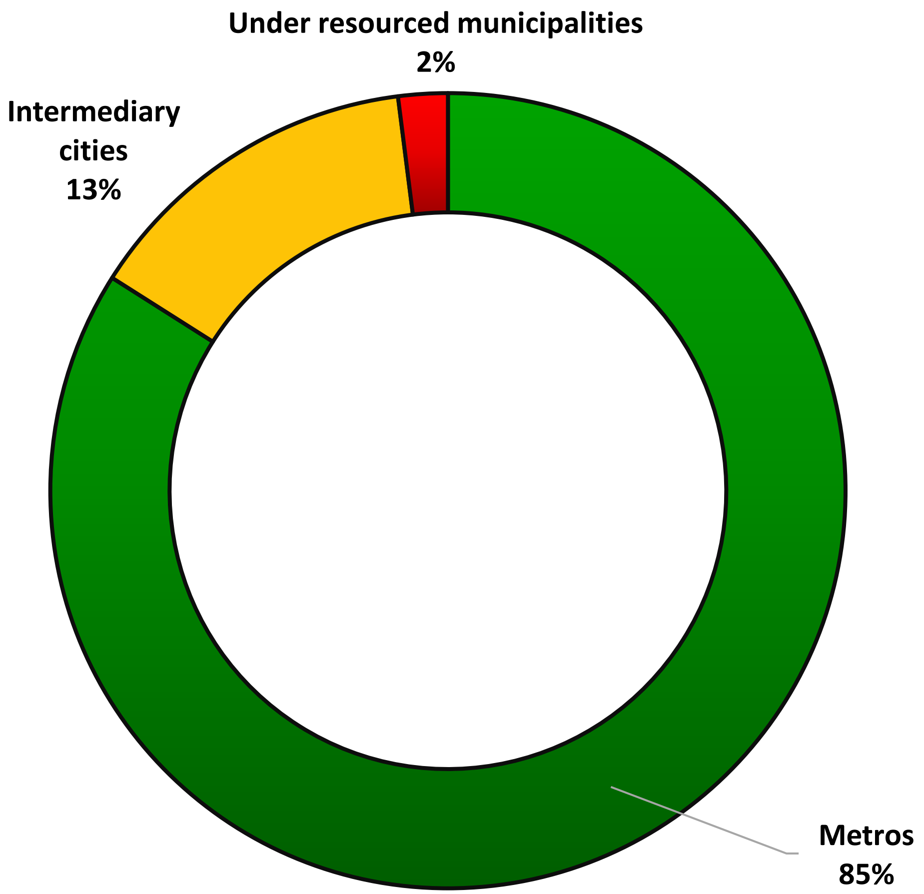


SOUTH AFRICA VS REST OF AFRICA ANALYSIS

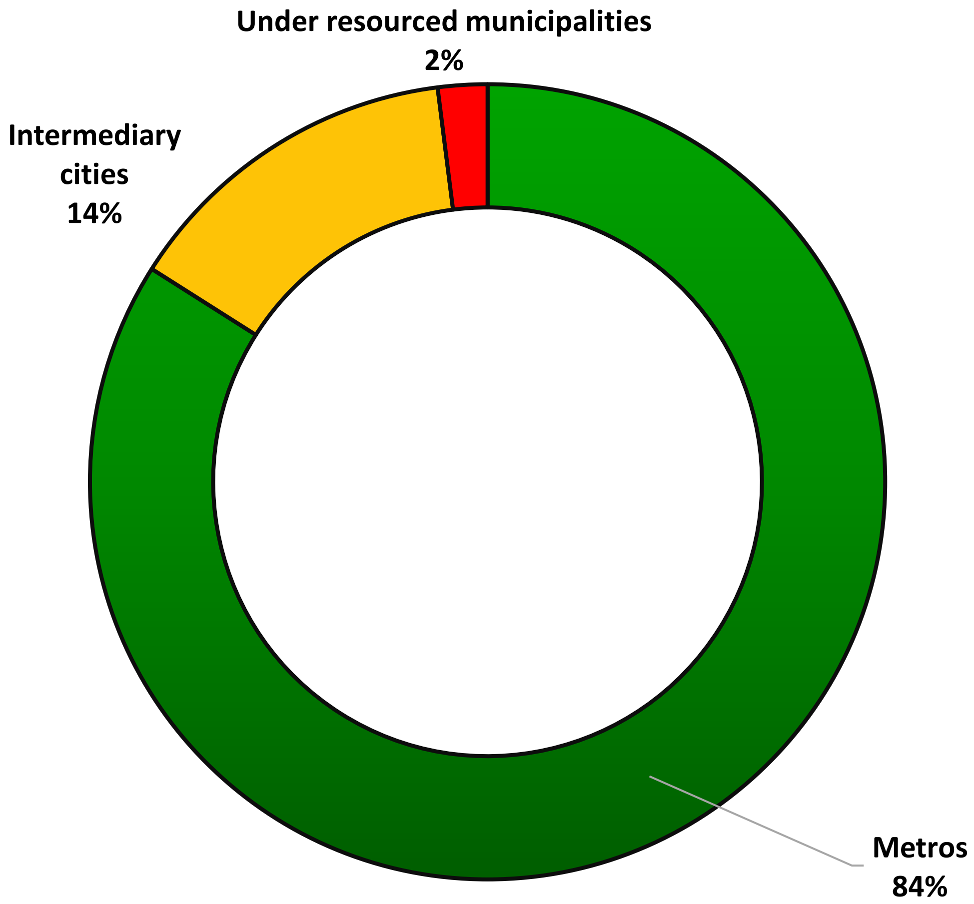
	South Africa		Rest of Africa	
	2023	2022	2023	2022
Net Interest Margin	4 479 075	4 016 489	1 866 419	1 605 326
Net Interest Margin %	**5,96%**	**5,76%**	**7,03%**	**7,54%**
Total Assets	75 144 145	69 672 013	26 562 168	21 299 932
Asset Split %	**74%**	**77%**	**26%**	**23%**
Impairment Charge / (reversal)	(694 077)	(1 258 052)	(356 730)	258 750
Sustainable Earnings Split %	**72%**	**57%**	**28%**	**43%**

MUNICIPAL EXPOSURE BREAKDOWN

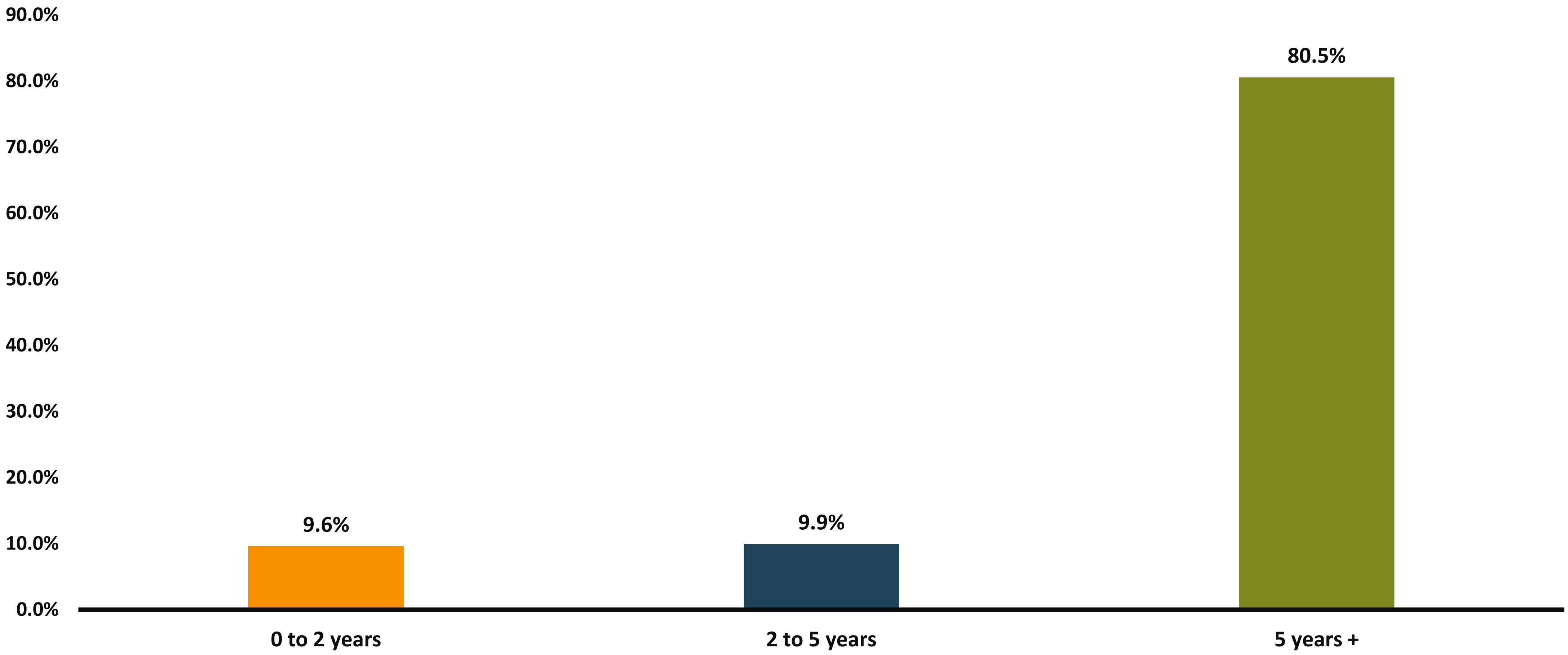
Municipal Exposure by Market – 31 March 2023



Municipal Exposure by Market – 31 March 2022



MUNICIPAL EXPOSURE – MATURITY PROFILE



UNLISTED EQUITY INVESTMENTS PORTFOLIO

March 2023	March 2022	March 2021	March 2020
Valuation R5.2bn	Valuation R4.9bn	Valuation R5.0bn	Valuation R5.9bn
Fair value adjustments R4.6m	Fair value adjustments (R43m)	Fair value adjustments (R321m)	Fair value adjustments (R228m)

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

TREASURY

FUNDING & LIQUIDITY - FINANCIAL YEAR TO DATE

DBSA

Actuals – April 2023 to July 2023 (*Consolidated ZAR Equivalents*)

	LIQUIDITY PROJECTIONS - FY 2023 - 24				Total
	Apr	May	Jun	Jul	
Opening Cash	6,166	8,260	7,726	10,543	**6,166**
Debt capital repayments		964	781	211	**1,956**
Debt interest payments	298	192	238	333	**1,061**
Treasury assets		9	199		**208**
Treasury derivatives		38	120	36	**46**
FX transfers	27	1	144		**117**
Loan book capital	957	448	3,606	94	**5,106**
Loan book interest	583	629	1,873	212	**3,298**
New funding	1,156		964		**2,120**
New disbursements	234	329	2,684	468	**3,715**
Operational	98	98	98	98	**392**
Closing cash	**8,260**	**7,726**	**10,543**	**9,702**	**9,702**

- Previous financial year (FY23) – new funding raised for the year was **ZAR 14.06bn** and debt repayments totaled **ZAR 16.4bn**. The weakening of the Rand, however, saw total outstanding debt increase by ZAR 2.3 billion.
- Funding FY24 to date = **ZAR 2.1bn**
- Debt serviced FY24 to date = **ZAR 2.9bn** (capital + interest)
- New loans disbursed FY24 to date = **ZAR 3.7bn**
- Loan book inflow FY24 to date = **ZAR 8.3bn** (capital + interest)

FUNDING PIPELINE

Funding Source	Facility use	ZAR	USD	EUR	Total ZAR	Tenor	Notes
DFI	- Embedded generation			140,000,000	2,870,000,000	- 20 yr	- Available for drawdown - EUR 60m already drawn
DFI	- Climate finance			22,000,000	451,000,000	- 15 yr	- Available for drawdown
DFI	- Social infrastructure			38,000,000	779,000,000	- 10 yr	- Available for drawdown - EUR 12m already drawn
DFI	- General corporate use		120,000,000		2,280,000,000	- 5 yr	- Undergoing credit process - Expected close - September 2023
DFI	- Social infrastructure	2,200,000,000			2,200,000,000	- 10 yr	- Credit approved - Expected close - October 2023
DFI	- Embedded generation			100,000,000	2,050,000,000	- 20 yr	- Mandate letter signed - Expected close - January 2024
DFI	- General infrastructure		100,000,000		1,900,000,000	- 13 yr	- Credit approved - Expected close - September 2023
Commercial bank	- General corporate use		50,000,000		950,000,000	- 3 yr	- Early discussions
Syndicated Loan	- General corporate use		250,000,000		4,750,000,000	- 3 yr	- Finalising term sheet - Expected close - October 2023
Commercial bank	- General corporate use			60,000,000	1,230,000,000	- 2 yr	- 2 yr facility upsize syndication - Expected close - November 2023
Total		**2,200,000,000**	**520,000,000**	**360,000,000**	**19,460,000,000**		

- Bilateral facilities under various stages of negotiation, all expected to be concluded and become available in the current financial year.
- Total amount of ZAR 19.46bn equivalent to three times projected FY24 requirement.

LIQUIDITY PROJECTIONS FOR REMAINDER OF FY24

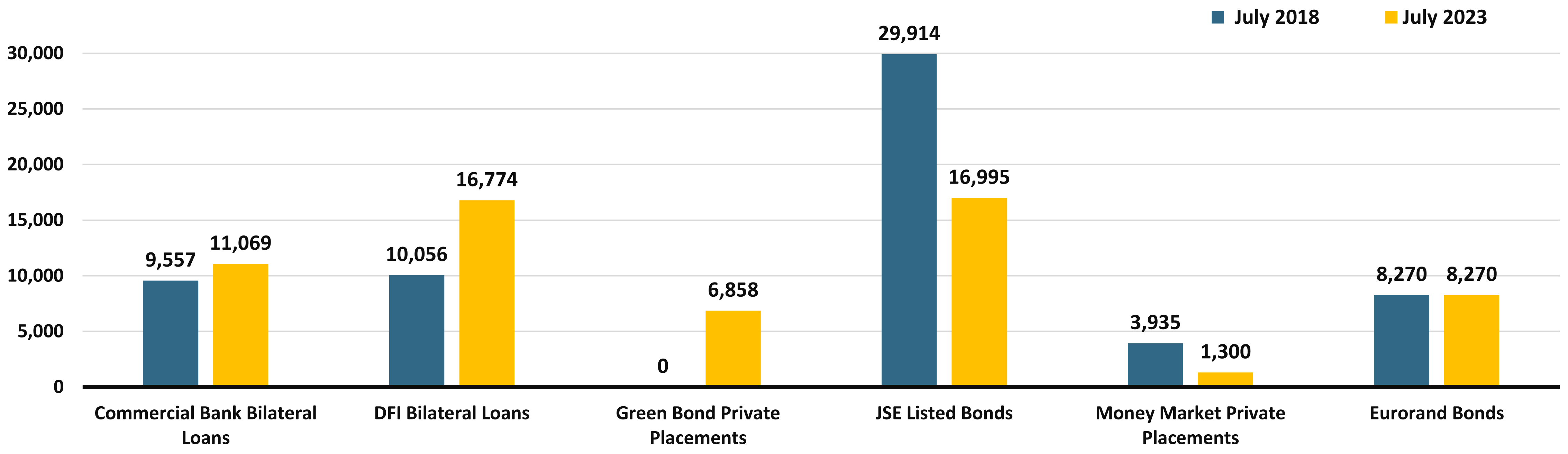
Liquidity Forecast – August 2023 to March 2025 (ZAR Equivalent)

	LIQUIDITY PROJECTIONS - FY 2023 - 24								Total
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Opening Cash	9,702	6,908	7,217	11,393	11,904	15,162	15,702	13,553	**9,702**
Debt capital repayments	1,321	1,037	400		641	212	2,110	4,026	**9,748**
Debt interest payments	403	539	397	155	272	375	368	638	**3,147**
Treasury assets									
Treasury derivatives					105	6			**99**
FX transfers									
Loan book capital	128	1,103	1,402	276	2,393	755	142	1,163	**7,361**
Loan book interest	123	1,303	876	457	1,982	874	116	1,253	**6,985**
New funding			3,556	1,156		400	385	400	**5,898**
New disbursements	1,223	422	764	1,125	210	799	216	2,479	**7,238**
Operational	98	98	98	98	98	98	98	98	**784**
Closing cash	**6,908**	**7,217**	**11,393**	**11,904**	**15,162**	**15,702**	**13,553**	**9,128**	**9,128**

- Average haircut of 15% on the loan inflows (even though actuals continue to perform closer to contractual forecasts).
- Even though funding under negotiation is sufficient to meet near term requirements, we still plan to go to the bond market for price discovery and to maintain market presence:
  - Maturities under consideration = 3, 5, 7 and 10 years
  - RMB to follow with market sounding

5 YEAR EVOLUTION OF FUNDING SOURCES

Funding Sources

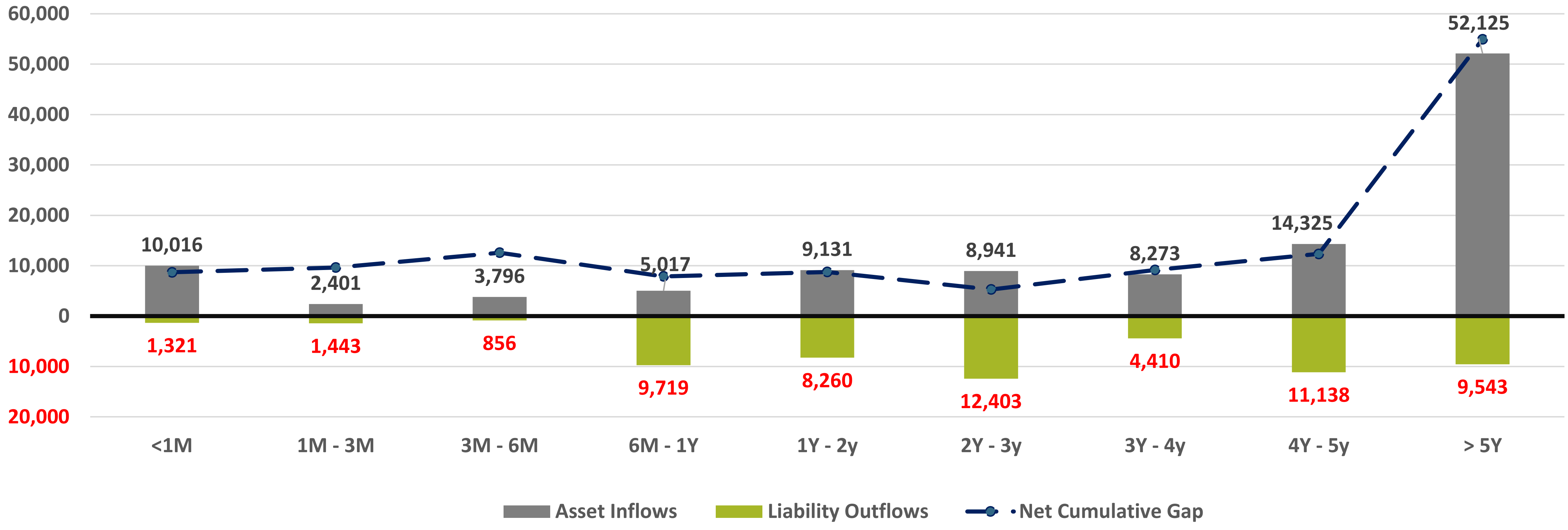


- The funding share of JSE listed bonds has decreased from **48.5%** in July 2018 to **27.7%** in July 2023 (with outstanding balances decreasing from ZAR 29.9bn to ZAR 16.9bn).
- Bilateral funding (including offshore bond private placements) increased from **31.8%** to **56.6%.**

ASSET LIABILITY MANAGEMENT

ALM MATURITY GAPS

Contractual Asset & Liability Maturity Gaps



- Well balanced ALM maturity profile with positive cumulative gap across all maturity buckets.

ALM REPRICING GAPS

Contractual Asset & Liability Repricing Gaps

	<1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2y	2Y - 3y	3Y - 4y	4Y - 5y	> 5Y	Total
Cash	9,888									9,888
Investment securities	0	0	0	181	0	0	0	0	0	181
Development Bonds	0	0	42	544	83	83	83	833	500	2,169
Development Loans	16,370	31,985	14,771	1,215	2,688	2,826	2,582	8,579	20,770	101,787
Derivative assets	2,500	258	326	763	1,618	1,618	1,501	1,281	10,820	15,685
Asset Inflows	**23,758**	**32,243**	**15,138**	**2,702**	**4,390**	**4,528**	**4,167**	**10,693**	**32,090**	**129,710**
Debt funding	7,310	7,400	600	2,193	2,933	0	500	9,163	590	30,689
Lines of Credit	1,003	20,750	5,599	130	225	185	159	118	237	28,405
Derivative liabilities	11,585	4,100	0	0	0	0	0	0	0	15,685
Liabilities Outflows	**19,898**	**32,250**	**6,199**	**2,323**	**3,158**	**185**	**659**	**9,280**	**827**	**74,779**
Net repricing gap	**3,860**	**7**	**8,940**	**379**	**1,232**	**4,343**	**3,508**	**1,412**	**31,263**	**54,931**
Cumulative repricing gap	**3,860**	**3,853**	**12,793**	**13,172**	**14,404**	**18,747**	**22,255**	**23,667**	**54,931**	

- Liquidity holding forms the biggest part of the one year repricing gap.
- The book has benefited from the increasing rate cycle over the last three years.
- However using swaps, over the last five months the one year repricing gap has been reduced substantially by locking in asset rates at current elevated yields.

FOREIGN CURRENCY RISK

	EUR	USD
Assets		
Cash and cash equivalents at amortised cost	31	26
Investment securities	0	0
Equity investments held at fair value through profit and loss	37	140
Development bonds at amortised cost	0	0
Development loans - capital	365	1,181
Development loans - arrears	15	59
Total Assets	**447**	**1,406**
Liabilities		
Debt securities	200	0
Lines of credit	222	1,061
Total liabilities	**422**	**1,061**
Foreign exchange options	0	243
Total Derivatives	**0**	**243**
Net Open Positions	**25**	**102**

In addition to ZAR, the Bank has operations in USD and EUR

- The risk arising from these foreign currency operations is managed using derivatives (FEC, cross currency swaps and foreign exchange options).
- At 31 July 2023, the EUR and USD currency Net Open Positions stood at: EUR 25m and USD 102m long, respectively.

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

CAPITAL MANAGEMENT

CAPITAL MANAGEMENT

- The Bank has voluntarily adopted the Basel capital framework for internal use.
- Risk weighted assets are calculated for Pillar 1 risks. As at 30 June 2023:
  - **Credit risk** – internal ratings-based approach – R 23.9bn capital requirement
  - **Equity risk** – simple risk weight approach – R 1.8bn capital requirement
  - **Market risk** – standardised approach – R 777m capital requirement
  - **Operational risk** – standardised approach – R 1.3bn capital requirement
- As at June 2023, the Bank had capital of R 59.7bn (incl. ECL and excl. callable capital).
- Capital requirements of R 27.7bn is well within the available capital of R 59.7bn (leaving capital headroom of R 32bn).
- With capital adequacy ratio of 22.6%, the Bank is well capitalised for the risks already on the book and for planned future growth.
- Capital management is already being used internally to supplement risk limits through capital allocation to the various risk types and countries to support the Bank's business strategy.

	30-Jun-23 – R '000,000
Available Capital	**59 747**
Risk Weighted Assets:	**263 921**
- Credit Risk	*227 709*
- Market Risk	*7 399*
- Operational Risk	*12 069*
- Equity Risk	*16 744*
Capital Ratio	**22.6%**

	30-Jun-2023 – R '000,000		
	Capital requirements	**Allocated capital**	**Surplus/ (Shortfall)**
Credit risk	23 909	44 811	20 901
Market risk	777	1 494	717
Operational risk	1 267	4 481	3 214
Equity risk	1 759	8 962	7 203
Total	**27 712**	**59 747**	**32 035**

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

THANK YOU