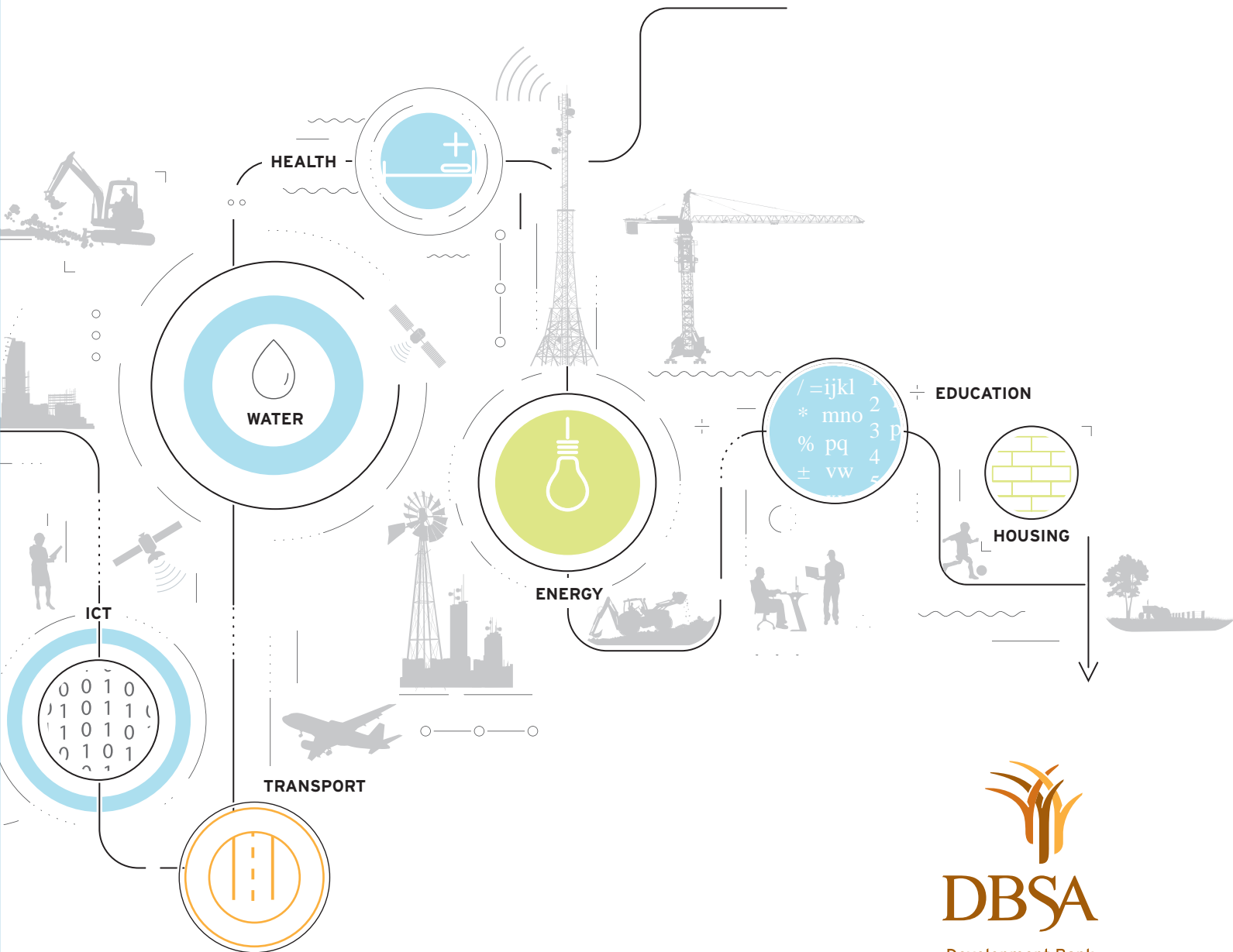


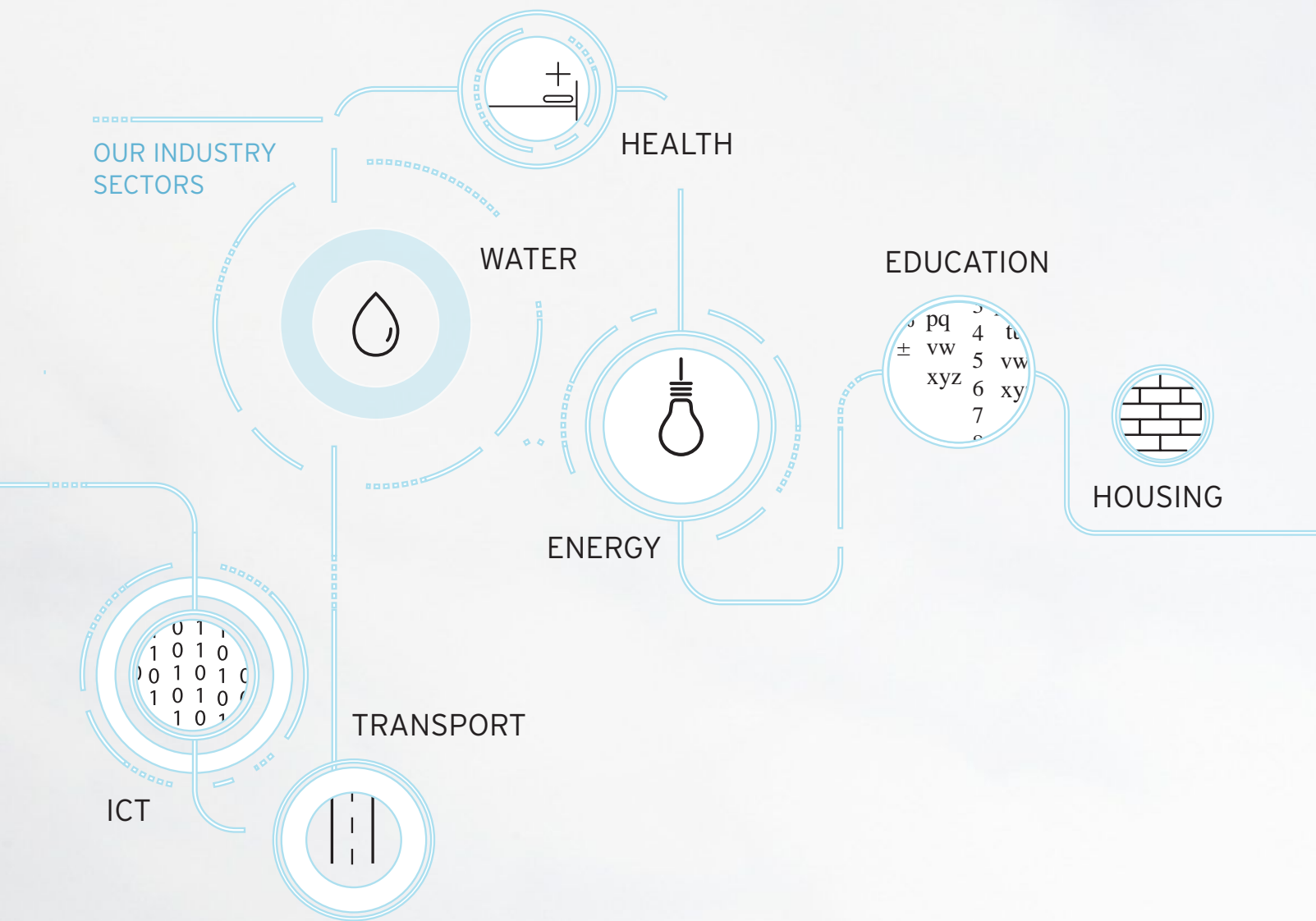
Make change happen

WE CHALLENGE LIMITING CONVENTION TODAY,
TO CREATE LIBERATING CHANGE TOMORROW



Development Bank
of Southern Africa

2016 INTEGRATED
ANNUAL REPORT



THE DBSA

The DBSA is a South African state-owned enterprise (SOE) and one of the leading development finance institutions (DFIs) in Southern Africa.

The DBSA seeks to play a pivotal role in delivering developmental infrastructure in South Africa and the rest of Africa, ultimately contributing to social and economic integration on the continent.

PERFORMANCE HIGHLIGHTS

SUSTAINING A STRONG INFRASTRUCTURE DEVELOPMENT AND FINANCIAL PERFORMANCE



Delivered

R28.0 billion

in total infrastructure support



New record disbursements of

R17.1 billion



Prepared projects to the value of

R7.6 billion



Delivered

R2.6 billion

in infrastructure implementation support



DBSA awarded accreditation to the

Green Climate Fund



638 000

households to benefit from funds committed to municipalities



17 900

scholars to benefit from 35 schools constructed



More than **35 000**

people gained access to improved health facilities



1 382

houses constructed

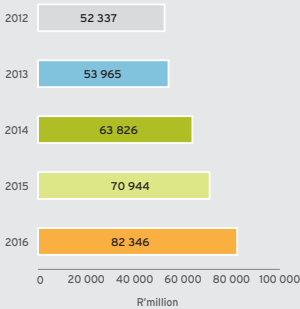


Effective governance rated

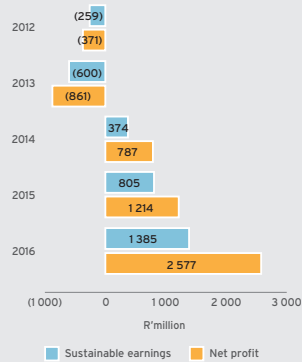
A+ based

on AADFI SGRS

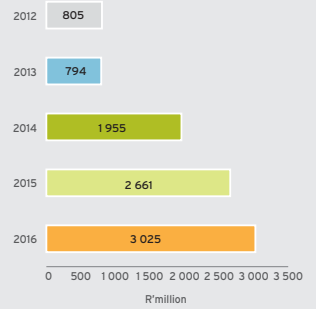
Total assets



Sustainable earnings and net profit



Cash generated by operating activities



Refer to pages 8 and 9 for more highlights



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Indicates a page or note reference of information which can be found elsewhere in this reporting suite.

www.dbsa.org

OUR REPORTING SUITE FOR 2016 CONSISTS OF THREE REPORTS



THIS 2016 INTEGRATED ANNUAL REPORT, WHICH IS OUR PRIMARY COMMUNICATION WITH ALL STAKEHOLDERS.



THE 2016 ANNUAL FINANCIAL STATEMENTS, WHICH INCLUDE THE DIRECTORS' REPORT AND THE INDEPENDENT AUDITOR'S REPORT.



THE 2016 SUSTAINABILITY REVIEW REPORT, WHICH PROVIDES FURTHER INFORMATION ON OUR SUSTAINABILITY PERFORMANCE.



Other enhancements made to our integrated reporting are detailed on page 54

VISION

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

MISSION

To advance the development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development solutions

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

VALUES

HIGH PERFORMANCE	SHARED VISION	INTEGRITY	INNOVATION	SERVICE ORIENTATION
We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded.	We share and keep the sustainability, the strategic intent and mandate of the DBSA top of mind in all our decisions and actions.	Our deals, interactions and actions are proof of transparent and ethical behaviour that show respect and care for all our people (employees, stakeholders, shareholders, clients and communities).	We challenge ourselves continuously to improve what we do, how we do it and how well we work together.	We deliver responsive and quality service that speaks to the needs of our clients and continuously build relationships that result in win-win outcomes.

DBSA MANDATE

CONSTITUTION OF THE DBSA

The constitution and conduct of the DBSA Board of Directors are primarily governed by the Development Bank of Southern Africa Act, No 13 of 1997 (DBSA Act) and further regulated by the Public Finance Management Act, No 1 of 1999 (PFMA), the principles of the King Code of Governance Principles for South Africa 2009 (King III) and the Protocol on Corporate Governance in the Public Sector. The DBSA's mandate is defined by section 3 of the DBSA Act.

Its primary purpose is to promote economic development and growth, human resource development and institutional capacity building in South Africa and the wider African continent. It does so by:

- Mobilising financial and other resources from the private and public sectors, national or international, on a wholesale basis.
- Appraising, planning and monitoring the implementation of development projects and programmes.
- Facilitating the participation of the private sector and community organisations in development projects and programmes.
- Providing technical assistance, particularly in respect of human resource development and training with regard to the identification, preparation, evaluation, financing, implementation and management of development projects and programmes.
- Funding or mobilising wholesale funding for initiatives to minimise or mitigate the environmental impact of development projects or programmes.
- Assisting other international, national, regional and provincial initiatives in order to achieve an integrated finance system for development.
- Assisting other institutions in the national or international, public and private sectors with the management of specific funds.

In fulfilling its mandate, the DBSA is guided by a number of international, regional and local policies, accords and agreements; and subscribes to the goals and targets of the United Nations' Transforming our World: the 2030 Agenda for Sustainable Development. Furthermore, in accordance with COP21, the DBSA supports business innovation and delivering scale to the emerging green economy.

FOREWORD BY THE MINISTER OF FINANCE

THE GOVERNMENT CONTINUES TO DRIVE ITS VISION OF IMPROVING THE LIVES OF ALL SOUTH AFRICANS. THE NATIONAL DEVELOPMENT PLAN (NDP) SETS OUT AN INTEGRATED STRATEGY FOR ACCELERATING GROWTH, ELIMINATING POVERTY AND REDUCING INEQUALITY. ACCORDING TO THE PLAN, SOUTH AFRICA CAN REALISE THESE GOALS BY DRAWING ON THE ENERGIES OF ITS PEOPLE, GROWING AN INCLUSIVE ECONOMY, BUILDING CAPABILITIES, ENHANCING THE CAPACITY OF THE STATE, AND PROMOTING LEADERSHIP AND PARTNERSHIPS THROUGHOUT SOCIETY.



Pravin J Gordhan, MP
Minister of Finance and
Governor of the DBSA

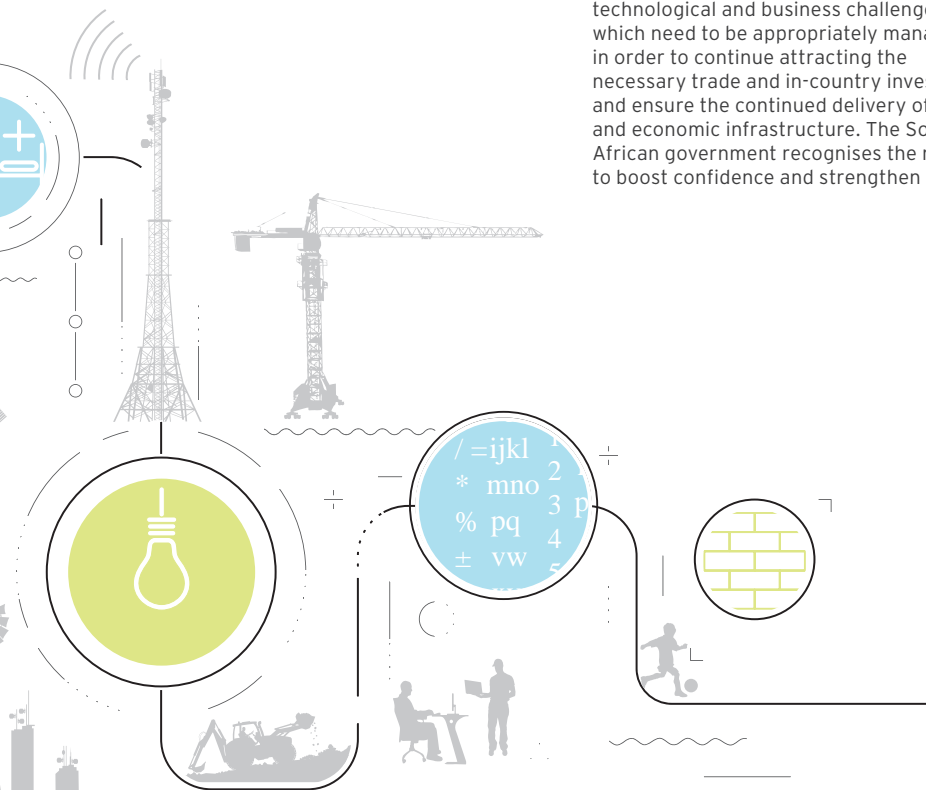
Global growth remains under pressure. The moderate recovery in advanced economies remains uneven and developing economies have been experiencing broad downward revisions to growth. Expectations of higher US interest rates and concerns about the resilience of China and other large developing economies have led to greater volatility in global capital flows whilst commodity prices remain low. In combination, these conditions are adversely affecting financial markets, reducing risk appetite and tolerance for further build-up of public and corporate debt, particularly in developing countries.

Many African countries, including South Africa, are facing a complex array of environmental, political, social, technological and business challenges which need to be appropriately managed in order to continue attracting the necessary trade and in-country investment and ensure the continued delivery of social and economic infrastructure. The South African government recognises the need to boost confidence and strengthen

investment, including promoting co-investment in capital projects, and improving policy certainty and the ease of doing business.

The government continues to drive its vision of accelerating growth, eliminating poverty and reducing inequality of all South Africans in line with the National Development Plan (NDP) and United Nations' Sustainable Development Goals (SDG). Investment in infrastructure is essential to this development.

The DBSA is recognised as a critical component of the national infrastructure system with a mandate to contribute meaningfully towards large-scale infrastructure projects in the energy, transport, water and telecommunication sectors; supporting cities to promote economic growth and spatial development; as well as provide planning and implementation support to municipalities, with specific emphasis on lower tier secondary cities and under-resourced municipalities.





The promotion of regional integration through infrastructure development is also a key pillar in Africa's growth and development agenda. Organisations such as the DBSA must continue to be a catalyst to facilitate increased trade and continue to support programmes such as the North-South Corridor and the Programme for Infrastructure Development in Africa's Priority Action Plan.

This Integrated Annual Report details another excellent performance by the DBSA in delivering on its mandate, despite some challenging macro-economic factors. Infrastructure financing for the year totalled R17.1 billion, bringing to R60.0 billion the total disbursed over the past five years. Municipalities received R8.1 billion in infrastructure financing whilst R7.8 billion was committed to this segment. It is anticipated that over 638 000 households will benefit once the committed projects are completed.

The DBSA's role in implementing projects for various national and provincial government departments continued to expand in the important areas of education, health and housing. 35 schools, 1 382 houses and 111 health facilities were completed during the year. Through these

activities 6 462 employment opportunities were created and 665 small medium enterprises supported.

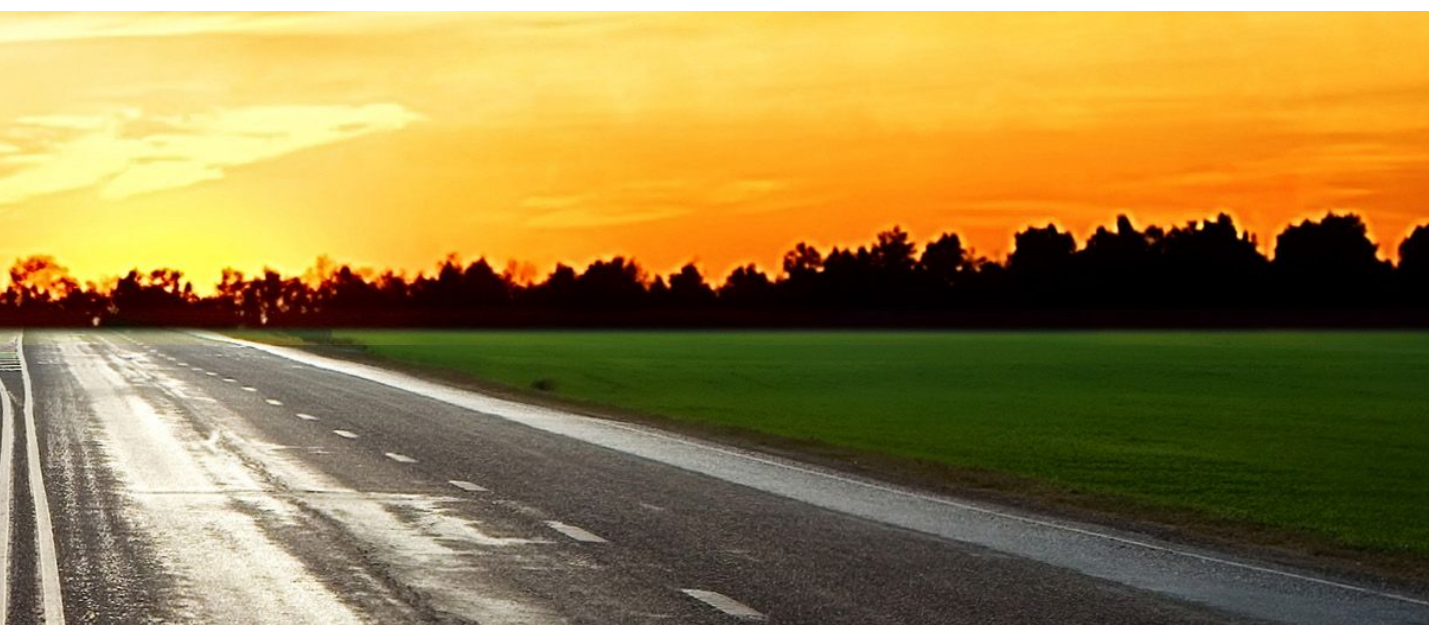
I congratulate and thank the DBSA Board, management and staff on these results and for this collective effort in providing meaningful and sustainable infrastructure development. The DBSA must continue to review its strategy and operating model to ensure that its infrastructure development activities are geared towards maximising impact and also play an appropriate role in a development state.

It is my firm expectation that all entities reporting to the Ministry of Finance will always enhance integrity, financial prudence and make every effort to expose and fight corruption and mismanagement of public funds.

Pravin J Gordhan, MP
Minister of Finance

THE DBSA'S ROLE IN SUPPORTING THE NDP AND SDG OBJECTIVES

The strategy of the DBSA is linked to the objectives of the National Development Plan. The table illustrates the role of the DBSA linked to each National Development Plan (NDP) and Sustainable Development Goal (SDG) objective.



	NDP outcome	SDG outcome
Direct role	<ul style="list-style-type: none"> Investing in economic infrastructure Environmentally sustainable and resilient: Transition to a low-carbon economy An inclusive and integrated rural economy Position South Africa in the region and the world Transforming human settlements Improving the quality of education, training and innovation Quality health care for all Building a capable and developmental state 	<ul style="list-style-type: none"> Ensure availability and sustainable management of water and sanitation for all Ensure access to affordable, reliable, sustainable and modern energy for all Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation Make cities and human settlements inclusive, safe, resilient and sustainable Take urgent action to combat climate change and its impacts Strengthen the means of implementation and revitalise the global partnership for sustainable development
Indirect role	<ul style="list-style-type: none"> Creating an economy that will create more jobs Fighting corruption Transforming society and uniting the country 	<ul style="list-style-type: none"> End poverty in all its forms everywhere End hunger, achieve food security and improved nutrition, and promote sustainable agriculture Ensure healthy lives and promote well-being for all at all ages Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Achieve gender equality and empower all women and girls Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all Reduce inequality within and among countries Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss
Not applicable	<ul style="list-style-type: none"> Social protection Building safer communities 	<ul style="list-style-type: none"> Ensure sustainable consumption and production patterns Conserve and sustainably use the oceans, seas and marine resources for sustainable development Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

01

THE DBSA AND ITS STRATEGY

SHAREHOLDER NEEDS

The DBSA is recognised as a critical component of the national infrastructure system with a mandate to contribute meaningfully towards national infrastructure objectives. Within the broader development finance institution community, it is important that the mandate of each entity be clearly calculated. The government has guided that the DBSA:

- Invests in large-scale infrastructure projects, especially in the energy, transport, water and telecommunication sectors
- Supports cities to promote economic growth and spatial development
- Provides planning and implementation support to municipalities, with specific emphasis on lower tier secondary cities and under-resourced municipalities
- Crowds in other DFIs and the private sector
- Services both domestic and regional infrastructure requirements
- Provides direct implementation support for social infrastructure projects on a full cost-recovery basis
- Remains financially sustainable
- Continues to identify niche markets and improve its performance

VALUE CREATION

The DBSA strategy is designed around the ability to leverage its competitive advantages as described below:

COMPETITIVE ADVANTAGE

SOURCE OF COMPETITIVE ADVANTAGE

Integrated infrastructure solutions provider

- The DBSA operates across the infrastructure finance value chain and can therefore offer clients an integrated solution

Early-stage risk

- As a DFI, the DBSA is positioned to take on early-stage risk where commercial banks are reluctant to take on this risk for example, use project preparation services to support the growth of the deal pipeline

The DBSA a trusted partner

- The DBSA is positioned to leverage its role as a trusted partner between the government and the private sector.

Basel III capital requirements not applicable to the DBSA

- Allows the DBSA to take longer tenure on debt

AT THE CORE OF OUR MANDATE, THE DBSA SEEKS TO PLAY A PIVOTAL ROLE IN DELIVERING DEVELOPMENTAL INFRASTRUCTURE IN SOUTH AFRICA AND THE REST OF AFRICA.

STRATEGIC OBJECTIVES

The DBSA has refined its strategic objectives to support its transformation journey:



SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT

Grow each of our businesses aggressively to maximise developmental impact.



PROVIDING INTEGRATED INFRASTRUCTURE SOLUTIONS

Provide integrated infrastructure solutions across the value chain and be the partner of choice for infrastructure solutions.



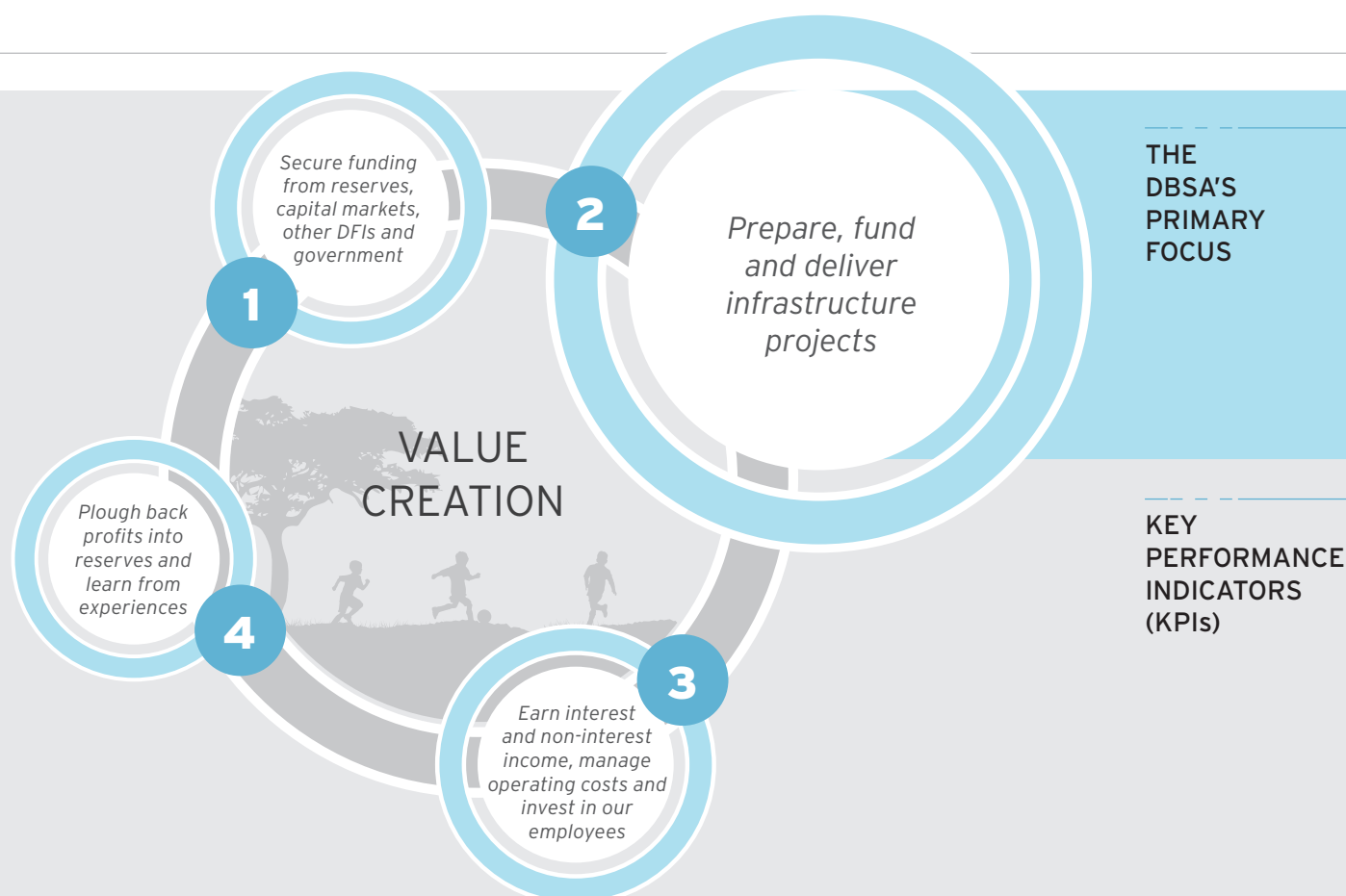
MAINTAIN FINANCIAL SUSTAINABILITY

Maintain profitability and operational efficiency to enable growth in equity and fund developmental activities.

STRATEGIC ENABLERS

To execute the strategy, we identified the following six strategic enablers:





Create and maintain a high performance culture	People are our most valuable resource and we are committed to attracting, developing, retaining and rewarding the best people through the continued establishment of a challenging and exciting environment, which stimulates commitment, and encourages development and growth.
Balance sheet capacity	Balance sheet strengthening and implement treasury strategy in order to meet the growth ambitions.
Business intelligence	Acquiring relevant actionable knowledge and understanding of our selected industry market and geographic sectors, economic business trends, clients and competitors, in order to inform quality decisions that should drive performance.
Developing and leveraging our strategic partnerships	Developing and leveraging our strategic partnerships and relationships to profitably expand and deepen our penetration of our selected market segments and geographic markets. Strategic partnerships enable the business to gain a competitive advantage through access to knowledge and project funding. Distinguishing ourselves by proactively partnering with our clients and development partners to originate, plan and deliver infrastructure projects.
Operational excellence	Creating within our Group operating model and organisational structure, distinctive skills processes and operating models for the effective provision of innovative finance for development and enhanced project execution capabilities.
Provide innovative infrastructure solutions	Innovation can support the DBSA to solve client and market needs more effectively, gain a competitive edge through product diversification, accelerate delivery of infrastructure, expand reach and provide solutions to ensure the effective utilisation of resources as well as the transition to a low-carbon economy.



OUR BUSINESS MODEL

HOW WE SUPPORT INFRASTRUCTURE DEVELOPMENT AND CREATE VALUE

The DBSA supports infrastructure development and creates value through the provision of a range of innovative services to South Africa and the broader region. To ensure our sustainability, our business model takes into account our vision, mission and strategy, supported by robust governance structures and processes. The environments in which we operate, as well as our engagement with our stakeholders, play a critical role in identifying risks and opportunities. Our strategy strives to maximise these opportunities and mitigate the risks effectively and our management structure enables delivery of our strategy.

OUR RESOURCES		DESCRIPTION	2016	2015
INTELLECTUAL CAPITAL 	Our strong brand, reputation and relationships.	Experience in infrastructure development:	32 years	31 years
		Owned by the South African government.		
		Infrastructure development services: Project preparation, financing and implementation.		
SOCIAL CAPITAL 	The communities in which we operate are at the core of what we do. Clients, partners and government relationships are central to our business to support infrastructure development.	Countries in which we have active exposures:	13 countries	11 countries
		Key regulators: the National Treasury, Parliament, Department of Labour and the Johannesburg Securities Exchange.		
FINANCIAL CAPITAL 	Funds available for us to use in our business, including financing resources, such as debt and equity, as well as funds generated through our operation and investments.	Capital and reserves:	R29.3 billion	R23.7 billion
		Additional capital received from government to support growth:	R3.0 billion	R2.5 billion
		Financial market liabilities:	R51.8 billion	R46.2 billion
		Cash generated from operations:	R3.0 billion	R2.7 billion
HUMAN CAPITAL 	The people we employ as well as others we work with and their health, knowledge and skills.	Number of employees:	461	459
		Number of contract employees to support infrastructure delivery:	108	88

PLAN	PREPARE	FINANCE	BUILD	MAINTAIN/IMPROVE
Under-capacitated municipalities <ul style="list-style-type: none"> • Master and sector plans • Sustainable service delivery plans • Planning support to reduce water and electricity losses 	<ul style="list-style-type: none"> • Project identification • Feasibility assessments • Technical assistance • Financial structuring • Project preparation funds • Lead arranger • Project management support, including to the Green Fund and the IPSA Fund 	Providing vanilla and boutique financing opportunities (ranging from subsidies to fully commercial) <ul style="list-style-type: none"> • Debt • Mezzanine finance • Limited non-recourse lending 	Managing the design and construction of key projects in the education, health and housing sectors	Supporting the maintenance and/or improvement of key infrastructure projects

1	2	3	4
Secure funding from reserves, capital markets, other DFIs and government	Prepare, fund and deliver infrastructure projects	Earn interest and non-interest income, manage operating costs and quality of loan book and invest in our employees	Plough back profits into reserves and learn from experiences
Internal ratios <ul style="list-style-type: none"> • Debt/equity • Liquidity coverage • Net stable funding 	Prepare <ul style="list-style-type: none"> • Gross value of bankable projects prepared Finance <ul style="list-style-type: none"> • Value of infrastructure disbursements • Planning and implementation support to municipalities Delivery <ul style="list-style-type: none"> • Total funds under management • Implementation support to SIP 6 • Cost-to-income ratio of IDD 	Financial <ul style="list-style-type: none"> • Sustainable earnings • Net interest margin • Cost-to-income ratio (excluding IDD) • Non-performing loan book after specific impairments Human capital <ul style="list-style-type: none"> • Development and retention of key skills • Leadership development as part of succession planning programme • Implementation of culture change initiative 	<ul style="list-style-type: none"> • Return on average equity • Client and partner satisfaction • New product development (product diversification) • Effectiveness of business intelligence and knowledge management processes



OUR OUTPUTS

PROJECT PREPARATION



- Appointed as managing agent for €100 million Infrastructure Investment Programme for South Africa (IIPSA) and SADC Project Preparation Development Facility (PPDF)
- Total projects approved for funding: **R7.6 billion** [2015: R6.4 billion]
- Total funding mobilised for project preparation cost (including co-financing): **R446 million** [2015: R402 million]
- Projects being prepared for funding at year-end: **R216 billion** [2015: R260 billion]

INFRASTRUCTURE FINANCING



- Total approvals: **R24.6 billion** [2015: R30.2 billion]
- Total disbursements: **R17.1 billion** [2015: R13 billion]
 - Energy 2016: **R9.3 billion** [2015: R7.0 billion]
 - Water 2016: **R1.5 billion** [2015: R2.1 billion]
 - Transport 2016: **R2.7 billion** [2015: R1.3 billion]
 - Communications 2016: **R369 million** [2015: R350 billion]
- Projects supported: **74** [2015: 113]
- Total commitments: **R18.3 billion** [2015: R17.4 billion]
- Disbursement to municipalities in South Africa: **R8.1 billion** [2015: R5.4 billion]
 - to metros: **R7.5 billion** (2015: R3.7 billion)
 - to secondary municipalities: **R430 million** [2015: R1.3 billion]
 - to under-resourced municipalities: **R173 million** [2015: R489 million]
 - Number of municipal clients: **149** [2015: 153]
 - Book debt to secondary and under-resourced municipalities: **R6.5 billion** [2015: R6.7 billion]
- Disbursements to the rest of SADC: **R3.3 billion** [2015: R619 million]
- Secondary and under-resourced municipalities
 - Planning: Infrastructure master plans and detailed designs completed
 - Four** [2015: Three]
 - Implementation
 - Number of municipalities supported: **12** [2015: 11]
 - Number of projects in planning stage: **10** [2015: 27]
 - Projects in construction: **36** [2015: 84]
 - Projects completed: **70** [2015: 60]

INFRASTRUCTURE IMPLEMENTATION



- Value of funds under management: **R3.3 billion** [2015: R2.0 billion]
- Value of infrastructure delivered: **R2.6 billion** [2015: R2.0 billion]
 - Schools completed: **35** [2015: 15]
 - Schools in construction: **22** [2015: 48]
 - Houses built: **1 382** [2015: 1 128]
 - Health facilities completed: **111** [2015: 86]
 - **2 250** water and **203** electricity meters installed
 - **54** municipal projects completed

FINANCIAL RESULTS



- Net profit: **R2.6 billion** [2015: R1.2 billion]
- Cost-to-income ratio: **28.7%** [2015: 34.4%]
- Paid to providers of capital (interest expense): **R3.4 billion** [2015: R3.0 billion]
- Debt-to-equity ratio: **178%** [2015: 196%]
- Staff costs: **R731 million** [2015: R607 million]



DEVELOPMENT OUTCOMES

INFRASTRUCTURE
FINANCING

- ➔ Municipal (South Africa)¹
 - ➔ **Energy** (includes upgrading of substations and electrification of households) - total households impacted:
251 680
[2015: 90 096]
 - ➔ **Rehabilitation of roads** - total households impacted:
33 450
[2015: 1 986]
 - ➔ **Water** (includes reticulation and provision of bulk water) - total households impacted:
63 216
[2015: 56 695]
 - ➔ **Sanitation** (includes reticulation, upgrading and construction of waste water treatment works) - total households impacted:
254 560
[2015: 138 234]
 - ➔ **Residential facilities** - total households impacted:
34 889
[2015: 2 000]
- ➔ Implementation support to municipalities (non-lending)²
 - ➔ **Number of households** that received access to new and improved service in water, sanitation and electricity:
63 242
[2015: 8 482]
 - ➔ **Temporary job opportunities created**:
5 240
[2015: 1 773]
- ➔ Non-municipal (South Africa and SADC)¹
 - ➔ **Energy generation**
 - ➔ Gas: **225 MW** [2015: 24 MW]
Total project impact: **225** [2015: 340 MW]
 - ➔ Coal: **65 MW** [2015: 99 MW]
Total project impact: **9 000 MW** [2015: 9 000 MW]
 - ➔ **Education**
 - ➔ Student accommodation: **1 000 beds** [2015: 2 550 beds]
Total project impact: **1 000 beds** [2015: 5 204 beds]

¹ Based on projects committed during the year

² Service provided by South African Financing division

INFRASTRUCTURE
IMPLEMENTATION

- ➔ Schools
 - ➔ Scholars enrolled during 2016: **>17 900** [2015: 9 000]
 - ➔ Total number of learners benefiting since inception: **>36 000**
- ➔ Health
 - ➔ More than **35 000** people gained access to health counselling and testing in newly built clinics
- ➔ Employment creation
 - ➔ Jobs created: **6 462** [2015: 7 144]
- ➔ SMME development
 - ➔ Value of funds allocated to SMMEs: **R710 million**
 - ➔ SMMEs benefiting: **665** [2015: 754]



Refer to the DBSA's Sustainability Review Report for more detail





DBSA SUPPORT AREAS OVER THE NEXT THREE YEARS




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The DBSA's strategy maintains its focus on social and economic infrastructure development but with an emphasis on driving financial and non-financial investments in the primary sectors of energy, transport, water and communications, whilst providing support to various social sectors such as health, education and housing to a lesser extent.

The DBSA primarily plays a key role in the preparation, funding and building phases of the infrastructure development value chain. The table below summarises the performance against the 2016 targets and the targeted deliverables for 2017 as well as the further two years to March 2019. The performance against the detailed 2016 Balanced Scorecard is reflected on page 5 to 7 of the separate Annual Financial Statements.

KEY PERFORMANCE METRICS

Objective	Key performance indicator	Target 2016	Actual 2016	Target 2017	Target 2018	Target 2019
CUSTOMER PERSPECTIVE (50%)						
 Sustained growth in development impact	Project preparation					
	Gross value of bankable projects prepared	R4 billion	R7.6 billion	R9 billion	R10 billion	R11 billion
	Infrastructure financing					
	Total value of infrastructure unlocked	-	R17.1 billion	R22.0 billion	R25.0 billion	R28.0 billion
	→ Value of third party funds catalysed by the DBSA	-	-	R5.6 billion	R7.6 billion	R9.6 billion
	→ Value of infrastructure disbursements	R17.8 billion	R17.1 billion	R16.4 billion	R17.4 billion	R18.4 billion
	• South Africa					
	- Municipalities	R6.0 billion	R8.1 billion	R6.0 billion	R6.1 billion	R6.2 billion
	• Metropolitan cities	R4.0 billion	R7.5 billion	R4.8 billion	R4.8 billion	R4.8 billion
	• Secondary municipalities	R1.5 billion	R430 million	R1.0 billion	R1.1 billion	R1.2 billion
	• Under-resourced municipalities	R0.5 billion	R173 million	R200 million	R200 million	R200 million
	- Social infrastructure (education, health, housing and water)	R1.2 billion	R0.6 billion	R1.2 billion	R1.3 billion	R1.4 billion
	 Providing integrated infrastructure solutions	- Economic infrastructure (transport, energy and ICT)	R5.6 billion	R4.9 billion	R5.6 billion	R6.0 billion
• Rest of Africa (including SADC)		R5.0 billion	R3.5 billion	R3.6 billion	R4.0 billion	R4.4 billion
• SADC (excluding RSA)		R3.5 billion	R3.3 billion	R2.5 billion	R2.8 billion	R3.1 billion
Implementation and delivery support programmes						
Total funds under management		R3.2 billion	R3.3 billion	R4.2 billion	R4.4 billion	R4.7 billion
Client and partner satisfaction						
Client and partner satisfaction	Conduct survey (use actual rating)	Rating of 3.9	Rating of 4	Rating of 4	Rating of 4	

Objective	Key performance indicator	Target 2016	Actual 2016	Target 2017	Target 2018	Target 2019
FINANCIAL PERSPECTIVE (30%)						
 Maintain financial sustainability	Sustainable earnings	R911 million	R1.4 billion	R1.1 billion	R1.2 billion	R1.3 billion
	Net interest margin	40.9%	48.7%	41%	37%	35%
	Non-interest revenue (excluding IDD)	R100 million	R50 million	R250 million	R300 million	R350 million
INTERNAL PERSPECTIVE (10%)						
 Continuous improvement of internal systems and processes	Cost-to-income ratio of IDD	95%	87%	<95%	<95%	<95%
	Cost-to-income ratio (excluding IDD)	Max 35%	25%	<35%	<35%	<35%
	Balance sheet capacity: Capital management	-	-	Capital management strategy/framework approved	Target to be determined post-finalisation of strategy	Target to be determined post-finalisation of strategy
	Innovation	-	-	Approval of an innovative concept/product	Target to be determined post-implementation of innovation unit	Target to be determined post-implementation of innovation unit
LEARNING AND GROWTH (10%)						
 Create and maintain high performance environment	Development and retention of key skills	85% of key skills retained	95%	<85%	<85%	<85%
	Implementation of culture change initiative	Conduct staff culture survey - 15% improvement	22% improvement in culture survey	3% improvement in culture survey	3% improvement in culture survey	3% improvement in culture survey



ENGAGING WITH OUR STAKEHOLDERS

In all of its activities, the DBSA maintains an open dialogue with its stakeholders. We believe that this dialogue and the development of strategic partnerships are not only fundamental sources of information but are also important for responsible corporate governance. Stakeholder dialogue is vital for the effective execution of the DBSA's mandate.

DBSA STAKEHOLDER MAP

Stakeholders	How we engage	What we engage on	Stakeholders' contribution to value creation	Pages
Government (shareholder representative)	Regular meetings with the Governor and the National Treasury	The DBSA's developmental role; long-term sustainability; financial performance and Shareholder Compact	Provides the link to ensure alignment of the DBSA with National Priorities	2 to 4 24
Employees	Staff engagements at numerous levels; training and development needs analysis; results presentations; performance reviews; internal media; whistle-blower's hotline; and staff surveys	Strategy; financial performance; people development and training, transformation and employment equity and code of conduct	To enhance employees' engagement and commitment as their efforts contribute to our success	34 to 35 Sustainability Report
Clients and partners	Client and partner surveys; client and partner meetings and marketing campaigns	Client needs (funding and non-funding support); implementation support (non-funding support); perceptions and expectations; job creation and environmental impact	<ul style="list-style-type: none"> • Their business provides the basis for our continued growth • To understand our clients' and partners' needs and enhance our development impact 	5 to 11 34 to 41 Sustainability Report
Regulators	Regular communication, meetings and reports with/to: <ul style="list-style-type: none"> • Standing Committee on Finance • Select Committee on Finance • National Treasury • Financial Intelligence Centre • Department of Labour 	Compliance requirements; needs and expectations; feedback on performance and human capital matters	Provides the enabling regulatory framework in which we operate	18 to 31 External auditor's report
Providers of finance	Meetings with analysts and rating agencies; investor road shows; announcement of results; website	Financial performance; market trends and issues; future prospects and organisational sustainability	Provide financial capital required to sustain and grow the business	43 to 51 Annual Financial Statements
Suppliers	One-on-one meetings and presentations	Contract and service agreements and performance	<ul style="list-style-type: none"> • The ability to achieve our objectives can only be achieved if we enjoy the loyal support of our suppliers • Suppliers provide the valued expertise, products and services required to maintain our business and facilitate growth 	Sustainability Report
Community	Project implementation; community surveys; marketing campaigns and website	Investment in socio-economic development; access to basic services and local labour opportunities	Communities are ultimately a key beneficiary of our services and they provide a deeper understanding of our social responsibility expectations, including job creation and environmental impact	8 to 9 Sustainability Report
Media	Media briefings; press conferences and releases and print media	Key strategic initiatives; project information; operational and financial performances	Raise public awareness of our strategy, products and services as well as our operational results	





MANAGING OUR RISKS AND OPPORTUNITIES

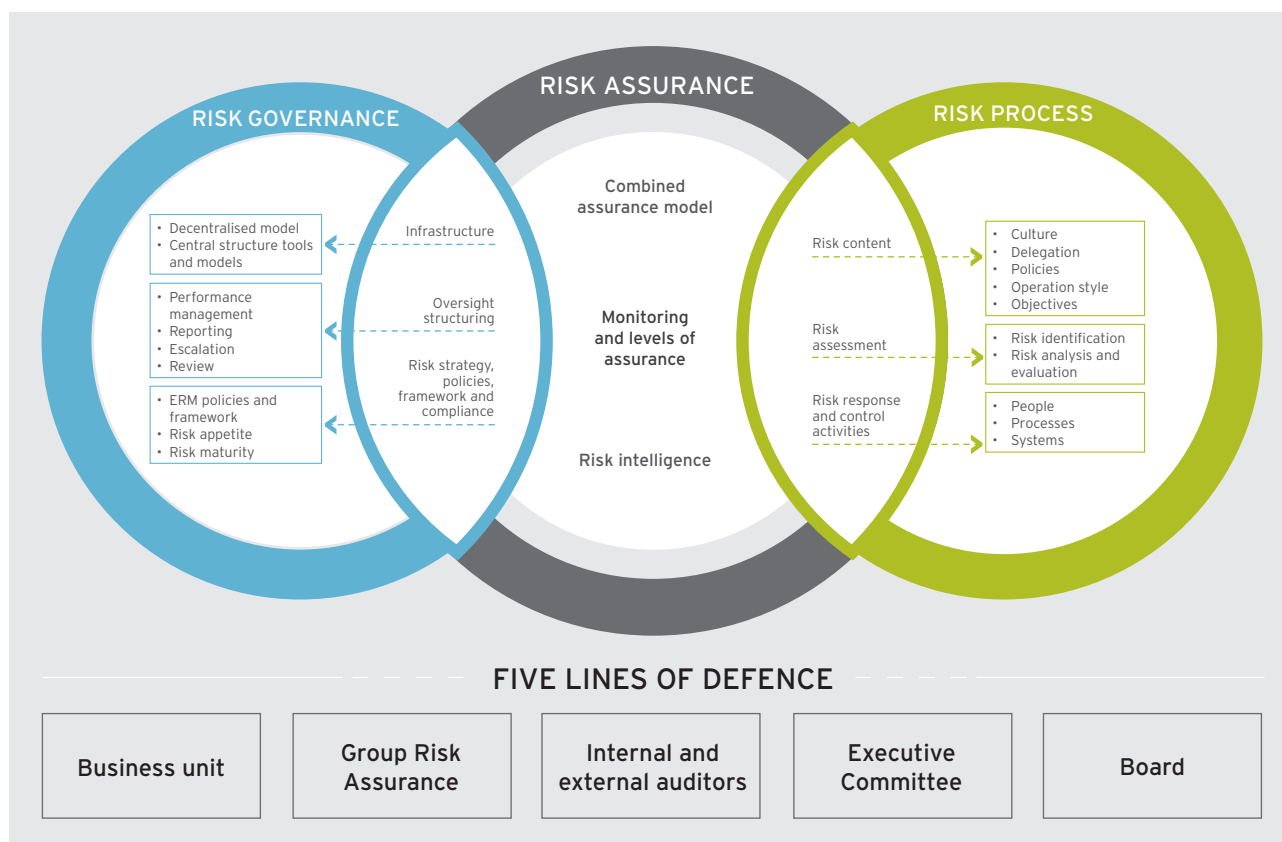
At the DBSA, anticipating and responding to our risks and opportunities is a fundamental part of delivering on our mandate and ensuring that we deliver on a sustainable basis. The DBSA Board is ultimately accountable for the effective management of risks and has adopted an enterprise-wide risk management (ERM) framework and approach to managing risk exposures. This approach ensures that the DBSA takes a holistic view of the risks inherent in its strategy, operations and business, and that the management of risks is embedded into the mainstream planning, business and decision-making processes.

RISK IS MANAGED ON FOUR LEVELS	
Strategic risk	The possibility that unforeseen opportunities or threats may render the DBSA's strategy ineffective or uncompetitive or that events or circumstances may occur which could hinder the ability of the DBSA to implement its strategy and successfully deliver on its mandate
Operational risk	The possibility that internal or external events and circumstances can have a disruptive impact on the reliability, continuity, quality and efficiency of the DBSA's operations or cause damage to tangible assets or harm to intangible assets
Business risk	The possibility that unknown events or circumstances can result in deviations from the returns expected on individual business propositions or impact on the planned outcomes of specific value-creating initiatives
Financial risk	The possibility that financial losses may arise from the DBSA's treasury operations due to volatilities in the market, counter-party defaults and liquidity positions

The DBSA's risk management system comprises the following inter-related functions:

- The five lines of defence risk management strategy that allocates roles and accountabilities at various tactical levels
- Risk governance, which entails the creation of an enabling environment for the structured management, oversight and reporting of risks
- Risk process, which covers the planning, understanding and responding to risks inherent in the DBSA's strategy, operations and business
- Risk assurance, which encompasses the combined efforts of various parties in monitoring and assessing the adequacy, effectiveness and economy of the governance, control and oversight of risks

THE DBSA ENTERPRISE-WIDE RISK MANAGEMENT SYSTEM



During the previous year, the DBSA continued embedding the five lines of defence model in line with its risk maturity journey. The benefits of the model are that it clearly defines the roles and responsibilities for the management of risk within the DBSA and emphasises the fundamental concept that risk ownership and management is everyone's responsibility from the Board right through to the client-facing units. The model is summarised overleaf.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

LINE OF DEFENCE	ROLE	RESPONSIBILITY
First	Business units, support functions, line management and all staff	Implementation and management of risk
Second	Group Risk Assurance	Perform a policy-setting and monitoring role to ensure implementation of risk management principles and adherence to regulation and legislation
Third	Internal and external audit	Independent assurance on the effectiveness of risk management
Fourth	Executive Committee	Responsibility and oversight of DBSA activities to ensure that they are consistent with business strategy and policies as approved by the Board
Fifth	Board	Overseeing the activities of the DBSA and accountable to the shareholder for strategy and performance

INTERNAL CONTROL ENVIRONMENT

Responsibility for the systems of internal financial and operational control rests with the Board and has, without subrogation, been delegated to the Audit and Risk Committee. The DBSA's governance principles on ethical behaviour, legislative compliance and sound accounting practice lay the foundation for its internal control processes, while the enterprise-wide risk management approach and risk strategy adopted by the Board form the framework for internal control. Executive management is accountable for determining the adequacy, extent and operation of control systems.

The internal audit function conducts periodic reviews of key processes linked to the significant risk to provide independent assurance to the Board and management on the effectiveness of the internal control system. Members of the Audit and Risk Committee review the work of internal audit and the Chief Audit Executive has unfettered access to the Chairman of the committee and the Board to ensure the escalation of any significant audit matters requiring immediate Board attention.

QUALITY ASSURANCE ASSESSMENTS FOR THE INTERNAL AUDIT FUNCTION

Internal audit conforms to the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors. The internal audit function undergoes an external quality assurance assessment every five years as required by King III. The function has further implemented a Quality Assurance and Improvement Programme where internal quality assurance assessments are conducted

on an ongoing basis for all audit engagements. Additionally, periodic self-assessments are conducted to assess the function as a whole in terms of quality and areas of improvement.

A formal external quality assurance assessment is conducted every five years with the next one scheduled for 2017. The last assessment was conducted during January 2012, which revealed that the DBSA Internal Audit Department "generally conforms" to the International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors).

COMBINED ASSURANCE

Per the requirements of King III, the DBSA has implemented a combined risk assurance model which is co-ordinated and managed by the internal audit function. King III describes the combined assurance model as "integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies and optimise overall assurance to the Audit and Risk Committee, considering the company's risk appetite".

The DBSA's combined assurance model addresses the key risks facing the DBSA coupled with the key processes and controls in place to ensure the mitigation and/or minimisation of these key risks. Along with the five lines of defence strategy the DBSA has adopted, the combined assurance model seeks to identify the assurance providers of the identified key risks. The assurance providers are delineated in the combined assurance map, which is based on the corporate strategic objectives and risks. The map drives the internal audit annual plan and the three-year rolling plan. The assurance providers report accordingly








to the required governing bodies regarding the outcome of the assessment of the risks and control environment in place to mitigate those risks.

A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audit. Quarterly, assurance reporting is done by both the Combined Assurance Working Committee and the Audit and Risk Committee.

Additionally, the internal audit function annually issues a written assessment to the Audit and Risk Committee, as required by King III. The written assessment provides assurance by internal audit on the overall control environment, taking cognisance of the governance, information technology, risk management and operational/financial risk areas. The assurance provided is informed by the outcome of the audits/reviews conducted based on an approved risk-based audit plan.

KEY ENTERPRISE-WIDE RISKS

The DBSA Board and management team continuously review the top corporate risks to ensure an appropriate understanding of our operating environment. The table below sets out the main risks identified as well as key mitigation plans implemented.

RISK	CONTEXT	STEPS TAKEN IN MITIGATION	LINK TO STRATEGY	
Strategy and execution				
1	<p>Failure to innovate and adapt to a changing infrastructure development market</p> <p>Residual risk: high</p>	<p>The developmental finance landscape is constantly evolving with the emergence of new players. Competition is also increasing with commercial banks investing in sectors that the DBSA has traditionally focused on, for example, second-tier metros and secondary municipalities</p>	<ul style="list-style-type: none"> Innovation has been prioritised as an imperative - new function under consideration Ongoing analyses of economic and global market conditions Board review and challenge of strategy Improving service offering to stakeholders through providing enhanced infrastructure solutions throughout the value chain Project preparation function to support the development of the project pipeline Provision of planning and implementation support to under-capacitated municipalities 	 
2	<p>Risk of changing macro-economic environment</p> <p>Residual risk: critical</p>	<p>The global macro-economic environment has increasingly become more volatile. To note a few examples: a significant drop in commodity prices notably the oil price; the rise in interest rates and strengthening of the US dollar impacting emerging markets; and slowdown in the China. Locally, the risk of a potential downgrade of South Africa to sub-investment grade has increased in probability. Further, the continued weakening rand and economic growth slowdown are seen as exacerbating this risk in the short to medium term</p>	<ul style="list-style-type: none"> Dedicated market analysis Continuous assessment of alternative sources of funding Review and improvements of pricing model Pro-active monitoring of the credit portfolio 	 
3	<p>Risk of geo-political events in the countries in which the DBSA operates, leading to increase in credit impairments and reducing financing opportunities</p> <p>Residual risk: high</p>	<p>There has been an increasing number of geopolitical events globally e.g. Syria and terrorism. Within the region we operate, political events have a bearing on infrastructure opportunities we pursue</p>	<ul style="list-style-type: none"> Country risk management framework and model is in place, limits are applied at a country level, based on risk profile Deal-specific mitigants are considered, for example, political risk insurance, effective deal structuring, investing in projects of strategic importance to target country, and minimising impact when there are political changes Inter-governmental relations are developed and maintained in partnership with the Department of International Relations Ongoing stakeholder management Developing and leveraging key strategic partnerships 	 
4	<p>Risk of lower-than-expected development impact and supporting projects that impact society and environment negatively</p> <p>Residual risk: moderate</p>	<p>The DBSA's mission is to advance development impact in the region and effectively integrate and implement solutions to improve the quality of lives and support economic growth through investment and development of infrastructure. South Africa is a signatory to the sustainable development goals and the DBSA is one of the key vehicles to assist the country in delivering on its aspiration</p>	<ul style="list-style-type: none"> Project-level risk management controls such as contractual and risk financing mechanism Rigorous social and environmental appraisal 	

STRATEGIC OBJECTIVES



SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT



MAINTAIN FINANCIAL SUSTAINABILITY



PROVIDING INTEGRATED INFRASTRUCTURE SOLUTIONS

OPERATIONAL OBJECTIVES



CONTINUOUS IMPROVEMENT IN INTERNAL SYSTEMS AND PROCESSES



CREATE AND MAINTAIN A HIGH PERFORMANCE CULTURE

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

RISK	CONTEXT	STEPS TAKEN IN MITIGATION	LINK TO STRATEGY
Strategy and execution (continued)			
5	Failure to deliver on the DBSA's non-financing mandate, including the risks associated with construction-related activities, such as safety, pipeline and contractor management risks Residual risk: moderate	The risk relates to the actual delivery of infrastructure, which is not the same as the lending operations of the DBSA	<ul style="list-style-type: none"> Construction risk framework work-in-progress Dedicated legal skills to review contracts and memoranda of agreement Pricing model has been developed to determine the true costs of implementing these mandates. All projects are implemented on a direct cost-recovery basis Principal agents appointed to co-ordinate and monitor the logistics plan in all contracts
6	Risk of inadequate capital levels to sustain the business and execute our strategic growth Residual risk: high	The DBSA has capital restrictions through the maximum gearing ratio. However, if it is to meet its infrastructure developmental targets over the medium term, it requires an appropriate level of capital and funding to sustainably meet its objectives	<ul style="list-style-type: none"> Continuous review of alternative sources of funding Capital management project is in progress Strategy, financial plan and three-year financial forecast annually reviewed and approved by the Board. Cost-recovery principles incorporated in memoranda of agreement Treasury strategy and risk framework implemented
7	Failure to prevent and respond to reputational risk events impacting on the DBSA's goodwill and reputation Residual risk: low	Management acknowledges the importance of upholding a good reputation to our stakeholders	<ul style="list-style-type: none"> Implementation of reputational risk management framework as well as brand, communication and marketing strategies
Processes and staff			
8	Risk of ineffective and inefficient processes Residual risk: moderate	We strive for operational excellence through creating an operating model, structure, skills and processes that enable efficient provision of innovative finance for development and enhanced project execution capabilities	<ul style="list-style-type: none"> Various initiatives identified and implemented to improve process efficiencies
9	Failure to maintain a high performance culture; recruit, develop and retain key staff members Residual risk: moderate	People are the DBSA's most valuable resource and leadership is committed to attracting, developing, retaining and rewarding the best people. The DBSA leadership recognises that a positive culture will support a high performance outcome	<ul style="list-style-type: none"> Implementation of a culture change programme Retention strategy, which includes performance incentives benchmarked with peers, enhancement of the performance management process, talent management and succession plans reviewed regularly
10	Cyber security risk as well inadequate and unavailable ICT systems Residual risk: moderate	In today's world ICT is a key enabler in unlocking operational effectiveness to continue to deliver on the DBSA's mandate. In addition, increased sophistication of cyber attack capabilities, including related legislative requirements, require focus from a risk perspective	<ul style="list-style-type: none"> Implementing information security management system and cyber security management strategy Enhancing operational excellence by implementing the workflow technology, thus increasing the efficiency by automating the business processes, resulting in optimising productivity Implementation of the ICT management governance maturity self-assessments
Compliance risk			
11	Risk of non-compliance to laws and regulations as well as fraud and corruption Residual risk: low	There has been increasing regulation within the financial services sector and focus on conduct risk by regulators since the 2008 financial crisis and the DBSA is not immune to these growing requirements, especially with growth into the rest of the continent	<ul style="list-style-type: none"> Internal controls reviewed on a regular basis Fraud prevention plan as well as a fraud hotline in place Dedicated compliance and legal functions Project-specific reviews for each of the deals we finance

STRATEGIC OBJECTIVES



SUSTAINED GROWTH IN DEVELOPMENTAL IMPACT



MAINTAIN FINANCIAL SUSTAINABILITY



PROVIDING INTEGRATED INFRASTRUCTURE SOLUTIONS

OPERATIONAL OBJECTIVES



CONTINUOUS IMPROVEMENT IN INTERNAL SYSTEMS AND PROCESSES



CREATE AND MAINTAIN A HIGH PERFORMANCE CULTURE

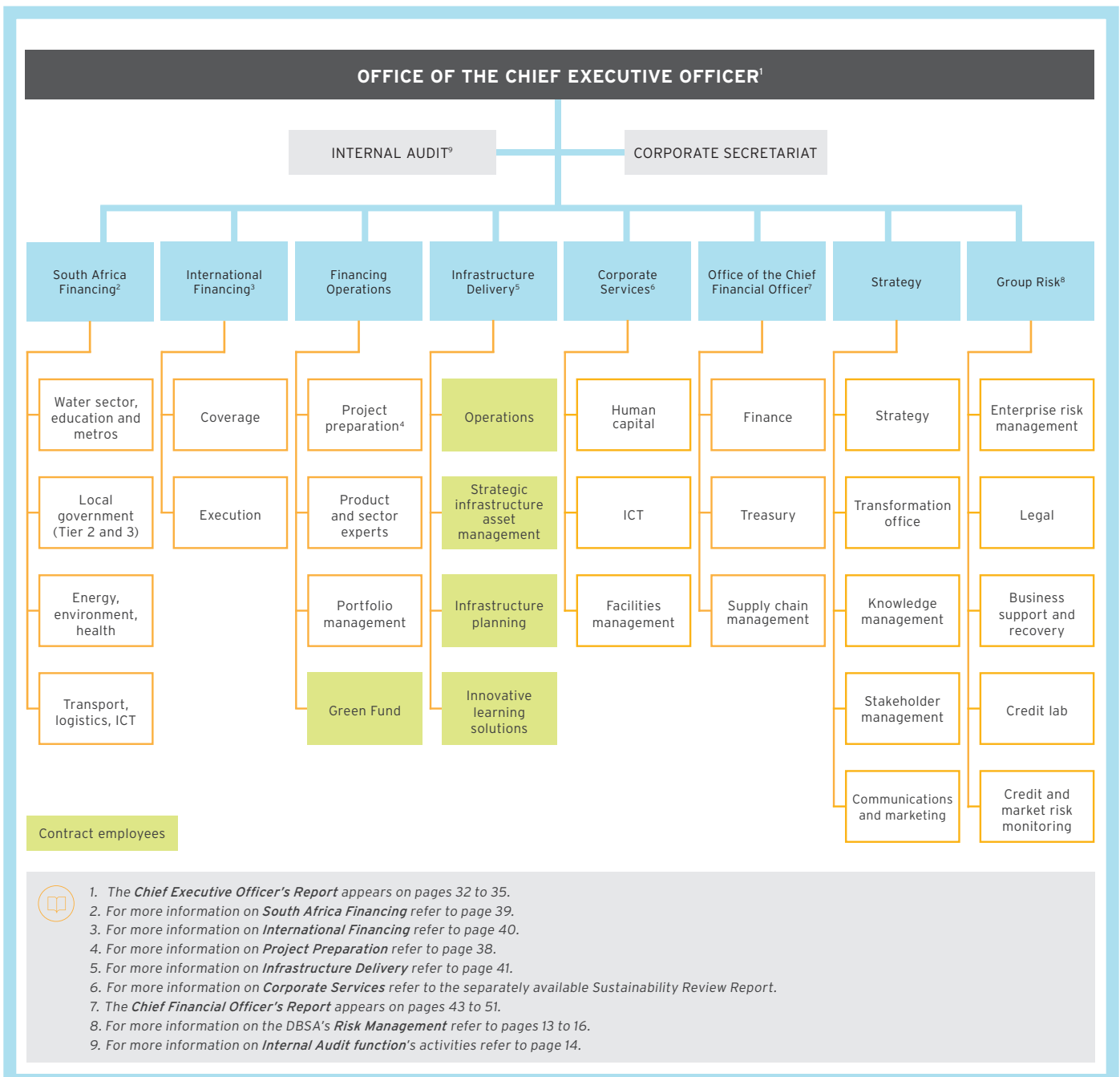
ORGANISATIONAL STRUCTURE

To support the implementation of the strategy and ensure operational efficiencies, the DBSA's operating structure is designed around eight divisions.

Lending operations are split on a geographical basis with the South Africa Financing division focusing on all lending activities within South Africa whilst the International Financing division focuses on those activities beyond South Africa. The Financing Operations division supports the two lending divisions with project preparation, product and sector expertise, as well as portfolio management services.

The Infrastructure Delivery division is responsible for the delivery of important infrastructure development programmes in the education, housing and health sectors.

Finally, support functions are configured into four divisions: Corporate Services, Finance, Strategy and Group Risk.



02

GOVERNANCE

CHAIRMAN'S STATEMENT



Jabu Moleketi
Chairman of the DBSA Board

OPERATING ENVIRONMENT

The infrastructure challenge in Africa remains immense and the DBSA has an important role to fulfil in meeting this challenge. Current World Bank estimates of the infrastructure investment required annually across Africa are in the order of US\$93 billion, with investment at around US\$45 billion, leaving a considerable shortfall. It is estimated that Africa will require between US\$180 billion to US\$230 billion in infrastructure investment by 2025.

Africa's population of 1 billion in 2010 is expected to double by 2050. As a result, the workforce on the continent is expected to increase by 910 million people by 2050, of which 830 million will be in Sub-Saharan Africa (SSA) and 80 million in


North Africa. Addressing the infrastructure gap therefore remains critical to allow new higher-productivity sectors to develop, generate jobs for the rapidly growing young population and foster integration into global value chains.

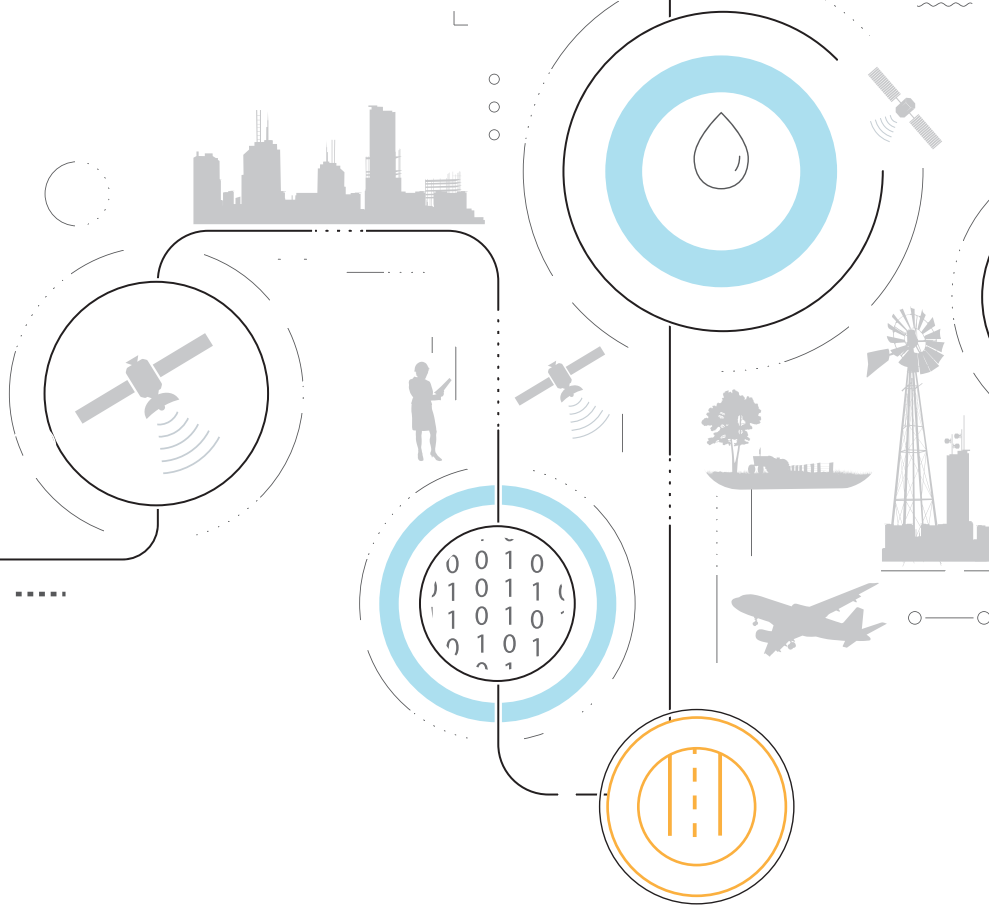
The poorest Africans are largely dependent on agricultural resources for both food and jobs and climate change-related hazards pose serious welfare challenges for SSA's rural poor. Furthermore, pressure on already limited water supply is expected to increase sharply due to changes in water cycles caused by erratic rainfall. It is therefore highly likely that climate change could lead to mass migration and rapid urbanisation, which in turn would impact on human settlements and their supporting infrastructure. It is critical that infrastructure development must occur in a manner which promotes sustainable consumption, production and management of natural resources to support the needs of the present and future generation.

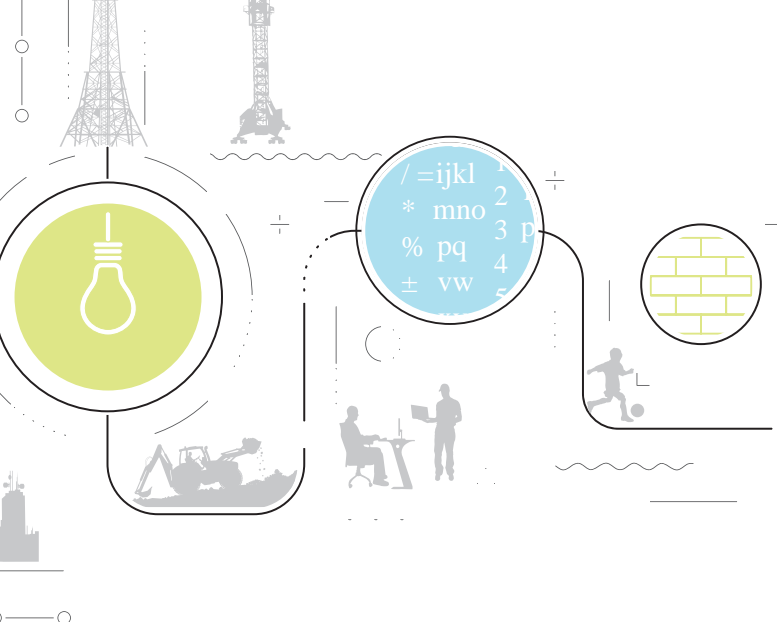
A CLEAR STRATEGY

The DBSA has a clear mandate and strategy, with its primary purpose to promote economic development and growth through our involvement in preparing, facilitating, funding or delivering impactful development projects and programmes.

The executives have engaged with stakeholders, in particular government, to clarify their needs and have developed specific strategic objectives in response thereto and the mandate imposed by the DBSA Act. We will continue to take a long-term view of business and how to position the organisation as a leading DFI for infrastructure development.

 See the strategy section, which starts on page 5 and the stakeholder engagement on page 12.





GOVERNANCE

The DBSA's governance standards compare well with best practice, guiding us as we expand our operational areas. This was recognised by an A+ assessment rating based on the Association of African Development Finance Institutions' (AADFI) "Prudential Standards, Guidelines and Rating System" (PSGRS) during the year.

During the financial year, the DBSA conducted a web-based self-assessment using the Governance Assessment Instrument (GAI) made available by the Institute of Directors in Southern Africa (IoDSA). The GAI assists organisations to review and consider King III and other relevant governance legislation and provides a detailed assessment, gap analysis and reporting functionality. The GAI also provides for one national benchmark governance platform. The results of the assessment indicated an overall assessment grading of AAA (2015: AAA), representing a "highest application" level across the various assessed categories. The assessment highlighted the need for the Board to ensure that the IT strategy is effectively integrated into strategic and business processes, as well as the monitoring of significant IT investments and expenditure. The Board will address this in the next financial year.

As a Board we also paid special attention to the following governance matters:

- Review of delegation of authority to ensure alignment with the mandate as prescribed by the DBSA Act, including the delegation between the shareholder, Board and Chief Executive Officer (CEO)
- Skills identification assessment following recent changes to the Board. The Board identified the need to expand the skills base in terms of legal, credit, risk management as well as the need to appoint chartered accountants.

The nomination and recommendation to the Minister of Finance will continue into the new financial year:

- Continuous director training
- Involvement of selected Board members in the culture improvement project to ensure that the right tone is set at the top.

The DBSA is wholly owned by the South African government. In his capacity as Governor, the Minister of Finance holds the Board of Directors accountable for managing the DBSA to deliver on this mandate. During the year, we held an annual general meeting with the shareholder, where specific resolutions were taken. This provided an opportunity for the shareholder and the Board to engage on strategic and operational matters.

In line with section 52 of the PFMA, the DBSA submits a Shareholder Compact and Corporate Plan to the National Treasury during February of each year. This serves as an agreement between the DBSA and the shareholder, and documents the key performance measures and targets against which organisational performance is assessed. The Board reports on performance and related matters to the shareholder by way of annual and interim reports and meetings are held between the Board Chairman, the CEO and the Governor.

The DBSA uses the Balanced Scorecard (BSC) methodology to implement its strategy and to monitor and report on performance against predetermined targets. It has reviewed its key performance indicators and the results of this evaluation are shown in the Directors' Report.


 *The Directors' Report can be found on pages 5 to 9 of the separate Annual Financial Statements Report.*

The Human Resources, Remuneration, Nomination, Social and Ethics Committee (HRNSEC) evaluated the organisational

performance and oversaw the performance assessment of the CEO and the executive management team.

The diverse and experienced Board of Directors has been charged with the governance of the DBSA and is well suited to oversee the delivery of the strategy. Refer to the governance structure on page 21, which depicts the aspects of the strategy delivered by the executive functions and governed by the committees of the Board and, ultimately, the Board as a whole.

We have appointed two new members to the Board, following the untimely death of Omar Latiff and resignation of Mary Vilakazi due to workload commitments. Post year-end, Thembisa Dinga also resigned. We are thankful for their valuable contributions made during their tenure. We welcome the new energy brought by Martie Janse van Rensburg and the shareholder representative Malijeng Ngqaleni to the Board. They are both respected and experienced professionals in their fields.

 *Brief profiles of all current Directors can be found on pages 22 and 23.*

CHAIRMAN'S STATEMENT CONTINUED**PERFORMANCE**

I wish to congratulate the CEO, Patrick Dlamini, and his executive team on an encouraging set of results and the truly meaningful impact which has been achieved.

The DBSA's total disbursements are at a new record high of R17.1 billion (2015: R13 billion), mostly in South Africa. As a result, the total development assets increased to R77.1 billion (2015: R63.1 billion) and total assets to R82.3 billion (2015: R71 billion).

The DBSA produced a net profit of R2.6 billion (2015: R1.2 billion), a valuable contribution to ensuring its ability to continue delivering on its mandate of infrastructure development support.



The results are discussed in more detail in the section performance and outlook, which starts on page 32.

OUTLOOK

The outlook for the global economy is dominated largely by the developments in China as the world's second biggest economy continues to lose its strong growth momentum. This, in turn, is expected to sustain the currently subdued commodity prices that are crucial for macroeconomic stability in most Sub-Saharan African countries.

Without sound and well-maintained infrastructure, national economic development will remain severely constrained. Improvements to the continent's infrastructure in recent years have been responsible for more than half of Africa's better economic performance and have the potential to contribute even more in the future. By the same token, inadequate infrastructure holds back faster growth on the continent.

Despite the heavy investments already made, more solutions to support the planning, preparation, financing and implementation are required to address the infrastructure deficits.

The Presidential Infrastructure Coordinating Commission (PICCC) has identified a pipeline of projects to address infrastructure backlogs whilst the NDP provides guidelines for capital investment priorities and the sequence of decisions required to ensure that the country's infrastructure needs are provided for in a sustainable, equitable, affordable and practical manner.

Linked to the NDP is the Integrated Urban Development Framework (IUDF), which is designed to unlock the development synergy that comes from co-ordinated investments in people and places. An integrated urban infrastructure policy

framework that is resource-efficient and provides for both universal access and more inclusive economic growth, needs to be extensive and strong enough to meet industrial, commercial and household needs, and should also be planned in a way that supports the development of an efficient and equitable urban form and facilitate access to social and economic opportunities. During the forthcoming year, the DBSA must continue to assess opportunities to support the initiatives as well as consider ways to further align its operations to these imperatives.

To ensure that South Africa fulfils its obligations in relation to support for infrastructure development in the region's development corridors, the DBSA will continue to support initiatives such as the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa (PIDA) and Africa 2063, which are led by the African Union Commission, the NEPAD Secretariat and the African Development Bank Group (AfDB).


Jabu Moleketi
Chairman



GOVERNANCE STRUCTURE

MINISTRY OF FINANCE (SOLE SHAREHOLDER) Minister Pravin Gordhan

DBSA Board Chairman: Jabu Moleketi

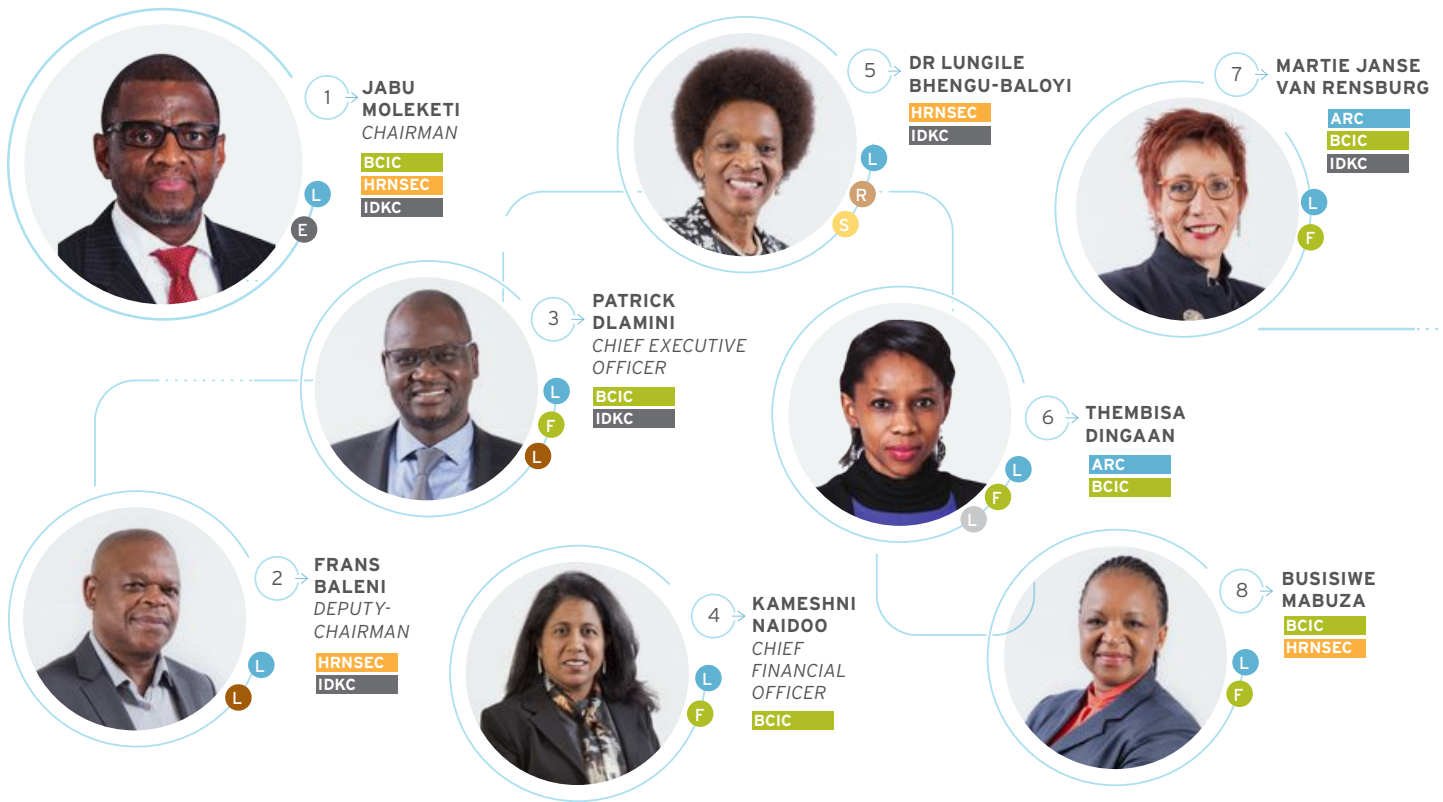
	ARC	BCIC	HRNSEC	IDKC
BOARD COMMITTEE	AUDIT AND RISK COMMITTEE	BOARD CREDIT AND INVESTMENT COMMITTEE	HUMAN RESOURCES, REMUNERATION, NOMINATION, SOCIAL AND ETHICS COMMITTEE	INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE
Non-executive members	Gugu Mtetwa (Chairperson) Thembisa Dinga Martie Janse van Rensburg Dawn Marole Arthur Moloto	Thembisa Dinga (Chairperson) Busisiwe Mabuza Jabu Moleketi Arthur Moloto Gugu Mtetwa Anuradha Sing Martie Janse van Rensburg	Dawn Marole (Chairperson) Frans Baleni Lungile Bhengu-Baloyi Busisiwe Mabuza Jabu Moleketi Gugu Mtetwa Mark Swilling	Frans Baleni (Chairperson) Lungile Bhengu-Baloyi Jabu Moleketi Anuradha Sing Mark Swilling Martie Janse van Rensburg Malijeng Ngqaleni
Executive members		Patrick Dlamini Kameshni Naidoo		Patrick Dlamini
Responsibilities	Oversees the DBSA's internal control framework, reviews and evaluates the integrity of financial and other statutory reporting, financial strategy, budget, capital expenditure, treasury strategies, loan impairments, risk management processes and compliance with laws and regulations. The committee further oversees the internal and external audit functions, reviews the internal audit plan and the annual assessment of significant risk exposures, as well as the Office of the Chief Financial Officer.	Reviews credit strategy, credit risk management policy and programme, trends in portfolio quality and adequacy of provision for credit losses.	The committee supports the implementation of the human capital strategy, the nomination of Directors, executive remuneration for the DBSA, Board of Directors' affairs and governance, as well as social and ethics matters.	Oversees the implementation of the strategic mandate and infrastructure delivery programmes, as well as the policy, advisory and knowledge management function.
	See pages 27 and 28 for the Audit and Risk Committee report for further detail	See page 29 for the Board Credit and Investment Committee report for further detail	See page 30 for the Human Resources, Remuneration, Nomination, Social and Ethics Committee report for further detail	See page 31 for the Infrastructure Delivery and Knowledge Management Committee report for further detail

DBSA Executive Management Committee Chairman: Patrick Dlamini

STEERING COMMITTEE	ASSET-LIABILITY AND SUPPLY CHAIN MANAGEMENT COMMITTEES	INVESTMENT COMMITTEE	CORPORATE SERVICES COMMITTEE	INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE
	Kameshni Naidoo (Chairperson)	Paul Currie (Chairperson)	Dolores Mashishi (Chairperson)	Sinazo Sibisi (Chairperson)

BOARD OF DIRECTORS

AT 31 MARCH 2016



CHAIRMAN

1 **JABU MOLEKETI**
Chairman
Director of companies
Born: 1957
Independent Non-executive Director from 1 January 2010
Chairman from 1 September 2011

Academic qualifications

- Advanced Management Programme (AMP), Harvard Business School, USA
- Masters of Science in Financial Economics, University of London, UK
- Post-graduate diploma in Economic Principles, University of London, UK

Listed entity or SOC directorships

- Brait South Africa: Non-executive Chairman
- Remgro (Pty) Limited: Non-executive Director
- MMI Holdings: Non-executive Director
- Vodacom Group Limited: Non-executive Director

DEPUTY-CHAIRMAN

2 **FRANS BALENI**
Deputy-Chairman
Director of Companies
Born: 1960

Independent Non-executive Director from 1 January 2010
Deputy-Chairman from 1 September 2010

Academic qualifications

- BA (Social Science Development Studies), University of Johannesburg
- Diploma in Political Science and Trade Unionism, Whitehall College, Ireland

EXECUTIVE DIRECTORS

3 **PATRICK DLAMINI**
Chief Executive Officer
Born: 1969
Executive Director from 1 September 2012

Academic qualifications

- Advanced Executive Programme, Kellogg School of Management, USA
- EDP, University of the Witwatersrand Business School
- BCom, University of KwaZulu-Natal

4 **KAMESHNI NAIDOO**
Chief Financial Officer
Born: 1974
Executive Director from 1 January 2013

Academic qualifications

- Chartered Accountant (SA)

INDEPENDENT NON-EXECUTIVE DIRECTORS

5 **DR LUNGILE BHENGU-BALOYI**
Founder and Director: Development and Leadership Consulting
Born: 1956
Independent Non-executive Director from 1 August 2011

Academic qualifications

- Doctorate (Public Administration), University of KwaZulu-Natal
- MA (Social Policy), University of KwaZulu-Natal
- LLM (Public Health Law), University of KwaZulu-Natal
- Advanced University Diploma (Adult Education), University of KwaZulu-Natal
- BSc (Dietetics), MEDUNSA

6 **THEMBISA DINGAANA**
Consultant and Director of Companies
Born: 1973
Independent Non-executive Director from 1 August 2007

Academic qualifications

- HDip Tax, University of the Witwatersrand
- LLM, Harvard University, Cambridge USA
- LLB, University of KwaZulu-Natal

Listed entity or SOC directorships

- ABSA Bank Limited: Non-executive Director
- Imperial Holdings Limited: Non-executive Director
- Telkom SA SOC Limited: Non-executive Director

7 **MARTIE JANSE VAN RENSBURG**
Director of Companies
Born: 1957
Independent Non-executive Director from 1 January 2016

Academic qualifications

- Chartered Accountant (SA)

Listed entity or SOC directorships

- FirstRand Group Limited, Non-executive member of International Credit Committee

8 **BUSISIWE MABUZA**
Director of Companies
Born: 1963
Independent Non-executive Director from 1 August 2011

Academic qualifications

- MBA, Stern School of Business, New York University
- BA (Mathematics), City University of New York (Hunter College), USA

Listed entity or SOC directorships

- Afri Limited: Non-executive Director
- Industrial Development Cooperation: Non-executive Director
- Tsogo Sun Holdings: Non-executive Director



9 → DAWN MAROLE
Chairman: Executive Magic (Pty) Limited Consulting
Born: 1960
Independent Non-executive Director from 1 August 2011

- Academic qualifications**
- Executive Leadership Development Programme, GIBS
 - MBA NEU Boston, Massachusetts, USA
 - BCom (Acc), University of Zululand
 - Diploma Tertiary Education, University of South Africa

Listed entity or SOC directorships

- MTN Group Limited, Non-executive Director
- Santam Limited Non-executive Director

10 → ARTHUR MOLOTO
Political and Economic Advisor to the Speaker of National Assembly at Parliament of South Africa
Born: 1968
Independent Non-executive Director from 1 August 2014

- Academic qualifications**
- MSc in Finance and Financial Law, University of London, UK
 - Post-graduate diploma in Economic Principles, University of London, UK
 - Bachelor of Arts Honours Development Studies, University of Limpopo

Listed entity or SOC directorships

- Land Bank: Non-executive Chairman

11 → GUGU MTETWA
Director of Companies
Born: 1979
Independent Non-executive Director from 1 August 2014

- Academic qualifications**
- Partner development programme, GIBS
 - Executive Leadership Development Programme, University of Stellenbosch Business School
 - Chartered Accountant (SA)

12 → ANURADHA SING
Chief Investment Officer at Kagiso Capital (Pty) Limited
Born: 1971
Independent Non-executive Director from 1 August 2014

- Academic qualifications**
- MBA, Wits Business School
 - BSc Eng (Mechanical), University of Natal (Durban)

13 → PROF MARK SWILLING
Divisional Head: Sustainable Development, University of Stellenbosch
Born: 1960
Independent Non-executive Director from 1 August 2014

Academic qualifications

- PhD, Department of Sociology, University of Warwick, UK
- Bachelor of Arts Honours, Department of Political Studies, Wits University
- Bachelor of Arts, Wits University

NON-EXECUTIVE DIRECTOR

14 → MALIJENG NGQALENI
Deputy-Director General: Inter-governmental Relations (IGR), National Treasury
Born: 1959
Non-executive Director from 1 January 2016 (shareholder representative)

- Academic qualifications**
- MSc Agricultural Economics: University of Saskatchewan, Canada
 - BA Economics: National University of Lesotho

COMPANY SECRETARY

15 → BATHOBILE SOWAZI
DBSA Company Secretary from 1 May 2010
Born: 1972

- Academic qualifications**
- LLB, Rhodes University
 - BA Law, University of Swaziland
 - Advanced Banking Law, University of Johannesburg

BOARD COMMITTEES:

- ARC** Audit and Risk Committee
- BCIC** Board Credit and Investment Committee
- HRNSEC** Human Resource, Remuneration, Nomination, Social and Ethics Committee
- IDKC** Infrastructure Delivery and Knowledge Management Committee

QUALIFICATION AND EXPERIENCE:

- L** Leadership
- F** Finance and investments
- G** Government
- E** Economics
- L** Labour and talent development
- S** Social and sustainable development
- R** Research and policy
- L** Law
- E** Engineering

SUMMARY GOVERNANCE REPORT

AT 31 MARCH 2016

The DBSA applies sound corporate governance structures and processes, which the Board considers pivotal to delivering sustainable growth in the interests of all stakeholders. The DBSA's values-driven culture and Code of Ethics underpin its governance structures and processes, committing the organisation to high standards of business integrity and ethics in all its activities. Governance structures and processes are reviewed regularly, and adapted to accommodate internal developments and reflect national best practice.

The Board considers corporate governance to be a priority and endeavours to go beyond minimum compliance, where appropriate. The Board will therefore consider all new non-statutory corporate governance concepts carefully and will implement them if they are deemed to be in the DBSA's best interests. The application of governance requirements should facilitate, not detract from, the Directors' ability to execute their statutory and fiduciary responsibilities, and their duty of care and skill. The Board and the Human Resources, Nomination, Social and Ethics Committee (HRNSEC) continue to review and benchmark all governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability.

GOVERNANCE FRAMEWORK

KEY LEGISLATION

- DBSA Act
- Public Finance Management Act
- Companies Act (where appropriate)

GOVERNANCE PRINCIPLES

- King III (where appropriate)
- Corporate Governance Development Framework
- AADFI Prudential Standards Guidelines and Rating System
- United Nations Global Compact

POLICIES AND PROCEDURES IN PLACE

- Board Charter
- Code of Ethics
- Board and sub-committee terms of reference
- Conflict of interest
- Delegation of authority
- Company Secretary
- Ethics hotline
- Annual review of finance function
- Gift policy



Details of the Charter, including the role and responsibilities of the Company Secretary, as well as the Code of Ethics are available on our website, www.dbsa.org

GOVERNANCE PARTNERSHIPS

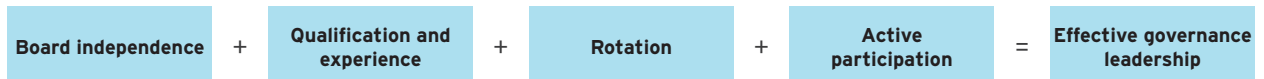
- SADC Development Finance Resource Centre (DFRC)

- ⊕ Ethical leadership
- ⊕ Zero tolerance for corruption and anti-competitive behaviour
- ⊕ Clearly defined roles and responsibilities



For a more comprehensive report on DBSA's enterprise-wide risk management processes, including internal control environment and the combined assurance, as well as material risks identified, refer to pages 16 and 17.

ENSURING EFFECTIVE GOVERNANCE AND GOOD CORPORATE CITIZENSHIP



EFFECTIVE GOVERNANCE LEADERSHIP

AADFI SGRS rating:
A+ (2012: A)

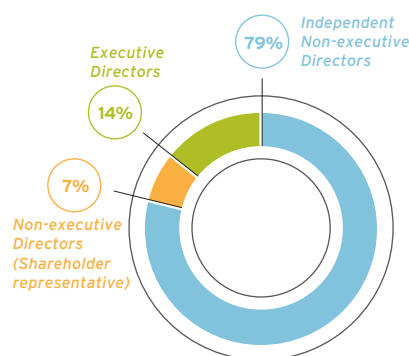
IODSA KING III self-assessment rating:
AAA (2015: AAA)

Accredited as a Green Climate Fund

✓ Biennial Board effectiveness review conducted in 2015



BOARD INDEPENDENCE



- The Minister of Finance approves appointment of Directors
- 14 Board members
- The Chairman is an Independent Non-executive Director
- One shareholder representative
- Majority Independent Non-executive Directors
- HRNSEC and ARC: No Executive Directors as members
- Declaration of interest at each meeting



ROTATION

Appointed for three-year term	Maximum number of terms: 3	Left the Board during 2016: 2	Joined the Board during 2016: 3
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Tenure of Non-executive Directors



Number of non-executive Directors

0 - 3 years >3 - 6 years >6 years

50% with less than 3 years **75%** with less than 6 years

The contract terms for each of the Directors are on page 8 of the Directors' Report of the separate Annual Financial Statements report.

DIVERSITY



MALE:
36%

Black male:
29% (4)

White male:
7% (1)



FEMALE:
64%

Black female:
57% (8)

White female:
7% (1)

ACTIVE PARTICIPATION



Annual Board meetings



Strategy session



Annual general meeting



Attendance at Board meetings

DIRECTOR QUALIFICATION AND EXPERIENCE

- L LEADERSHIP**
14 (100%)
- F FINANCE AND INVESTMENTS**
8 (58%)
- G GOVERNMENT**
2 (14%)
- E ECONOMICS**
3 (21%)
- L LABOUR AND TALENT DEVELOPMENT**
3 (21%)
- S SOCIAL AND SUSTAINABLE DEVELOPMENT**
3 (21%)
- R RESEARCH AND POLICY**
3 (21%)
- L LAW**
2 (14%)
- E ENGINEERING**
1 (7%)

BOARD AND COMMITTEE RECORD OF ATTENDANCE

	DBSA Board	Audit and Risk	Board Credit and Investment	Human Resources, Remuneration, Nomination, Social and Ethics	Infrastructure Delivery and Knowledge Management
Number of meetings					
Scheduled	4	4	10	4	4
AGM	1				
Strategy	1	1		1	1
Risk-focused		2			
Combined ARC/BCIC valuations ¹		2			
Other	1			1	
Independent Non-executive Directors					
Jabu Moleketi (Chairman)	7	1/2 ²	7	4	4
Frans Baleni (Deputy Chairman)	7			6	5 (Chair)
Lungile-Bhengu-Baloyi	7			6	5
Thembisa Dinga	6	8	9 (Chair)		
Martie Janse van Rensburg ³	1/1	1/1	1/1		
Omar Latiff ⁴	2/2	5/5	4/4		2/3
Busisiwe Mabuza	4	2/2 ²	8	5	
Dawn Marole	5	7		6 (Chair)	
Arthur Moloto	7	8	10		
Gugu Mtetwa	5	7 (Chair)	4/6	5	
Anuradha Sing	6	2/2 ²	10		5
Mark Swilling	5			4	2/5
Mary Vilakazi ⁵	1/1	2/6	2/5		
Non-executive Directors					
Malijeng Ngqaleni ³	0/1				
Executive Directors					
Patrick Dlamini (Chief Executive Officer)	6	7 ⁶	6	6 ⁶	4
Kameshni Naidoo (Chief Financial Officer)	6	7 ⁶	10		

- Combined ARC and BCIC valuations meeting to assess investment valuations. Conducted twice a year
- BCIC members joining ARC meeting for investment valuations assessment
- Appointed with effect from 1 January 2016

- Passed away during September 2015. Gugu Mtetwa appointed as chairperson of ARC
- Resigned from the Board with effect from 22 October 2016
- By invitation

REMUNERATION REPORT

For the DBSA to achieve its mandate, the organisation is committed to a remuneration philosophy that:

- Supports the execution of the DBSA's mandate and business strategy
- Promotes good governance and risk management
- Aligns its policies, procedures and practices with best practice and legislation (the PFMA and King III, in particular)
- Motivates and reinforces performance at all levels (organisational, divisional, unit and individual)
- Ensures the long-term financial sustainability of the DBSA.

The DBSA's application of its remuneration philosophy aims to meet the strategic objectives of:

- Aiming to be market-competitive in specific labour markets in order to attract, retain and motivate key and talented people
- Determining the value proposition of the various job levels required by the DBSA
- Ensuring that the hybrid of performance and competency management forms an integral part of remuneration, thereby influencing the remuneration components of base pay and incentives
- Payment of fair, appropriately structured and competitive remuneration
- Applying good governance to remuneration practices within approved structures
- Supporting the DBSA's culture, as embedded in its values.

BOARD REMUNERATION

The DBSA compensates and remunerates Non-executive Directors in a manner which enables it to attract and retain high-calibre and professional Directors to ensure that the Board has, at all times, the necessary skills required to execute on its mandate.

Non-executive Directors are remunerated according to their scope of responsibility and contribution to the DBSA's operating and financial performance, taking into account industry norms, including the State-Owned Enterprise Remuneration Guidelines as well as the external market and benchmarks.

Non-executive Directors receive fees according to their attendance at meetings. In addition, all independent Non-executive Directors receive annual retainer fees so that they are also available to provide strategic advice to the CEO and management outside Board and committee meetings. Non-executive Directors are not entitled to receive short- or long-term incentives.

Board members are compensated for expenses incurred in pursuance of the DBSA's business.

The HRNSEC reviews the Non-executive Directors' fees and makes recommendations to the Board and the Minister of Finance for consideration and approval.

No related party transactions with Board members occurred during the financial year, except for payments in respect of attendance at Board and Board committee meetings.



Details of fees earned by the Non-executive Directors are reflected in note 47 to the Annual Financial Statements.

EMPLOYEE REMUNERATION

The Board is committed to attracting, motivating, managing and retaining employees of the highest calibre for the DBSA through the payment of fair, appropriately structured and competitive remuneration. The DBSA recognises a mix of both competencies and performance in its remuneration structure.

The remuneration packages for employees, including the group executive team are divided into fixed and variable components, including short-term performance incentives. We are currently developing a long-term incentive scheme which will seek to ensure that the ultimate long-term delivery outcomes are achieved.

GUARANTEED PACKAGES

All employees, including Executive Directors and Group Executives, receive a guaranteed package based on their roles and responsibilities. Contributions to retirement and insured benefits are included in the guaranteed package. Employees can choose to participate in a DBSA-nominated medical aid scheme.

The HRNSE Committee reviews the Chief Executive Officer and Group Executives' remuneration and makes recommendations to the Board and the Minister of Finance for consideration.

All permanent employees and employees with contracts longer than three years are required to join the DBSA Provident Fund, a defined contribution scheme. Besides the retirement fund contributions, lump sum contributions may be made to the fund.

The retirement age for DBSA employees is 60. Some employees who have been with the DBSA for longer than 18 years have a retirement age ranging from 60 to 65 years, depending on their respective employment contracts.

The DBSA operates an unfunded defined post-retirement medical benefit plan for qualifying employees. In terms of the plan, it pays 100% of the medical aid contributions of qualifying pensioners. Pensioners include retired employees and their widow(er)s.



Refer to note 19.2 to the Annual Financial Statements for further details of the post-retirement medical benefits liability.

Funeral benefit cover is provided to all current and retired employees. In respect of these employees, a gross amount of R33 000 is paid to the family upon death of an employee or retired employee.

Increases in the guaranteed package for employees are based on a review of market data, the consideration of individual performance and potential and the business priorities of the DBSA.

The DBSA provides a range of benefits to employees over and above their guaranteed remuneration packages. Key benefits include study assistance for employees, study assistance for employees' children in tertiary education, annual leave, sick leave, as well as maternity and paternity leave.

SHORT-TERM INCENTIVES

All employees, including Executive Directors and Group Executives, participate in a yearly short-term incentive plan. Bonus payments are discretionary and depend on business performance and individual contribution.

The performance of the executive management team is measured against predetermined goals approved by the Board.



Refer to the Directors' report in the Annual Financial Statements for performance against the predetermined goals.

All bonuses are capped at the following percentage of the guaranteed package:

ROLE	MAXIMUM PERCENTAGE
Chief Executive Officer	100
Chief Financial Officer	80
Group executives	80



Details of the remuneration of Executive Directors and Group Executives are reflected in note 47 to the Annual Financial Statements.

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2016

We are pleased to present our report for the financial year ended 31 March 2016.

The Audit and Risk Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged its responsibilities as contained therein.

MEMBERSHIP

The Audit and Risk Committee members and attendance are reflected on page 25 in the Summary Governance report. In compliance with Treasury Regulations 27.1.3 and 27.1.4, the Chairperson is an Independent Non-executive Director and has the requisite business, financial and leadership skills for the position. All the committee members are financially literate, with all being non-executive members.



The names and qualifications of Directors serving on the Audit and Risk Committee are detailed in the Board of Directors section of the Integrated Annual Report on pages 22 and 23.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The functions of the Audit and Risk Committee are regulated by the PFMA and King III. The committee oversees the internal control framework and reviews and evaluates the integrity of financial and other statutory reporting, risk management processes, compliance with laws and regulations and ethics management. It oversees the internal and external audit functions and reviews the internal audit plan and the annual assessments of significant risk exposures.

The committee oversees and also advises the Board on income, expenditure and capital budget requirements, tax management, treasury arrangements and funds mobilisation strategies, transfer pricing policies, development loan impairments, management of assets and liabilities and the DBSA's overall financial health and sustainability.

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations 27.1.7 and 21.1.10(b) and (c).

Section 51(1)(a)(ii) of the PFMA states the following:

- (a) The Accounting Authority must ensure that the public entity has and maintains:
 - (i) Effective, efficient and transparent systems of financial and risk management and internal control.
 - (ii) A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77.
 - (iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.

The Audit and Risk Committee's responsibilities also include:

- Considering the appointment, rotation and/or termination of the external auditor(s) and nominating to the Board for consideration
- Approving the terms of engagement of the external auditor(s), including their audit fee and determining the nature and extent of any non-audit services
- Monitoring and reporting to the Board on the independence, objectivity and required skills and competence of the external auditor(s) to execute the audit in terms of International Standards on Auditing
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management
- IT governance on behalf of the Board to ensure proper system security, data integrity and business continuity, disaster recovery and review of the reports of the Chief Information Officer
- Oversight over the enterprise-wide risk management (ERM) approach to and managing risk exposures
- Consideration of the expertise, resources and experience of CFO, finance and internal audit functions.

COMBINED ASSURANCE

The Audit and Risk Committee's corporate governance processes comply with the requirements of the King Report on Corporate Governance 2009 (King III) with respect to ensuring that a combined assurance model is applied to provide a co-ordinated approach to assurance. The model aims to optimise the assurance coverage obtained from risk, internal providers and external assurance providers on risks attached to the DBSA.

ASSURANCE BY MANAGEMENT

- Received and reviewed the reports from management regarding the adequacy of development loan and equity investment impairments
- Received and reviewed the accounting policies, practices, judgements and estimates adopted in the preparation of the Annual Financial Statements and found those to be appropriate
- Reviewed reports from management regarding the going concern assessment and financial sustainability of the organisation
- The continued preparation of the Annual Financial Statements on a going concern basis was adopted.

ASSURANCE BY GROUP RISK ASSURANCE (GRA)

The Board considers risk management to be a key business discipline designed to balance risk and reward and therefore, through the Audit and Risk Committee, oversees the approved ERM approach to the management of risk exposures. The Audit and Risk Committee delegated to management the responsibility to

design, implement and monitor the risk management plan. To this end, the following internal management committees exist that monitor and report on various components of risk to the Audit and Risk Committee:

- Treasury-related risks are monitored through an internal Asset and Liability Management Committee.
- Portfolio risks are monitored through the Investment Committee. Based on reports received from management, the monitoring of the loan and equities portfolio is considered adequate.
- Operational risks are addressed by the ERM framework.

Internal assurance from the GRA function was obtained through quarterly ERM reports and dashboards prepared independently of management and in accordance with the ERM framework. Operational risk management is facilitated by the GRA function and reported through the ERM reports to the Audit and Risk Committee. These risks are considered in relation to assurance reports from other sources.

ASSURANCE BY INTERNAL AUDIT

Internal audit is a key internal assurance provider and provides the Board with a report of its activities which, along with other assurance provider sources, is used by the Board in reporting on and assessing the system of internal control and risk management. The committee:

- Considered and recommended for approval to the Board the one- and three-year internal audit plans and monitored internal audit's adherence to these plans
- Received and reviewed reports from Internal Audit concerning the effectiveness of internal controls, systems and processes as well as the adequacy and appropriateness of management's corrective action plans
- Considered all material forensic reports and established whether appropriate action was taken by management.

ASSURANCE BY THE INDEPENDENT EXTERNAL AUDITOR

During the year, the committee:

- Reviewed and approved the external audit plan, including the proposed scope and audit fee and determined the nature and scope of non-audit services
- Received and reviewed external audit reports for the year pertaining to the Annual Financial Statements for the year ended 31 March 2016 and the interim results for the six months ended 30 September 2015
- Made recommendations, when appropriate, to the Board regarding the rotation of the external audit function.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

**FRAUD AND CORRUPTION**

The Audit and Risk Committee provides oversight over the fraud and corruption prevention controls and mechanisms within the DBSA's operating environment.

To this end:

- Risk incidents are logged in an operational risk register and monitored
- There is sufficient forensic capability in internal audit, with an appointed forensic specialist
- The DBSA has a toll-free whistle-blowing hotline operated by Deloitte and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices

IT GOVERNANCE

The Audit and Risk Committee provides oversight over the IT systems and automated controls and mechanisms within the DBSA's operating environment. To this end:

- Strengthening of ICT governance was a primary objective of the Business Technologies and Facilities division during the financial year and the existing IT governance framework and information security framework are currently being reviewed and updated
- A proper business recovery plan and off-site disaster recovery centre are in place and daily backups as well as periodic disaster recovery testing occur
- An ICT Steering Committee considers significant IT investment and expenditure, technology performance and compliance with service level agreements with business.
- The Audit and Risk Committee considered the maturity level of the ICT operations and is satisfied that sufficient provision is made for business recovery in the event of a disaster and also concludes from the results of the work performed by both internal and external audit that sufficient coverage of system and manual internal controls was obtained

The committee has noted various gaps in the DBSA's IT strategy and monitoring

of IT-related investments and expenditure. This will be addressed in the next financial year.

THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee is of the opinion, based on the information and explanations given by management and internal audit and discussions with the independent external auditor on the results of their audits and the status in addressing the matters raised, that the internal accounting controls (manual and automated) are operating satisfactorily, to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit and Risk Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

THE QUALITY OF MANAGEMENT AND QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Board of Directors and the management of the DBSA during the year under review.

ANNUAL REVIEW OF THE CFO, FINANCE AND INTERNAL AUDIT FUNCTIONS

The committee has assessed and is satisfied with the expertise, resources and experience of the CFO, finance and internal audit functions.

EVALUATION OF INTEGRATED ANNUAL REPORT, ANNUAL FINANCIAL STATEMENTS AND SUSTAINABILITY REVIEW

The Audit and Risk Committee has:

- Reviewed the Integrated Annual report and Sustainability Review report
- Reviewed and discussed the audited Annual Financial Statements with the

independent external auditor and the Accounting Authority

- Reviewed the independent external auditor's management letter and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee has evaluated the Integrated Annual Report and Annual Financial Statements for the year ended 31 March 2016 and considers that it complies, in all material respects, with the requirements of sections 27 to 31 of the Companies Act, the PFMA, IFRS and that the adoption of the going concern basis in preparing the Annual Financial Statements is appropriate. It is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the independent external auditor.

Gugu Mtetwa
Chairperson of the Audit and Risk Committee


BOARD CREDIT AND INVESTMENT COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2016

We are pleased to present our report for the financial year ended 31 March 2016.

The Board Credit and Investment Committee has adopted appropriate formal terms of reference as its Board Credit and Investment Committee Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

MEMBERSHIP

The Board Credit and Investment Committee members and attendance are reflected on page 25 in the Summary Governance report. The Chairperson is an Independent Non-executive Director and has the requisite business, financial and leadership skills for the position. All the committee members have development and financial literacy, with the majority being non-executive members.


 The names and qualifications of Directors serving on the Board Credit and Investment Committee are detailed in the Board of Directors section on pages 22 and 23.


BOARD CREDIT AND INVESTMENT COMMITTEE RESPONSIBILITY

The Board has delegated the responsibility for the management of credit and investment risk to its Board Credit and Investment Committee, supported by the executive management-level Investment Committee. The Board Credit and Investment Committee is responsible for the approval of all transactions that would result in the DBSA's aggregate exposure that is above the approval limits of the Investment Committee. The Investment Committee, which is chaired by the Chief Risk Officer, is responsible for approving all transactions that would result in the aggregate exposure to a single obligor being below the approval limits. The committee is also responsible for recommending aggregate exposures of more than the approval limits to the Board Credit and Investment Committee.

In managing credit and investment risks further, the DBSA, through its Group Risk Assurance division, also seeks to embed policies and processes on credit and investment risk appetite and prudential limits. It guides the formulation of risk

strategy and businesses' risk positioning by ensuring that sound risk principles and practices are adopted and maintained. Finally the DBSA, in support of its mandate, seeks to align development impact with credit and investment risks decisions and to optimise reward by evaluating risk exposures and ongoing outcomes in tandem.

 Refer to pages 8 and 9 for a summary of the outputs and estimated development outcomes. Pages 39 and 40 provide an overview of the DBSA's two infrastructure financing divisions.

 Refer to pages 43 to 51 of the Chief Financial Officer's Report for an overview of the quality of the credit portfolio.

The committee has reviewed the credit strategy, credit risk management programme, trends in portfolio quality, the adequacy of provision for credit losses and the credit risk management policies approved by the Board. The committee approves all credit and investment proposals where counter-party exposures exceed amounts set out in the table below.

	MS1 - MS10	Above MS10	
South Africa			
• Municipal clients	R1 000 million	R500 million	
• Other public sector clients	R500 million	R250 million	
• State-supported programmes	R500 million	R250 million	
• Private sector clients	All	All	
Rest of Africa			
	MS1 - MS10	MS11-MS13	Above MS13
• SADC: Low-risk countries	US\$50 million	US\$20 million	All
• SADC: Medium-risk countries	US\$20 million	US\$10 million	All
• SADC: High-risk and post-conflict countries	US\$10 million	All	All
• SADC: Private sector clients	All	All	All
• Rest of Africa	All	All	All

Note: The DBSA uses the following rating scale to measure risk: MS1 to 7: low risk, MS 8 to 13: medium risk and MS14 and above: high risk.



Busisiwe Mabuza
Chairperson of the Board Credit and Investment Committee¹

1. With effect from 15 June 2016.

HUMAN RESOURCES, REMUNERATION, NOMINATION, SOCIAL AND ETHICS COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2016

We are pleased to present our report for the financial year ended 31 March 2016.

The Human Resources, Remuneration, Nomination, Social and Ethics Committee (HRNSEC) has adopted an appropriate formal terms of reference as its HRNSEC Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

MEMBERSHIP

The HRNSEC members and attendance are reflected on page 25 in the Summary Governance report. The Chairperson is an Independent Non-executive Director. All committee members are Non-executive Directors and all members have the requisite business, financial and leadership skills for the position. The CEO is not a member of the committee but attends meetings by invitation.



The names and qualifications of Directors serving on the committee are detailed in the Board of Directors section on pages 22 and 23.

HUMAN RESOURCES, NOMINATIONS, SOCIAL AND ETHICS COMMITTEE RESPONSIBILITY

The Board of Directors has established the HRNSEC to support it in the execution of its duties with respect to implementation of the human capital strategy, nomination of Directors and executive remuneration, Directors' affairs, as well as social and ethics issues, compliance with King III, the DBSA Act and Regulations and any additional corporate governance requirements of DBSA. The Board of Directors is the focal point of corporate governance in the DBSA. It is ultimately accountable and responsible for the performance, affairs and behaviour of the DBSA. The HRNSEC has the responsibility to ensure that there are adequate processes, policies, systems and procedures to ensure sound corporate governance.

The committee meets at least four times a year. The committee can utilise the services of independent advisors on matters relating to remuneration. Specific responsibilities of the committee include:

GOVERNANCE, NOMINATIONS AND DIRECTORS' AFFAIRS

- Assist the Board in its determination and evaluation of the adequacy, efficiency and appropriateness of the governance structure and practices
- Advise, evaluate and assist the Board on any issues of fundamental strategic importance that are beyond the scope of the specific authorities mandated to other Board committees
- Establish and review a Board continuity plan for approval by the Board entailing:
 - A review of the performance of and planning for successors to the Executive and Non-executive Directors

- Measures to ensure continuity of tenure of Non-executive Directors
- A regular review of the composition of skills, experience and other qualities required for the effectiveness of the Board
- A biennial assessment of the Board as a whole, which assessment shall be co-ordinated by the Chairperson of the Board and assisted by the Company Secretary
- Assess regularly the conduct and competence of Directors and Board committees, the overall effectiveness of the Board and report thereon to the Board
- Regularly review the required mix of skills and experience on the DBSA Board with a view to identifying any skills gap on the Board
- Recommend to the Board potential candidates for membership onto the Board
- Develop a plan for identifying, assessing and enhancing Director competencies
- Ensure that Executive Directors and management succession plans are in place
- Review the performance of the CEO.

REMUNERATION

- Consider for approval by the Board the remuneration policy and employment practices in addition to any other strategic human resource issues referred to it by management and the Board of Directors in line with market trends and prevailing legislation
- Review and recommend performance incentive policies applicable to the Executive Directors and Group Executives to the Board of Directors to ensure that they are fairly rewarded for their individual and joint contribution to the DBSA performance
- Determine remuneration, retention incentive and termination policies and procedures for executive management
- Make recommendations to the shareholder for consideration regarding the fees of the Chairman and the Non-executive Directors
- Make recommendations to the Board for approval of the aggregate annual staff salary increase
- Recommend for approval percentage limits to which executive management may authorise remuneration for staff such as the maximum bonus as a percentage of total cost to company and how much may be discretionary
- Consider and recommend to the Board for approval the quantum of incentive pool for executives of the DBSA
- Determine and review superannuation arrangements
- Obtain for the Group whatever remuneration-related information the committee may need from time-to-time.



Refer to note 47 of the Annual Financial Statements for fees paid to Non-executive Directors, Executive Directors and Group Executives.

HUMAN RESOURCES

- Review and recommend the DBSA human capital strategy and risk management strategy to be implemented. Further detail regarding the remuneration philosophy and policies is provided in the Remuneration report on page 26
- Monitor implementation and execution of the human capital strategy and transformation as well as issues policy requirement for implementation by management. A key focus area for the committee was the monitoring of the DBSA's culture change programme. Significant improvements were achieved
- Review performance scorecards. Refer to the Directors' report in the Annual Financial Statements report for the performance against the 2016 Balanced Scorecard
- Oversee employment equity and other human capital statutory reports
- Oversee the implementation of the DBSA's training and development plan.



Refer to pages 34 and 35 for further detail regarding the DBSA's employment and diversity numbers, as well as investment in training programmes

SOCIAL AND ETHICS

The committee ensures that management cultivates a culture of ethical conduct and sets the values to which the DBSA adheres. In this respect the committee:

- Monitors the activities, having regard to relevant legislation and codes of best practice, in respect of social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and sound labour and employment practices
- Reviews the DBSA's values and considers for recommendation to the Board the ethics-related policies like the conflict of interest policy, code of ethics, gift and whistle-blowing policies
- Considers and recommends for approval to the Board the ethics management programme.



Refer to the Chairman of the Board and Summary Governance reports, as reflected on pages 18 to 25 for further detail

Dawn Marole
Chairperson of the Human Resources, Remuneration, Nomination, Social and Ethics Committee

INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2016



We are pleased to present our report for the financial year ended 31 March 2016.

The Infrastructure Delivery and Knowledge Management Committee (IDKC) has adopted an appropriate formal terms of reference as its Infrastructure Delivery and Knowledge Management Committee Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

MEMBERSHIP

The Chairperson is an Independent Non-executive Director. The majority of committee members are non-executive members and all committee members have the requisite business, financial and leadership skills for the position.



The IDKC members and attendance are reflected on page 25 in the Summary Governance report



The names and qualifications of Directors serving on the IDKC are detailed on pages 22 and 23

INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE RESPONSIBILITY

The IDKC is a sub-committee of the Board of Directors and supports the Board in the execution of its duties. The committee is accountable to the Board to properly consider and evaluate any matter that it has been mandated to deal with. The Board has ultimate responsibility in controlling the business and directing the operations of the DBSA. This includes accepting strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region, monitoring existing mandates, approval and monitoring of key infrastructure projects, and overseeing the knowledge and research programmes of the DBSA in line with the philosophy that it is a centre of excellence in infrastructure development.

NON-FINANCING INFRASTRUCTURE DELIVERY SUPPORT AND PROGRAMME IMPLEMENTATION (STRATEGIC MANDATES)

The DBSA is committed to supporting government in accelerating the

implementation of agreed infrastructure and implementation programmes on a fully funded and/or cost-recovery basis. These strategic mandates may include the provision of project management and other support in key priority sectors critical to the achievement of the national objectives of economic growth, job creation and infrastructure delivery. The mandate of the committee does not extend to the financing needs of programmes supported. The IDKC is responsible for:

- Providing strategic guidance on the support to be provided to public entities and spheres of government in priority sectors
- Recommending to the Board a framework to guide the selection of new government infrastructure delivery and strategic mandates and programmes for implementation by the DBSA
- Considering and approving all new strategic mandates and programmes for implementation by the DBSA
- Delegating to the CEO the responsibility for consideration and approval of all new projects within an approved mandate. The CEO will recommend for approval by the IDKC appropriate frameworks, portfolio risk management strategies, risk tolerances, appetite limits, policies and procedures to be adopted by the DBSA to monitor and mitigate exposure
- Monitoring compliance to the framework and progress on the implementation of mandates and programmes that fall under the committee's purview
- Identifying issues related to implementation of the programmes for tabling at the Board of Directors for consideration or decision.



Refer to page 41 for an overview of performance results for the Infrastructure Delivery division

INFRASTRUCTURE DELIVERY

As a DFI focused on infrastructure, the DBSA is required to constantly monitor developments in infrastructure planning and implementation and the enabling environment that impacts on the delivery of infrastructure and its financing. The committee:

- Considers and recommends best practice related to DFIs and infrastructure planning, financing and implementation

- Reviews the overall performance of infrastructure delivery. Part of the review included a site inspection during the year by the IDKC members to various schools, houses and clinics in the Eastern Cape
- Provides strategic guidance to the gathering and analysis of project and spatial information to improve infrastructure planning, financing, delivery tracking and performance.

KNOWLEDGE MANAGEMENT

As a knowledge organisation, the DBSA is committed to facilitating processes of internal and external knowledge development and sharing to facilitate appropriate learning to enhance its status as an infrastructure DFI. The committee:

- Recommends for approval by the Board a knowledge management strategy for the DBSA that has both an internal and external focus and incorporates a transversal knowledge management system for the DBSA and a research strategy. A key focus area for the year was to refine the research agenda to the key challenges faced in South Africa and proposing adequate solutions as well as the measurement of development impact
- Monitors the implementation and impact of DBSA's knowledge management strategy
- Identifies knowledge management outputs or issues considered relevant by the committee for tabling for consideration or decision by the Board of Directors.

Frans Baleni
Chairman of the Infrastructure Delivery and Knowledge Management Committee

03

PERFORMANCE AND OUTLOOK

CHIEF EXECUTIVE OFFICER'S REPORT



I AM PLEASED TO REPORT ON ANOTHER YEAR DURING WHICH THE DBSA HAS DELIVERED ON ITS INFRASTRUCTURE DEVELOPMENT MANDATE.

Patrick Dlamini
Chief Executive Officer

OVERVIEW OF THE OPERATING ENVIRONMENT

The South African economy remains subdued, whilst the growth in the rest of Africa is mixed. Issues that emerged during the year included a rising interest rate cycle, instability of the rand, fluctuation in the oil price, falling commodity prices and the impact of the worst drought in recorded history. These factors weigh heavily on the country's international investment grade ratings and any negative movements would result in higher borrowing costs that would ultimately impact the DBSAs. Many municipalities also remain institutionally and financially constrained, and require support beyond financing.

The need for infrastructure development in South Africa remains critical and the DBSA has a critical and typically counter-cyclical role to play in ensuring infrastructure gaps are met. Climate change mitigation and adaptation will provide significant investment opportunities and threats in South Africa and the rest of the continent.

PERFORMANCE REVIEW KEY PERFORMANCE SCORECARD

	2016 Actual	2015 Actual	% Variance	2016 Target	% Variance
Project preparation					
Funding approved by the Board	R7.6 billion	R6.4 billion	↑ 19	R4.0 billion	↑ 90
Financing					
New disbursement record	R17.1 billion	R13.0 billion	↑ 32	R17.8 billion	↓ (4)
South Africa					
Metros	R7.5 billion	R3.7 billion	↑ 103	R4.0 billion	↑ 88
Secondary and under-resourced municipalities	R0.6 billion	R1.8 billion	↓ (67)	R2.0 billion	↓ (70)
Other social	R0.6 billion	R0.2 billion	↑ 200	R1.2 billion	↓ (50)
Economic	R4.9 billion	R6.7 billion	↓ (27)	R5.6 billion	↓ (13)
Rest of Africa (excluding RSA)	R3.5 billion	R0.6 billion	↑ 483	R5.0 billion	↓ (30)
of which SADC (excluding RSA)	R3.3 billion	R0.6 billion	450	R3.5 billion	↓ (6)
Infrastructure delivery					
Total funds under management	R3.3 billion	R2.0 billion	↑ 65	R3.2 billion	↑ 3
Financial					
Sustainable earnings	R1.4 billion	R0.8 billion	↑ 75	R0.9 billion	↑ 56
Net profit	R2.6 billion	R1.2 billion	↑ 167	R0.9 billion	↑ 189



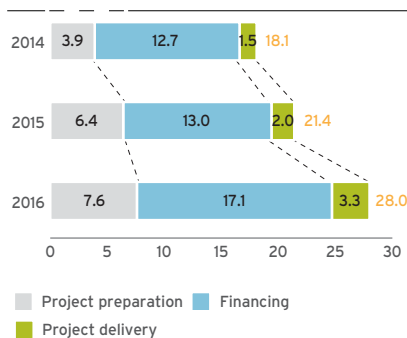
Refer to the Directors' report in the Annual Financial Statements report for the performance against detailed predetermined objectives.



In line with the strategy of operating across the infrastructure value chain, the DBSA delivered total infrastructure support to the value of R28.0 billion (2015: R21.4 billion).

The breakdown is reflected in the graph below.

Three-year infrastructure support (R billion)



R28 billion The DBSA delivered total infrastructure support to this value

PROJECT PREPARATION

The demand for infrastructure development is extensive and one of the key bottlenecks is development and preparation of bankable projects. In addition, the planning and delivery of large infrastructure projects is complex and fraught with risk. Hence, many projects fail or are implemented with budget and timeline overruns. Over time, many DFIs have tried to fill the space where government capacity is low and risk is high. Although this landscape is evolving and expanding, current DFIs in Africa have not proven a large-scale successful model. This need and these challenges translate into an opportunity for the DBSA to create a high-skill, scaled-up, end-to-end project development and preparation business that de-risks projects and delivers project concepts to bankability.

Through our project preparation efforts 13 projects to the value of R7.6 billion

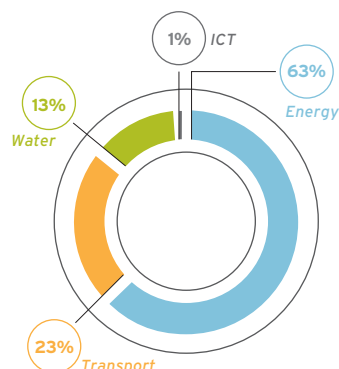
(2015: R6.4 billion) were approved for funding. It is estimated that in excess of R25 billion will be unlocked from third parties funders. R431 million (2015: R396 million) to fund preparation costs was leveraged from third party funders. At year-end we were evaluating project to the value of R216 million.

Refer to page 38 for further detail and highlights of the DBSA's preparation business.

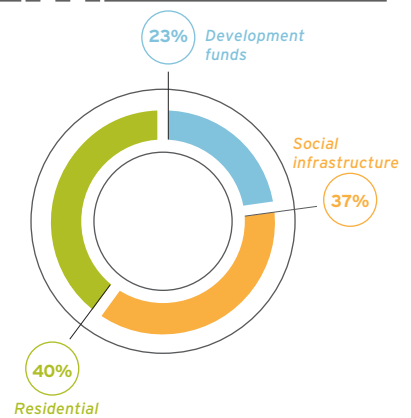
INFRASTRUCTURE FINANCING

Total approvals amounted to R24.6 billion (2015: R30.2 billion) and commitments R18.3 billion (2015: R17.4 billion). Disbursements were at a new record high of R17.1 billion (2015: R13.0 billion). Disbursements were largely driven by R7.5 billion to metros, R4.9 billion to the economic infrastructure sector and R3.5 billion outside South Africa. The performance across the various market segments has, however, mixed. We experienced greater competition from DFIs and commercial banks in certain core sectors, especially in respect of independent power producers (IPPs) and the region outside South Africa, whilst various projects planned for disbursement during the financial year did not materialise.

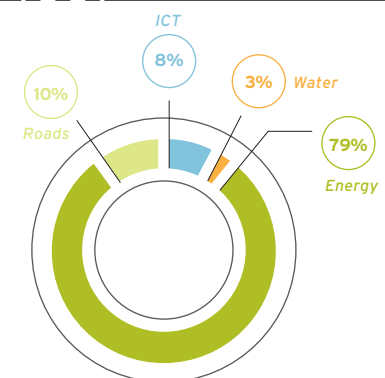
2016 SA disbursements: primary sectors (R10.5 billion)



2016 SA disbursements: secondary sectors (R3.1 billion)



2016 rest of Africa disbursements: primary sectors (R3.4 billion)




Refer to pages 39 and 40 for further detail and highlights of the DBSA's funding businesses.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

INFRASTRUCTURE DELIVERY

The DBSA supports government in leveraging skills and capabilities to accelerate the implementation of a number of programmes through the provision of project management and implementation support in key priority sectors of education, health and housing as well as various urban infrastructure programmes. All non-financing activities are provided on a full cost-recovery basis.

Total funds under management amounted to R3.3 billion (2015: R2.0 billion), whilst the value of infrastructure delivered increased to R2.6 billion (2015: R2.0 billion).

 Refer to page 41 for further detail and highlights of the DBSA's Infrastructure Delivery business.

FINANCIAL PERFORMANCE


The DBSA produced a strong financial performance with net profit of R2.6 billion (2015: R1.2 billion), sustainable earnings of R1.4 billion (2015: R0.8 billion) and a cost-to-income ratio of 29% (2015: 34%).

As part of our strategy, the DBSA seeks to expand its product offering (product diversification) and implemented a new product development process. Product diversification includes fees generated from new products launched such as syndication and acting as mandate lead arranger. Non-funding related fees amounted to R50 million for the year.

Overall, our financial position remains sound, with our credit rating maintained in line with the sovereign rating. Total assets grew by 16% to R82.3 billion (2015: R70.9 billion). The total development assets increased by 22% to R77.1 billion (2015: R63.1 billion).

The debt-to-equity ratio of 178% remained well below the 250% statutory threshold.

Our capital management strategy project also recently kicked off and aims to develop an enterprise framework to effectively manage and allocate scarce capital to important strategic objectives. The project is anticipated to be completed by the end of the next financial year.

 Refer to pages 43 to 51 for more detail in the Chief Financial Officer's report.


DEVELOPMENT IMPACT CONTINUES TO GROW

The DBSA has a strong record of supporting the Southern African Development Community (SADC) region's transformation. Through our portfolio of lending operations as well as project implementation and programme management support activities, we are promoting growth which is both inclusive and sustainable in nature. Measuring overall contribution to the region's development is a challenging and complex undertaking. The DBSA is just one of many players promoting development, alongside other government agencies, development partners, companies and civil society organisations. In this context, it is difficult

to attribute overall development results to the work of a single organisation. We therefore assess our results by building a picture of our support from a project level.

During the year, we supported various municipalities with planning and implementation support. 70 projects were completed in the electricity, water, sanitation, roads and storm water sectors. An estimated 63 242 households are expected to benefit whilst 5 240 jobs were created. Through our funding activities an estimated 638 000 (2015: 289 000) households stand to benefit from new or upgraded infrastructure.

We also contributed to the country and region's need for energy generation capacity, including renewables, student accommodation, and the construction of schools, houses and maintenance of health clinics.

 The summary of our estimated development outcomes across the services portfolio are summarised on page 9.

INVESTING IN OUR MAJOR ASSET - OUR EMPLOYEES

Employees are a critical driver of our business performance and sustainability and the high calibre of the DBSA's current management at senior operational level is instrumental in creating value and long-term sustainability. However, there is a shortage in the supply of many of the business-critical skills we require to deliver on our strategy. As a result, we have undertaken a number of initiatives to attract the best talent and make the DBSA an attractive place for our staff to work and develop their careers.

Post the restructuring in 2013, the organisation recognised the need to implement a culture improvement project as one of the key strategic initiatives of the DBSA. It aims to build a new culture as a prerequisite to foster high performance in the organisation. Although implementation started off slowly, significant work has been done in recent months, including management coaching sessions, chemistry of wellness and performance workshops. These efforts are starting to yield significant improvements.

At year-end the DBSA employed 461 (2015: 459) permanent and fixed-term contract people as well as 108 (2015: 88) fixed-term contractors for selected programmes and agencies. Staff retention remained a crucial focus area. The retention rate of critical skills was 95% (2015: 90%) at the end of March 2016 against a target of 85%.

The DBSA is committed to creating and maintaining an environment which provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups. The formal company employment equity policy codifies this commitment and stipulates the promotion of equal opportunity, the elimination of unfair discrimination and the implementation of positive measures

to redress disadvantages previously experienced by designated groups.

During the year R10.3 million (2015: R13.8 million) was invested in staff training.

 Refer to page 35 for additional human capital information

OUTLOOK

Looking ahead, the economic environment appears uncertain. The need for infrastructure investment remains critical to stimulate economic growth and support social upliftment. The DBSA has to use its skills, resources and convening power to act as catalyst for infrastructure development. I am confident that the DBSA is in a position to accept this challenge.

In order to contribute to the reduction in Africa's infrastructure gap, we have committed to increase our project preparation activities and will seek to prepare bankable projects to the value of approximately R10 billion per annum over the next three years. Recognising that some projects may require a form of blended finance, we will continue to engage our development partners across the world to assist in providing concessionary funding.

Although the DBSA is required to play a counter-cyclical role in uncertain times such as these, we have not been immune to the impact of the environment. As a consequence of the need to remain financially sustainable, we realigned our disbursement targets to R16.4 billion for 2017 and moderated the growth to inflation annually thereafter. To offset this, leveraging the resources of third parties, such as international DFIs and the private sector, will be a key focus area. We will seek to crowd-in third party funders to the value of R9.6 billion per annum by 2019.

Municipalities play an important role in the provision of basic services to South Africans and business as a whole. The need to improve and increase infrastructure in municipalities is therefore of critical importance. The demand on existing and new infrastructure is expected to rise with more people migrating to larger cities and towns in search of employment opportunities and the expansion of businesses that utilise the current existing infrastructure in their daily operations. Recognising that the demand for infrastructure is the greatest in large urban centres, the DBSA and the National Treasury are collaborating to support the development of economic infrastructure to expand the income generation base of municipalities.

The establishment of the BRICS New Development Bank (NDB) offers various challenges and opportunities to the DBSA as the two organisation's mandates overlap in many instances. The NDB will have an Africa Regional Centre in Johannesburg. Of concern is the ability of the NDB to potentially provide preferential rates to clients due to its funding structures and financial strengths of the key founding countries. The DBSA is currently assessing its approach to the NDB and how it could leverage these resources to catalyse infrastructure development in our target markets.

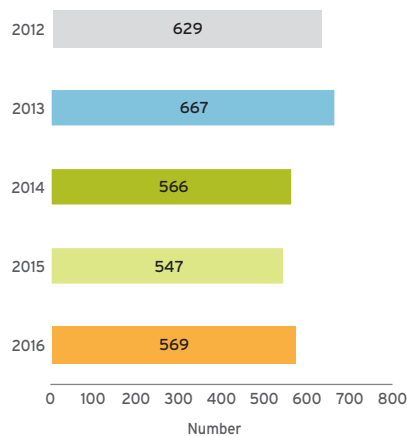
Our infrastructure implementation and delivery services provide us with significant opportunities to further support national and provincial government departments in making a meaningful contribution to the alleviation of social infrastructure backlogs, especially in the fields of education, health and housing. In addition, we will also seek to expand our offering to municipalities and the maintenance of infrastructure.

In conclusion, I wish to acknowledge and thank the people of the DBSA - our Board, management and staff. You are the backbone of the organisation that supports and drives our performance. Our collective achievements are largely attributable to your ongoing hard work and commitment. To our stakeholders, I thank you for your continued confidence in our leadership and in the resilience of the DBSA.

Patrick Dlamini
Chief Executive Officer

EMPLOYMENT STATISTICS

Employment statistics (headcount)

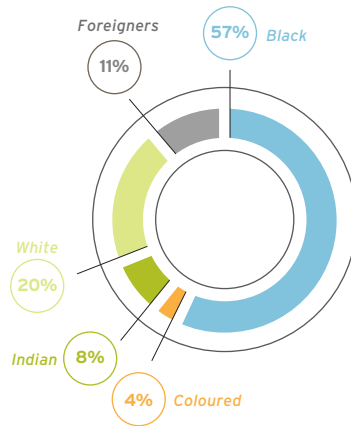


Includes contractors in the Infrastructure Delivery division

Employment diversity (gender %)

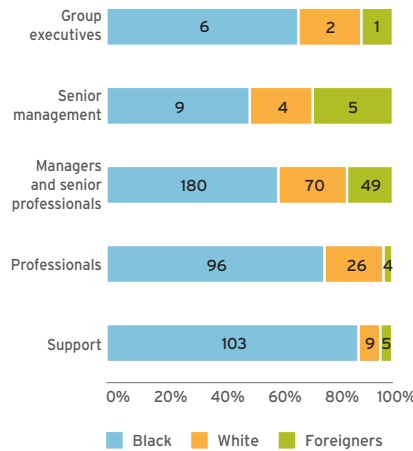


Employment diversity



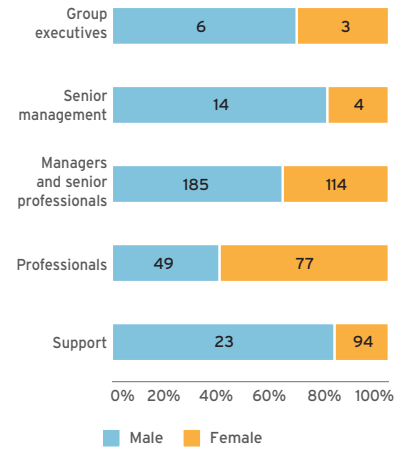
EMPLOYMENT STATISTICS

Employment statistics per job category

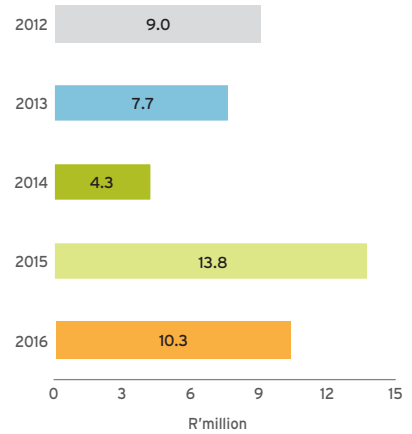


Includes contractors in the Infrastructure Delivery division

Gender diversity per job category

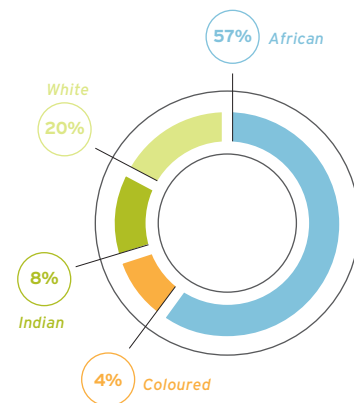


Training spend



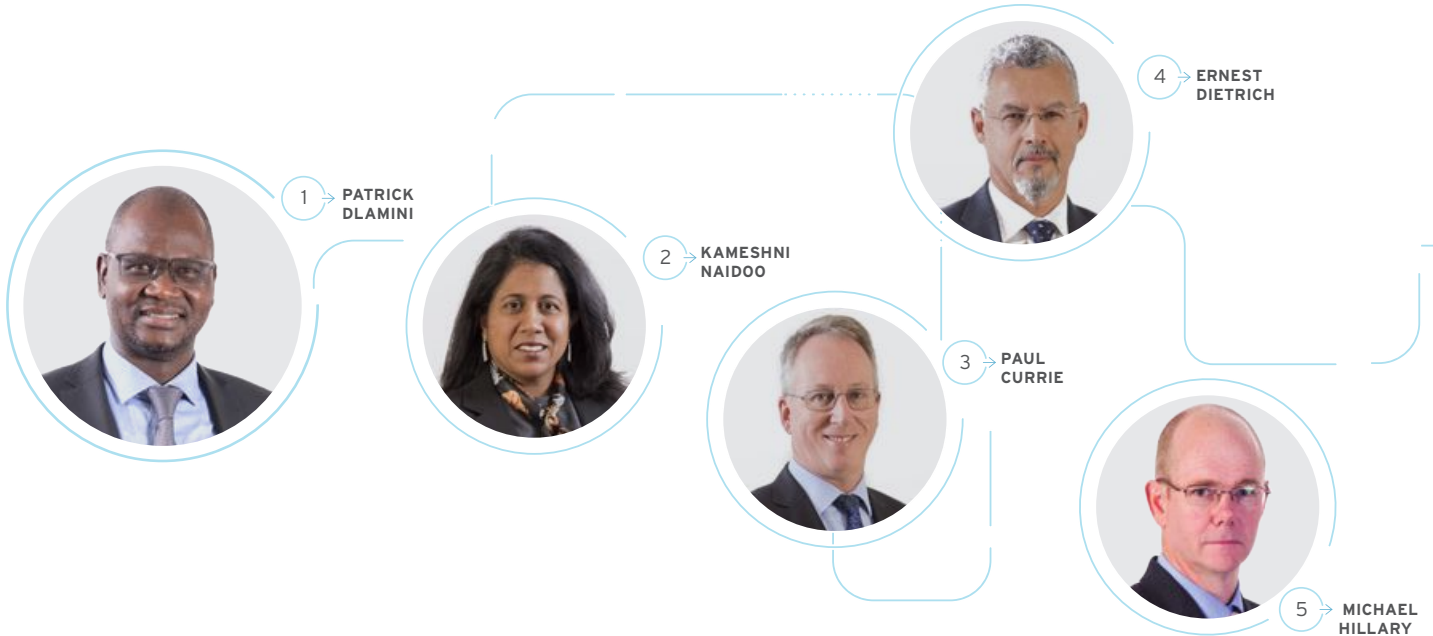
R10.3 million Invested in staff training during the year

Spend by ethnic group



EXECUTIVE MANAGEMENT

AT 31 MARCH 2016



EXECUTIVE DIRECTORS

1 → **PATRICK DLAMINI**
 Chief Executive Officer
 Born: 1969
 Executive Director as from 1 September 2012

Academic qualifications

- Advanced Executive Programme, Kellogg School of Management, USA EDP, University of the Witwatersrand Business School
- Business Studies Unit, Natal Technikon
- BCom, University of KwaZulu-Natal

Directorships

- DBSA
- BOPHYLD: Director
- Bridges Worldwide SA: Director
- Xcargo: Director
- Lanseria Holding: Non-executive Director
- Lanseria International Airport: Non-executive Director

📖 See the Chief Executive Officer's report on pages 32 to 35

2 → **KAMESHNI NAIDOO**
 Chief Financial Officer
 Born: 1974
 Executive Director as from 1 January 2013

Academic qualifications

- Chartered Accountant (SA)

Directorships

- DBSA
- Avatar Group (Pty) Limited: Director

📖 See the Chief Financial Officer's report on pages 43 to 51

GROUP EXECUTIVES

3 → **PAUL CURRIE**
 Chief Risk Officer
 Born: 1962
 Appointed: 17 May 2010

Academic qualifications

- Advanced Management Programme, INSEAD
- MBA (with distinction), Institute of Financial Management, Manchester Business School and University of Wales
- Chartered Accountant (SA)
- Post-graduate diploma in Accountancy, University of Port Elizabeth
- BCom (Accounting), University of Port Elizabeth
- BSc (Physiology), University of Cape Town

Directorships

- Trustee: Pan Infrastructure Development Fund: (DBSA nominee)
- Investment Committee member: Old Mutual Housing Impact Fund: (DBSA nominee)

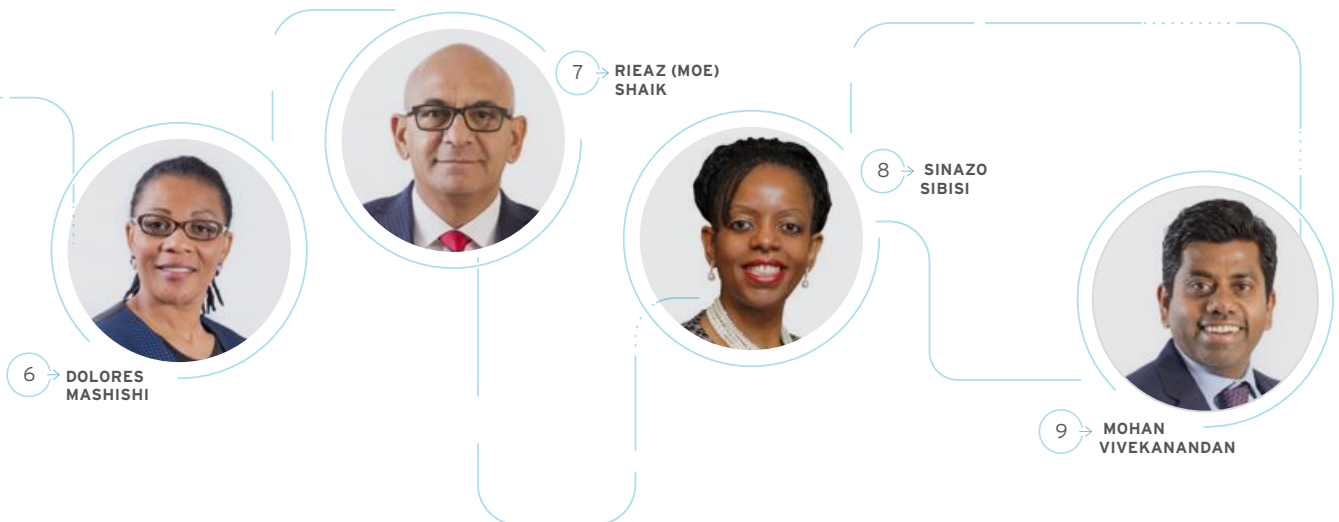
📖 For portfolio performance and outlook see managing our risks and opportunities on pages 13 to 16

4 → **ERNEST DIETRICH**
 Group Executive: South Africa Financing
 Born: 1963
 Appointed: 1 February 2016
 DBSA staff member from 2 January 2001

Academic qualifications

- CFA Charter (2002)
- MBA, University of Cape Town (1996)
- MSc (Mathematics), University of Western Cape (1992)
- HDE, University of Western Cape (1985)

📖 For portfolio performance and outlook see South Africa Financing on page 39



5 → **MICHAEL HILLARY**
Group Executive: Financing Operations
Born: 1970
Appointed: 1 October 2012

- Academic qualifications**
- MBA, University of Witwatersrand
 - BCom Hons, University of Witwatersrand
 - CAIB (SA), Institute of Bankers

For portfolio performance and outlook see Project Preparation on page 38.

6 → **DOLORES MASHISHI**
Group Executive: Corporate Services
Born: 1968
Appointed: 1 September 2011

- Academic qualifications**
- General Management Programme, Harvard Business School, USA
 - Strategic Management: Human Resources, University of the Witwatersrand Business School
 - Management Advancement Programme, University of the Witwatersrand Business School
 - MSc Ed (Development Psychology), University of Illinois, Chicago
 - BEd (Psychology), University of the Witwatersrand
 - BA Ed (Education and Psychology), University of North West

For portfolio performance see pages 34 and 35

7 → **RIEAZ (MOE) SHAIK**
Group Executive: International Financing
Born: 1959
Appointed: 13 August 2012

- Academic qualifications**
- AMP, Harvard Business School, USA
 - Masters degree in Optometry (cum laude) University of KwaZulu-Natal
 - B Optometry, University of KwaZulu-Natal
 - BSc (Computer Science), University of KwaZulu-Natal

Directorships

- Non-executive Director: Foresight Advisory Services (Pty) Limited

For portfolio performance and outlook see International Financing on page 40

8 → **SINAZO SIBISI**
Group Executive: Infrastructure Delivery
Born: 1967
Appointed: 1 April 2012
DBSA staff member from 1 November 2007

- Academic qualifications**
- Executive MBA, University of Cape Town Graduate School of Business
 - Partner Development Programme, GIBS
 - Executive Development Programme, IMD, Switzerland
 - Post-graduate diploma in HRM, University of Cape Town
 - BA Honours in History with Economic and Social History, Birmingham University, UK

For portfolio performance and outlook see Infrastructure Delivery on page 41

9 → **MOHAN VIVEKANANDAN**
Group Executive: Strategy
Born: 1973
Appointed: 24 March 2014

- Academic qualifications**
- MBA, Kellogg School of Management, USA
 - Bachelor of Arts (Honours) in Economics and Mathematical Methods in the Social Sciences (MMSS), Northwest University, USA

Refer to pages 5 to 11 for an overview of our strategy

For the organisational structure of the DBSA, see page 17.

DIVISIONAL OVERVIEW

PROJECT PREPARATION

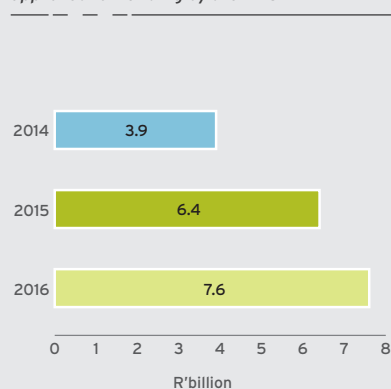
Objective

To support the de-risking of infrastructure project and deliver project concepts to bankability.

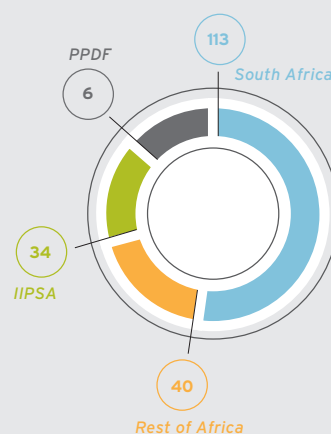
Major services

- Project identification
- Feasibility assessment
- Technical assistance
- Financial structuring
- Managing project preparation funds
- Securing a mandate lead arranger role for the DBSA

Value of projects prepared and approved for funding by the DBSA



Preparation pipeline at year-end (R'billion)



		2016	2015
Operational performance			
Value of projects approved for funding by the DBSA	R billion	7.6	6.4
Value of projects unlocked for funding by third parties	R billion	24.7	N/A
Employee numbers (including permanent and contractors for programme management support)		11	12
Financial performance			
Operating income	R million	50	8
Net profit/(loss)	R million	16	(11)

Highlights	Challenges	Looking ahead
<ul style="list-style-type: none"> • Accreditation of the DBSA to the Global Climate Fund, thus enabling access to US\$10 billion committed to the fund to support low emission and climate resilient projects. Projects in energy, water and transport sectors are eligible to benefit from this concessional funding in both development and implementation stages • R431 million mobilised from third parties to fund preparation costs 	<ul style="list-style-type: none"> • Aligning supply chain policies and procedures of municipalities to ensure that they are eligible to access available third party funding for project preparation • Uncertain legislative and regulatory environment in most countries outside South Africa to facilitate preparation of projects • Skills and capacity, especially in the local government sector 	<ul style="list-style-type: none"> • Focus on a programmatic approach in project preparation, especially in water and energy sectors, and the under-capacitated municipalities • Crowd-in R9 billion worth of debt or other funding from third party funders

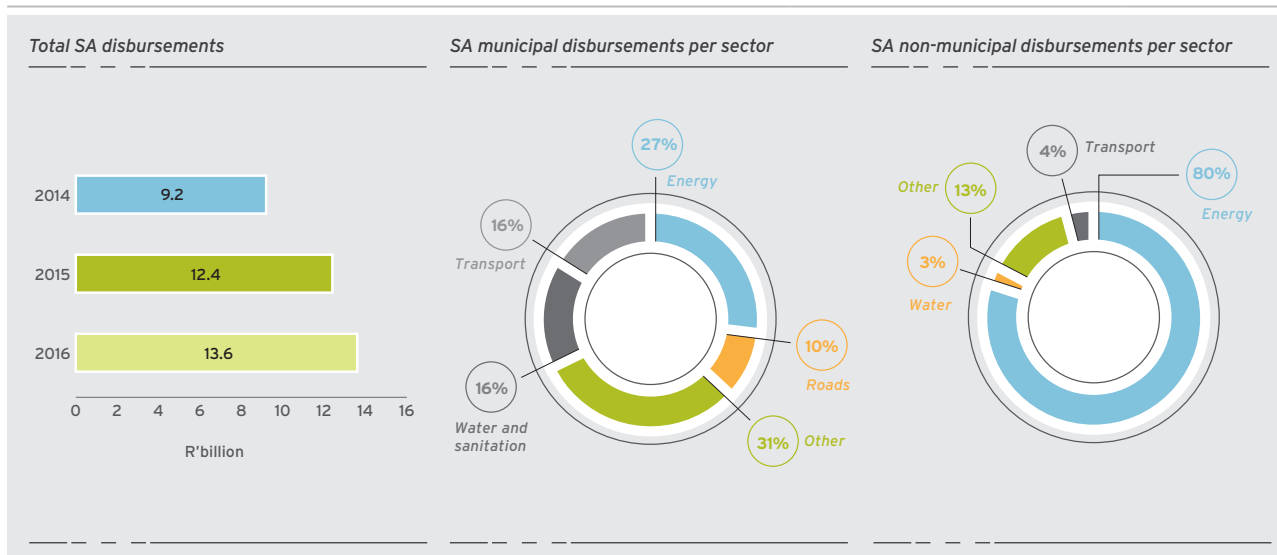
SOUTH AFRICA FINANCING

Objective

To support the South African infrastructure development agenda, including financing and non-financing services support for the municipal sector and project financing of large-scale infrastructure projects and programmes.

Major services

- Provide conventional and boutique financing service:
 - Debt
 - Mezzanine finance and guarantees
 - Project finance
- Support selected municipalities with planning and implementation services. In certain instances, subsidised interest lending can be provided



Refer to page 9 for estimated development impact

		2016	2015
Operational performance			
Approvals	R billion	15.1	22.1
Commitments	R billion	11.9	15.2
Disbursements	R billion	13.6	12.4
Employee number		70	77
Financial performance			
Net interest income	R million	2 150	1 612
Net profit before portfolio impairment	R million	1 837	1 358
Net profit	R million	1 699	1 205
Total assets	R million	57 369	47 599
Net interest margin	%	43	39

Highlights	Challenges	Looking ahead
<ul style="list-style-type: none"> • 103% growth in disbursements to metros • 70 infrastructure projects completed in secondary and under-resourced municipalities. More than 63 000 households stand to benefit • Planning support provided to a number of municipalities, including the development of water and sanitation services plans • Recognised through various industry awards for support to the energy sector including: PFI Awards 2015: Middle East and Africa Wind Deal of the Year and Africa Utility Week's "Pioneer in Project Finance - 2015" industry awards 	<ul style="list-style-type: none"> • Limited balance sheet financing opportunities in various sectors, including secondary and under-resourced municipalities, education and bulk water • Rolling out the DBSA's conditional grant-bridging finance programme 	<ul style="list-style-type: none"> • Roll out an integrated solution to under-capacitated municipalities, including planning, financing and implementation support • Engaging with metros and secondary municipalities to identify and prioritise infrastructure projects for off-balance sheet funding through innovative funding structures • Developing jointly with key stakeholders' feasible models for addressing the substantial shortages of student accommodation

DIVISIONAL OVERVIEW CONTINUED

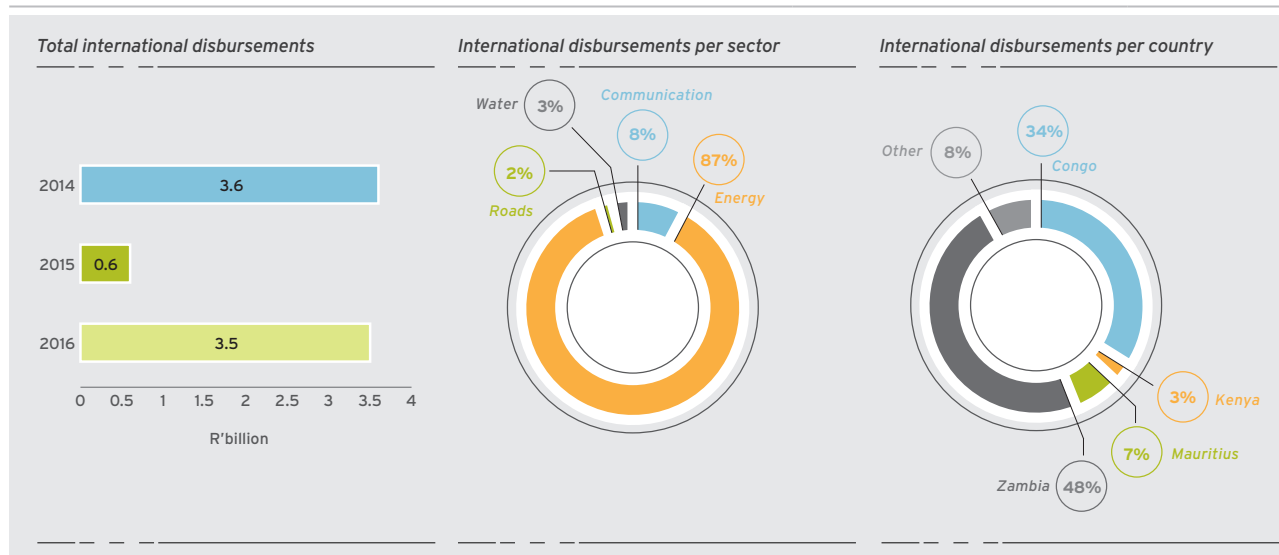
INTERNATIONAL FINANCING

Objective

Support South Africa's and the DBSA's regional development and integration strategy, aimed at facilitating trade in Africa by investing in infrastructure projects outside South Africa.

Major services

- Provide vanilla and boutique financing service:
 - Debt
 - Mezzanine finance
- Supporting project planning and development, advocacy and partnership building for resource mobilisation
- Promoting inter-regional integration and cooperation between SADC and the adjoining regional economic communities in Africa



Refer to page 9 for estimated development impact

		2016	2015
Operational performance			
Approvals	R billion	9.5	22.1
Commitments	R billion	6.4	15.2
Disbursements	R billion	3.5	0.6
Employee numbers		32	31
Financial performance			
Net interest income	R million	867	471
Net profit before portfolio impairment	R million	1 073	176
Net profit/(loss)	R million	75	(39)
Total assets	R million	19 696	15 524
Net interest margin	%	73	57

Highlights	Challenges	Looking ahead
<ul style="list-style-type: none"> • R3.4 billion disbursed within the SADC region, excluding South Africa • First projects concluded outside SADC • Memorandum of understanding finalised with Power Africa • Hosted three World Economic Forum sessions • The DBSA selected as a council member for the NEPAD Continental Business Forum • Partnering with the Presidency and Boston Consulting Group in accelerating the North-South Corridor programme 	<ul style="list-style-type: none"> • The impact of re-rating of certain African countries due to depressed commodity and oil prices on impairments • Development of infrastructure projects is complex and takes a long time to finalise • Increase in credit default spreads have placed significant pressures on pricing competitiveness 	<ul style="list-style-type: none"> • Challenging year anticipated due to uncertain economic environment. Targeted disbursements have therefore been moderated • Focus on developing and leveraging key partnerships to unlock infrastructure

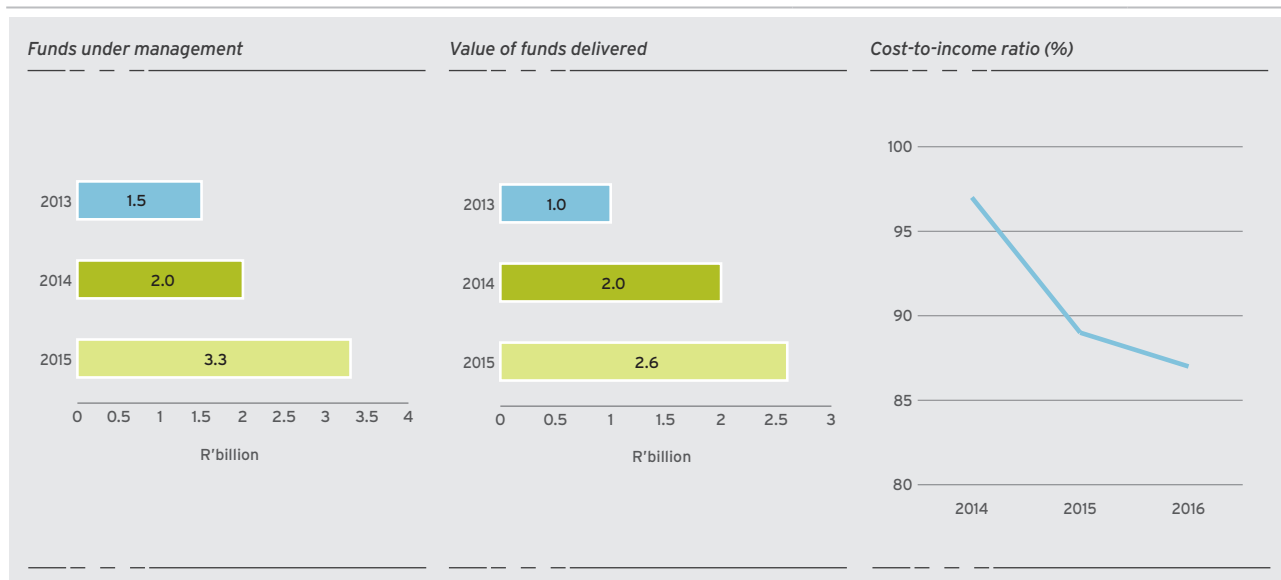
INFRASTRUCTURE DELIVERY

Objective

Support the South African government in leveraging skills and capabilities to accelerate the implementation of infrastructure programmes in the key priority sectors of education, health and housing, as well as various municipal infrastructure programmes.

Major services

- Providing programme management and specialist expertise in managing the planning, design, budgeting, construction and maintenance of infrastructure projects
- Gathering and analysing project and spatial information to improve government infrastructure planning, project prioritisation and design, delivery co-ordination, tracking and performance



Refer to page 9 for estimated development impact

		2016	2015
Operational performance			
Schools completed	Number	35	15
Houses completed	Number	1 382	1 128
Health clinics and doctors rooms	Number	111	86
Jobs created	Number	6 464	7 144
SMMEs benefiting	Number	665	734
Value of spend allocated to SMMEs	R million	710	170
Employee numbers			
Permanent		6	6
Contractors		108	88
Financial performance			
Operating income	R million	194	156
Net profit	R million	27	16
Total assets	R million	123	234

Highlights	Challenges	Looking ahead
<ul style="list-style-type: none"> • Advanced our service offering in the areas of maintenance of infrastructure • Three catalytic projects identified in terms of the DBSA's co-ordinating role for the government's Integrated Municipal Infrastructure Project (SIP 6) 	<ul style="list-style-type: none"> • One person fatally injured on site • Delays in executing certain projects due to non-performance by contractors or unplanned scope changes • Budget constraints from line department 	<ul style="list-style-type: none"> • Continue to improve internal efficiencies • Seek to replicate turnkey solutions for large infrastructure projects • Review of the operating model within the broader DBSA group

FIVE-YEAR KEY FINANCIAL INDICATORS

		2016	2015	2014	2013	2012
Financial position						
Cash and cash equivalents	R million	2 085	3 902	4 136	1 252	2 113
Financial market assets	R million	2 429	3 047	3 470	4 859	4 842
Investment in development activities ¹	R million	77 064	63 123	55 459	47 075	44 432
Other assets	R million	768	872	761	779	950
Total assets	R million	82 346	70 944	63 826	53 965	52 337
Financial market liabilities ²	R million	51 791	46 163	42 887	36 159	33 612
Other liabilities	R million	1 290	1 098	1 038	1 100	1 198
Total liabilities	R million	53 081	47 261	43 925	37 259	34 810
Total equity	R million	29 265	23 683	19 901	16 706	17 528
Financial performance						
Interest on development loans	R million	6 052	4 806	4 205	3 631	3 514
Interest on investments	R million	463	521	372	437	468
Total interest received	R million	6 541	5 327	4 576	4 068	3 982
Interest expense	R million	3 355	3 003	2 488	2 442	2 286
Net interest income	R million	3 186	2 324	2 088	1 626	1 697
Operating income ³	R million	3 591	2 697	2 667	1 938	1 950
Operating expense ⁴	R million	975	886	758	948	779
Sustainable earnings/(loss) ⁵	R million	1 385	808	374	(600)	(259)
Profit/(loss) for the year	R million	2 577	1 214	787	(826)	(371)
Financial ratios						
Total capital and reserves to development loans	%	42.1	41.8	39.7	39.2	43.4
Long-term debt/equity	%	177.8	195.7	216.3	217.3	193.8
Debt/equity (including callable capital) ⁶	%	152.7	162.6	174.3	168.8	152.2
Cash and cash equivalents to total assets	%	2.5	5.5	6.5	2.3	4.0
Total capital and reserves to assets	%	35.5	33.4	31.2	31.0	33.5
Financial market liabilities to investment in development activities	%	67.2	73.1	77.3	76.8	75.6
Non-performing book debt as a % of gross book debt	%	3.7	5.1	5.8	7.3	4.9
Return/(loss) on average total equity	%	9.7	5.7	4.3	(4.8)	(2.1)
Return/(loss) on average total assets	%	3.4	1.8	1.3	(1.6)	(0.7)
Interest cover	times	1.9	1.8	1.8	1.6	1.7
Net interest income margin ⁷	%	48.7	43.6	45.6	40.0	42.6
Cost-to-income ratio	%	28.7	34.4	28.4	48.9	39.9

1. Development activities include development loans, development bonds and equity investments

2. Financial market liabilities comprise medium- to long-term funding debt securities, medium- to long-term funding lines of credit, funding under repurchase agreements and derivative assets held for risk management

3. Operating income excludes net foreign exchange gain/(loss), net gain/(loss) from financial assets and liabilities and impairments

4. Operating expense comprises personnel expenses, general and administration expenses and depreciation

5. Sustainable earnings/(loss): net profit/(loss) before grants and adjustments to foreign exchange and financial assets and liabilities, but includes revaluations on equity investments. Prior year numbers were restated

6. Measure includes R4.8 billion (2014: R4.8 billion) callable capital

7. This ratio is calculated as net interest income (interest income less interest expense) over interest income

CHIEF FINANCIAL OFFICER'S REPORT

THE 2016 FINANCIAL YEAR HAS BEEN CHALLENGING YET REWARDING, ESPECIALLY AGAINST THE BACKDROP OF THE PRESSURES IN THE SOUTH AFRICAN ENVIRONMENT AND CONTINUED VOLATILE GLOBAL MACROECONOMIC ENVIRONMENT.



Kameshni Naidoo
Chief Financial Officer

The DBSA delivered strong financial results, underpinned by the continued focus on improving margins, executing the treasury strategy and cost management.

FINANCIAL AND OPERATIONAL PERFORMANCE

Refer to page 45 for the statement of financial performance.

Profit from operations for the year increased by 112% to R2.6 billion from R1.2 billion in the prior year. Operating income totalled R3.8 billion, an increase of 55% from 2015 whilst sustainable earnings improved to R1.4 billion (2015: R805 million). The improvement in profit from operations was mainly on the back of improved operational performance, a 22% weaker average rand/dollar exchange rate, and a gain from equity investments and financial instrument adjustments of R442 million (2015: loss of R300 million). The return on average equity and average total assets improved respectively to 9.7% (2015: 5.7%) and 3.4% (2015: 1.8%).

NET INTEREST INCOME

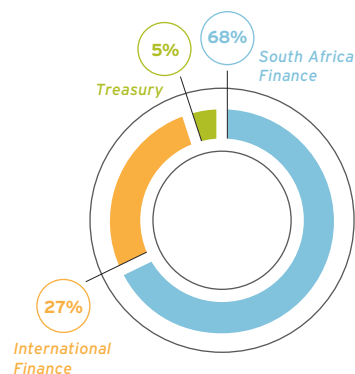
The improvement in both net interest income and net interest margin was mainly due the 32% year-on-year increase in disbursements to R17.1 billion (2015: R13.0 billion) as well as the successful execution of our pricing and funding strategies. 96.1% of interest income was received in cash.

The DBSA continued to manage its average cost of borrowing by diversifying funding sources and maximising the benefits of funding at the shorter end of the curve, concluding new bilateral and credit line agreements. These yielded significant benefits despite an increase in credit spreads on new funding and a 125 basis points increase in the repo rate.

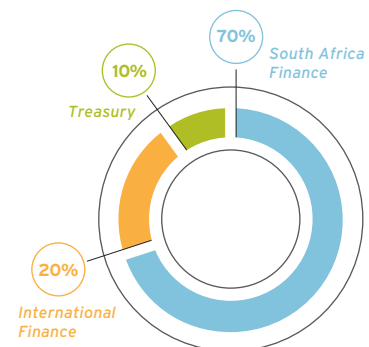
Overall the net interest margin improved to 48.7% (2015: 43.6%).

The composition of net interest income and operating income per business unit is set out below:

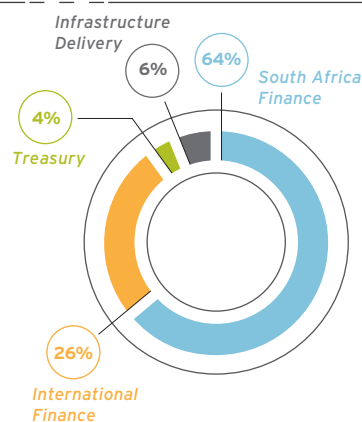
Net interest income by segment 2016



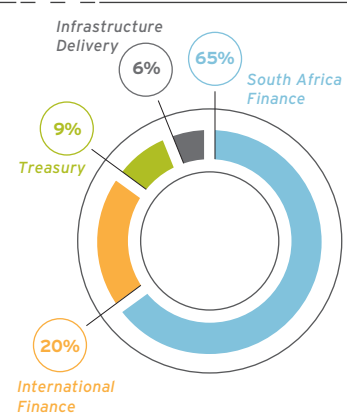
Net interest income by segment 2015



Operating income by segment 2016



Operating income by segment 2015



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

**NON-INTEREST REVENUE**

Non-interest revenue increased by 10% to R410 million compared to R373 million earned in the prior year. Income for our product diversification strategy yielded R50 million against a target of R100 million, mainly due to the complexities in identifying and developing new products in the market in which we operate. We will continue to actively increase our efforts to maximise non-interest income.

IMPAIRMENTS

Impairments for the year increased from R743 million to R1.4 billion in the year mainly due to the recognition of portfolio impairment adjustment of R644 million (2015: R221 million) and specific impairment adjustment of R781 million (2015: R522 million) on the back of a subdued global economy, as well as depressed commodities and oil prices, which are impacting resource-exporting countries. This resulted in country risk rating deterioration for Angola, Congo and Zambia, and hence additional portfolio impairment provisions on clients domiciled in these countries. On the local front, the subdued South Africa economic growth and increased interest rates are likely to impact the performance of the loan book and impairment provisions thereon.

EXPENDITURE

The DBSA continues to manage its operational costs. The cost-to-income

ratio improved significantly to 28.7% from 34.4% in 2015. Operating expenses, including personnel costs, other expenses as well as depreciation and amortisation, increased by 17% to R975 million, however, these were off-set by the 3% increase in operating income, excluding exchange and financial instruments adjustments. The increase in operating expenses was largely driven by the full impact of the strategy to source additional skills in the prior financial year.

Our Infrastructure Delivery division achieved an 87% cost-to-income ratio (2015: 89%), exceeding the requirement to be managed on a full cost-recovery basis.

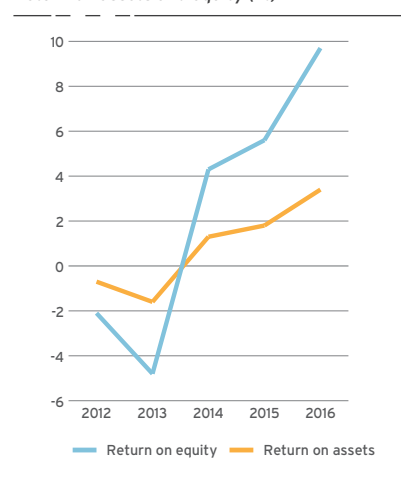
The DBSA provided R44 million in development expenditure, up 25% from 2015, to support the infrastructure development needs to selected secondary and under-resourced municipalities in the form of subsidised lending as well as funds for planning and implementation support.

Investment from own sources into project preparation activities amounted to R15 million (2015: R6 million) for the year, whilst R431 million (2015: R396 million) was unlocked from partners. We will continue to increase our project preparation activities to bring more projects to bankability.

FOREIGN EXCHANGE

The rand experienced tremendous volatility and depreciation during the financial


period, moving from R12.13/US\$ at the beginning of the year to R14.76/US\$ at 31 March 2016. This resulted in the DBSA recording foreign exchange revaluation profits of R1.0 billion driven by our dollar asset net open position. The high level of volatility necessitates close monitoring of the foreign exchange rate movements with a view to taking hedging action that will lock-in gains recorded to date in the event of a sustained appreciation of the rand.

Return on assets and equity (%)


STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2016

in thousands of rand	2016 Budget	% change	2016 Actual	% change	2015 Actual
Interest income	5 864 270	12	6 541 028	23	5 327 312
Interest expense	(3 467 385)	(3)	(3 355 429)	12	(3 002 929)
Net interest income	2 396 885	33	3 185 599	37	2 324 383
Net fee income	404 000	(32)	275 914	19	232 928
Other operating income	250 000	(46)	134 355	(4)	139 971
Non-interest revenue	654 000	(37)	410 269	10	372 899
Net revaluation of equity investments – unrealised	(250 000)	–	253 172	–	(219 110)
Operating income	2 800 885	37	3 849 040	55	2 478 172
Project preparation	(100 000)	(85)	(14 651)	139	(6 138)
Development expenditure	(180 000)	(76)	(43 869)	25	(35 015)
Impairment loss on financial assets	(538 529)	165	(1 426 159)	92	(743 361)
Personnel expenses	(772 667)	(5)	(730 937)	20	(607 271)
Other expenses	(263 655)	(19)	(213 653)	(16)	(253 175)
Depreciation and amortisation	(29 000)	6	(30 593)	22	(25 108)
Grants	(6 000)	(31)	(4 129)	42	(2 914)
Sustainable profit	911 034	52	1 385 049	72	805 190
Net foreign exchange gains	–	–	1 002 172	105	489 673
Net revaluation of financial instruments	–	–	189 458	–	(80 722)
Profit from operations	911 034	183	2 576 679	112	1 214 141
Net interest margin (%)	41		49		44
Cost-to-income ratio (%)	44		29		34
Return on average equity (%)	3.6		9.7		5.7
Return on average assets (%)	1.2		3.4		1.8

 Refer to the Statement of Comprehensive Income and Statement of Other Comprehensive Income and notes thereto contained in the separate Annual Financial Statements.

BALANCE SHEET STRENGTHENING

 Refer to page 47 for the statement of financial position.

A key factor in ensuring financial sustainability is to have a strong balance sheet to fund the long-term growth of the asset portfolio. The capital injection by the government therefore aims at increasing the equity capital base to fund growth while ensuring we remain below the prudential debt/equity ratio limit of 250%. It is imperative, however, that in strengthening the balance sheet the DBSA achieves resilience, particularly considering the uncertainty of the economic environment globally.

During the year, the strengthening of the balance sheet was aided by the capital injection by the shareholder of R3.0 billion and support from our investor base

continues. Investors continue to support our borrowing plan, which is a key pillar and building block in sustaining our business objectives. There has been a narrowing of the asset and liability matching gap.

DEVELOPMENT LOANS AND BONDS

The gross development loan book increased by 23% to R73.3 billion on the back of R16.5 billion disbursements, R6.1 billion in interest capitalised, R3.0 billion in foreign exchange adjustments and R11.5 billion in repayments. The top 10 loan disbursements for the year accounted for 60% of the total disbursements. The South African Financing division experienced growth in gross loan book of 21% to R55.1 billion and the International division grew 29% to R18.2 billion.

Development bonds remained unchanged at R1.3 billion. The development bond portfolio is designated as “held-to-

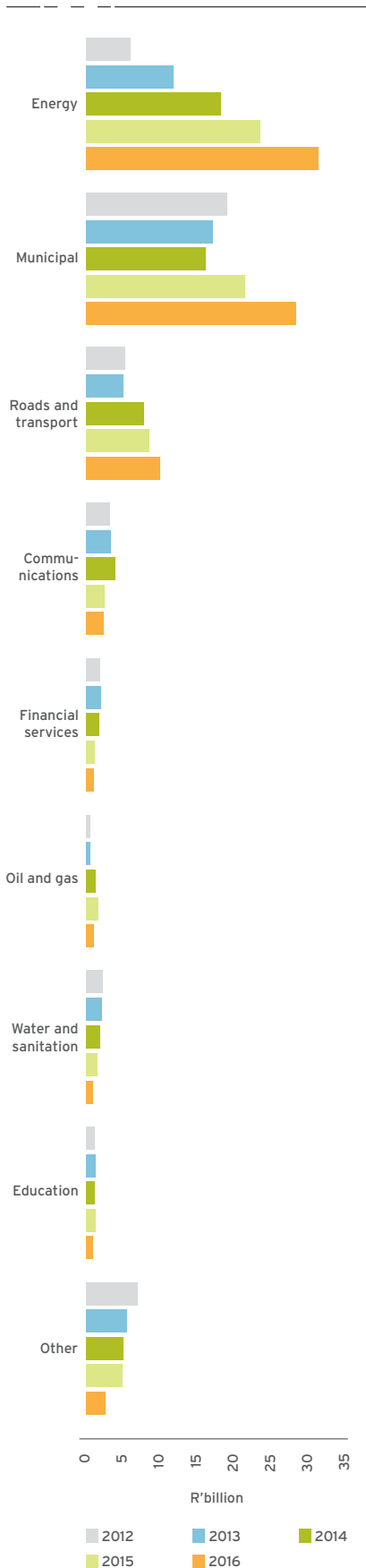
maturity” and “held at amortised cost” in support of balance sheet strengthening in maintaining appropriate levels of volatility introduced by fair value designation.

IMPAIRMENTS AND THE QUALITY OF THE LOAN BOOK

The strength and quality of the development book continues to improve and a significant part is rated as medium risk. In line with the credit review process, the recoverability of the loan book is assessed regularly. Based on the detailed assessment conducted, the non-performing development loan book improved to R2.5 billion (2015: R3.0 billion). At 3.4% (2015: 5.1%), the value of non-performing loans (NPLs) as a percentage of the gross development loan book is within an acceptable level of 6%. The impairment provision increased to R3.8 billion from R2.9 billion in line with the deterioration in the general macroeconomic environment as reflected on before.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Exposure by sector

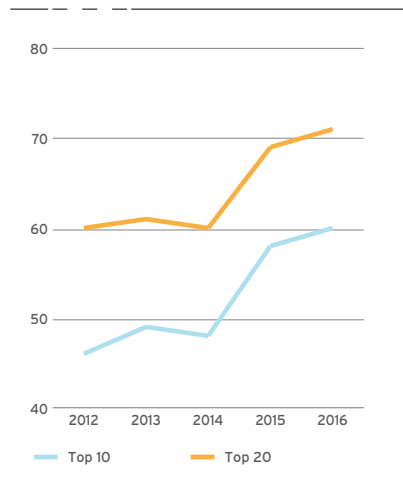


Provisions against NPLs (specific impairments) remained unchanged at R1.5 billion and the NPL coverage ratio improved marginally from 73.1% to 72.3%. The NPL coverage ratio is a measure of the amount of specific impairment provision held against the NPLs and management expects to recover the unimpaired portion through the realisation of securities and other recovery methods.

Provisions against the performing book (portfolio impairments) increased from R743 million (1.3% of the performing loan book) to R1.8 billion (2.5% of the performing book), mainly attributable to the growth in the loan book.

As detailed in the following graph, the top 10 and top 20 exposures comprised 60% (2015: 58%) and 71% (2015: 69%) of the total loan book respectively. The level of concentration in these obligors has increased over the past year.

Top 10 and top 20 clients as % of total book

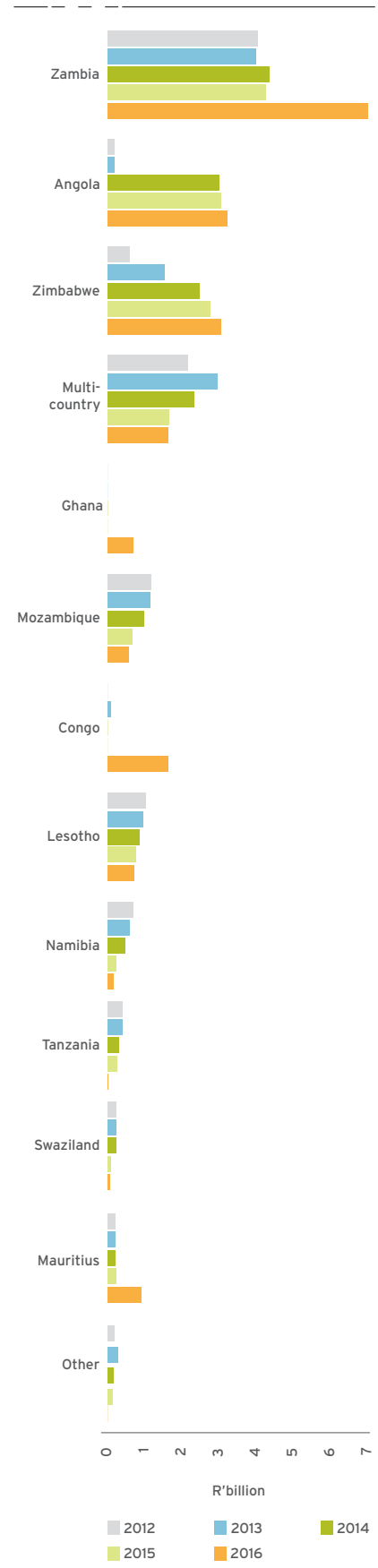


Zambia, with R6.5 billion (2015: R4.3 billion), remains the country outside of South Africa to which the DBSA's exposure is the highest. Angola with R3.0 billion (2015: second with R2.8 billion) and Zimbabwe with R2.8 billion (2014: third with R2.6 billion) are the countries to which the DBSA had the second and third highest rest-of-Africa exposure. Outside of these top three countries, the exposure to other countries has declined or remained fairly consistent.

The DBSA's exposure to the energy sector at year-end was R29.0 billion (2015: R21.8 billion), representing 39.9% (2014: 36.9%) of the total portfolio. Exposure to the roads and transport sector increased to R9.3 billion (2015: R7.8 billion). Our investment in the energy sector is in line with the economic challenges facing South Africa. It is anticipated that our role will evolve over the next 20 years towards the transport and water security segments.

Direct loan exposure to municipalities, excluding bonds, increased in the year from R18.2 billion to R24.6 billion.

Country exposure (excluding SA)



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

in thousands of rand	2016	% change	2015
ASSETS			
Cash and cash equivalents	2 084 565	(47)	3 901 664
Other receivables	138 533	(39)	227 881
Investment securities	1 265 218	(37)	2 009 916
Derivative assets held for risk management	1 163 533	12	1 036 623
Post-retirement medical benefits investment	49 978	(16)	59 536
Home ownership scheme loans	–	(100)	5 462
Equity investments	6 278 575	23	5 092 061
Development bonds	1 290 296	–	1 290 390
Development loans	69 494 954	23	56 740 218
Property and equipment	501 202	–	502 976
Intangible assets	79 142	2	77 412
Total assets	82 345 996	16	70 944 139
LIABILITIES			
Other payables	894 795	11	811 753
Provisions	152 533	24	122 711
Liability for funeral benefits	3 100	–	3 100
Liability for post-retirement medical benefit	239 289	49	160 412
Funding: debt securities	35 271 135	6	33 353 036
Funding: lines of credit	16 371 534	30	12 565 895
Derivative liabilities held risk management	148 551	(39)	244 545
Total liabilities	53 080 937	12	47 261 452
EQUITY			
Share capital	200 000	–	200 000
Retained earnings	14 544 861	19	12 260 567
Permanent government funding	11 692 344	35	8 692 344
Revaluation reserve on land and buildings	269 256	–	269 256
Hedging reserve	123 050	6	116 288
Reserve for general loan risk	2 436 358	14	2 143 975
Fair value reserve	(810)	–	257
Total equity	29 265 059	24	23 682 687
Total liabilities and equity	82 345 996	16	70 944 139



Refer to the Statement of Financial Position and notes thereto contained in the separate Annual Financial Statements.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

EQUITY INVESTMENTS

Equity investments increased by 23% to R6.3 billion (2015: R5.1 billion) mainly due to disbursements on commitments, foreign exchange gain adjustments on the foreign component of the equities portfolio as well as a R253 million gain on fair value adjustment. We continue to monitor the equity investments portfolio closely to ensure that losses emanating from a decline in the value of these investments are recognised as soon as they are detected. We have a commitment of R1.6 billion (2015: R1.9 billion) in existing equity projects.

DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

The DBSA provides clients with the flexibility they require, to the extent that the resulting risk remains manageable within the confines of the risk appetite of the DBSA. This is necessary, not only to ensure the financial feasibility of the development projects financed by the DBSA, but also to ensure its long-term competitiveness in its primary markets. As a result, the optimal mix of fixed versus floating rate debt funding is driven by borrower demand and our risk management strategies. Whilst much of the resulting interest rate and exchange rate risk is eliminated naturally through the matching of assets and liabilities, a substantial portion of residual risk remains, necessitating the use of derivative instruments to lock in the net interest margin in our work to ensure long-term financial sustainability.

As part of the DBSA's risk management approach, it uses swaps and foreign exchange contracts as hedging instruments. The use of swaps was effective in managing the risk and achieving the strategic intent relating to financial sustainability. Derivative assets increased from R1.0 billion to R1.2 billion during the year, mainly due to the upward shift in the yield curve and exchange rate movements.

LIQUID PORTFOLIO

The DBSA has sufficient liquidity to meet all financial obligations on a timely basis. Access to capital markets is aligned to the state-owned entity auction calendar.


Our liquidity portfolio is made up of cash and liquid assets that meet the criteria for high-quality liquid assets. At 31 March 2016, the portfolio stood at R3.3 billion (2015: R5.9 billion).

The DBSA is not governed by the Banks Act and the Basel III regulations, but it seeks to adopt best practice in the management of liquidity risk. At a minimum, we hold liquidity equal to or higher than the highest monthly average disbursements over the previous four quarters. In addition, we keep enough liquidity to survive a 30-day liquidity event along the liquidity coverage ratio (LCR) guidelines (minimum 30-day LCR ratio of 100%).

Long-term funding mismatches are managed according to the net stable funding (NSF) ratio guidelines (Basel III measure to promote use of stable funding). As at 31 March 2016, the DBSA meets the 100% minimum requirement for the NSF ratio.

WORKING CAPITAL

The DBSA continues to manage its working capital closely for operational cash flow purposes. In addition, we manage working capital for our operations, agencies and infrastructure delivery mandates. Trade creditors and sundry debtors are made up mainly of transactions between the DBSA and agencies.

 Comprehensive disclosure is provided in notes 6 and 17 to the Annual Financial Statements.

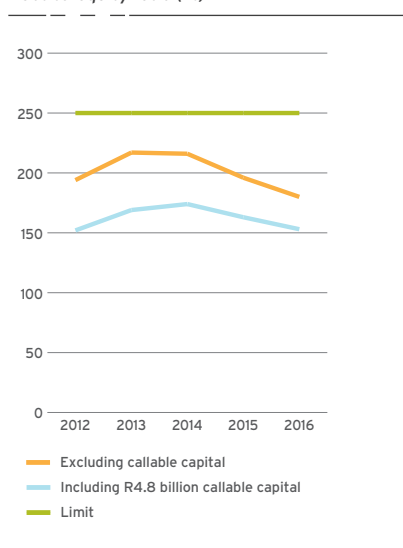
At the end of the financial year, approximately 88% of total debtors related to debtors in the Infrastructure Delivery division. We expect this trend to continue as stakeholders see value in our ability to assist in delivering and implementing infrastructure solutions at scale.

EQUITY

The DBSA received the last tranche of R3.0 billion (2015: R2.5 billion) capital injection from National Treasury during the year. This significantly assisted in enhancing our capital adequacy and supporting growth in our disbursements.

The debt-to-equity ratio has decreased to 178% from the prior year of 196% due to capital injection received from National Treasury as well as the impact of the profit generated for the year. Including the callable capital of R4.8 billion, the ratio declines to 153% (2015: R163%).

Debt-to-equity ratio (%)



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH

in thousands of rand	2016	% change	2015
Net (loss)/profit for non-cash items	(137 003)		468 853
Interest received	6 308 445		4 959 549
Interest paid	(3 115 067)		(2 830 649)
Net (decrease)/increase in working capital	(31 060)		68 003
Net cash generated by operating activities	3 025 315	14	2 660 756
Development loan disbursements	(16 461 393)		(11 897 533)
Development loan principal repayments	5 549 156		6 644 818
Development bonds	–		(502 000)
Net increase in equity investments	(368 767)		(495 361)
Grants paid	(18 781)		(7 443)
Net repayments/(advances) on national mandates	100 357		(140 169)
Net cash used in development activities	(11 199 428)	75	(6 397 688)
Purchase of property and equipment	(15 919)		(38 712)
Proceeds from sale of property and equipment	207		448
Purchase of intangible assets	(14 728)		(7 045)
Movement in financial market assets	(197 871)		(684 878)
Net cash utilised by investing activities	167 432	–	(730 187)
Receipts from National Treasury	3 000 000		2 500 000
Financial market liabilities repaid	(20 163 956)		(11 963 371)
Financial market liabilities raised	23 249 923		13 662 946
Net cash generated from financing activities	6 085 967	45	4 199 575
Net decrease in cash and cash equivalents	(1 929 714)		(267 545)
Effect of exchange rate movement on cash balances	103 616		33 541
Movement in cash and cash equivalents	(1 817 098)		(234 004)
Cash and cash equivalents at the beginning of the year	3 901 663		4 135 667
Cash and cash equivalents at the end of the year	2 084 565	(47)	3 901 664



Refer to the Statement of Cash Flows and notes thereto contained in the separate Annual Financial Statements.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

**FUNDING LIABILITIES**

Funding liabilities increased by R5.7 billion during the financial year to R51.6 billion (2015: R45.9 billion), compared to a R13.9 billion increase in development assets. The difference was covered mainly by the capital injection of R3.0 billion received from National Treasury and operational cash flows. Debt securities amounting to R6.1 billion are measured at fair value, whilst the remainder are measured at amortised cost.

The projected funding sources comprise funding from the domestic capital market, local and international commercial banks, development finance institutions and money market (as part of the asset-lead-liability-lag strategy). Specific tenors and interest rate bases (fixed vs floating) for new long-term debt issuance are driven by investor demand, market conditions, building the DBSA's funding curve, demand/supply imbalances, asset and liability portfolio management and their associated cost impact at the time of

issuance. Any new funding will be sourced and structured to achieve better matching of assets and liabilities and to reduce the cost of funding.

The DBSA was more active in the capital markets and conducted 14 auctions during the year and widened the investor base that includes small and mid-sized asset managers, through more frequent investor engagement. Commercial paper issuances, money market funding and revolving credit facilities have been used primarily as part of the asset-lead-liability-lag strategy, which resulted in diversification of funding and minimising the cost of debt. Our domestic medium-term note (DMTN) programme, registered with the Johannesburg Securities Exchange, was increased from R35 billion to R80 billion during the year. At year-end, R49.4 billion remains available.

Going forward, we expect to continue being active in accessing the local capital markets for funding through issuance of primarily long-term bonds and short-term

commercial paper whilst also seeking to continue to diversify funding sources through opening new partnerships and investigating other funding markets.

Committed borrowing facilities from foreign DFIs and with commercial banks remain pivotal in our efforts to diversify the DBSA's medium- to long-term funding strategy and in achieving the desired asset and liability matching. These facilities form the main source of foreign borrowings for the DBSA. The level is driven by the anticipated need for foreign currency funding towards on-lending in the SADC region and to the extent to which commitments are made to South African projects eligible for specific foreign currency-denominated lines of credit.

New facilities with DFIs and commercial banks are currently being negotiated and are subject to agreement on key terms and pricing. A total of R4.2 billion is currently available from committed facilities as at 31 March 2016.

CREDIT RATINGS

The table below summarises the ratings as at 31 March 2016.

Agency	Rating type	Long-term rating	Short-term rating	Outlook
Fitch	National	AA+(zaf)	F1+(zaf)	Stable
Moody's	Foreign currency	Baa2	Not rated	Under review
S&P	Foreign currency	BBB-	A-3	Negative
	Local currency	BBB+	A-2	Negative

Post year-end Moody's reaffirmed their rating of the DBSA.

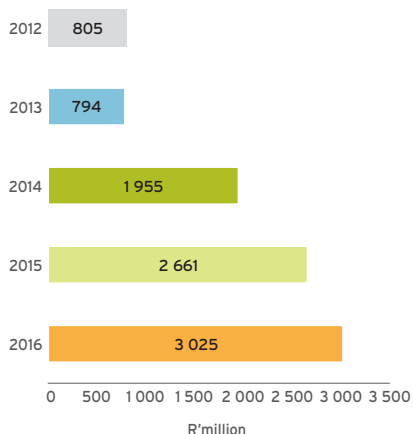
POST-RETIREMENT MEDICAL PROVISION

A funding gap of R189 million (2015: R101 million) exists between medical provision assets and liabilities and efforts to close the gap are continuing. We are focusing on increasing the return on the investments and identifying additional cash resources to boost the investment portfolio.

CASH GENERATED FROM OPERATING ACTIVITIES

Cash generated from operations increased by 14% year-on-year to R3.0 billion. The increasing trend is due to implementation of the financial strategy over the years that emphasised the importance of maximising positive cash flows. The graph below depicts an improving trend year-on-year in the cash generated from operations.

Cash generated by operating activities



POST-BALANCE SHEET EVENTS

No significant matters post year-end were identified.

OUTLOOK

The DBSA's aim is to achieve maximum development impact by facilitating accelerated infrastructure funding. Our role

as a development finance institution is to assume some of the early-stage project risk by helping prepare and finance certain projects and then on-selling the funding of these projects to other funders, once the risk is reduced. We consider the effect of stimulating infrastructure financing critical to maximising development impact due to the counter-cyclical role it plays in the economy.

Financial sustainability remains a key strategic imperative and we will continue to focus on net interest margin, balance sheet strengthening, foreign exchange management, as well as liquidity management. Our financial strategy will continue to support the DBSA's growth in lending, including the extension of the mandate to the rest of Africa, as well as the work of the Infrastructure Delivery division, the project preparation investment initiatives and the product diversification of our business proposition, which requires us to innovatively fund and crowd in funding for large-scale infrastructure projects.

IFRS 9 will replace IAS 39 for periods commencing on or after 1 January 2018. The first year of implementation for the DBSA will be the year ending 31 March 2019 with comparatives for the year ending 31 March 2018. We initiated an IFRS 9 project during the 2016 year aimed at ensuring an effective and smooth transition to the new standard. The process involved conducting a gap analysis of the current methodology, processes, systems and credit models to ensure improvements are made to align with IFRS 9. The significant impact of IFRS 9 adoption is expected to be on impairments, with the transition from an incurred loss model to an expected loss model as well as the given long-dated nature of the DBSA loans.

We remain concerned regarding the possible ratings action by the credit rating agencies. We will continue to monitor developments and seek to minimise any negative impact through tapping various sources of funding. Local capital markets continue to be very strong with positive take-up of our issuances. The credit spread widening of recent years appears to have stopped, with some reductions

in certain points of the curve being observed in recent months. We hope this trend is sustained and we will continue to interact closely with local investment and fund managers.

Commodity prices are an important factor for our business, particularly in the African market where the DBSA currently holds positions. As the recovery in the price of coal, copper, oil and other commodities looks to take foot, we expect this to feed positively into our business.

On the back of the global growth outlook and interest rate developments in the USA, we also expect the South African Reserve Bank's interest rate hiking cycle to be nearing its end. Inflation should start to stabilise and return below the 6% upper level of the target band, all of which should prove positive for the yield curve to stabilise.

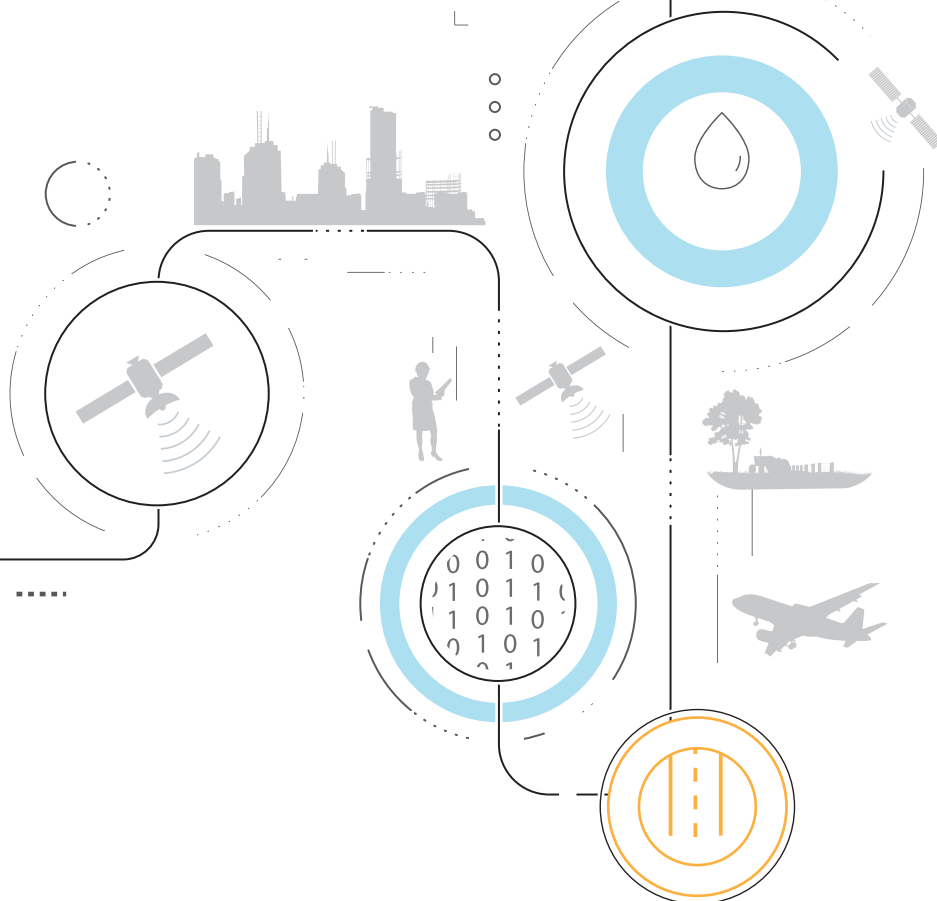
APPRECIATION

We appreciate the significant contributions made by all our stakeholders in the last year, and to name a few key stakeholders underpinning the financial sustainability: from government through the National Treasury, the investor community and ratings agencies, the banks and DFIs that understand the need to provide concessional funding to maximise our development impact, to the Board for its ongoing wisdom and guidance, and our staff for their focused and tireless commitment to delivering on our strategy.

Kameshni Naidoo
Chief Financial Officer

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REFERENCE INFORMATION



FINANCIAL DEFINITIONS

Callable capital	The authorised but as yet unissued share capital of the DBSA
Cost-to-income ratio	Operating expenses, including personnel, other, depreciation and amortisation expenses, 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 a percentage of total equity
Long-term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, (including callable capital) as a percentage of total equity and callable capital
Net interest margin	Net interest income as a percentage of interest income
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

ABBREVIATIONS AND ACRONYMS

AADFI	Association of African Development Finance Institutions
AFD	Agence Française de Développement
AfDB	African Development Bank
ASIDI	Accelerated Schools Infrastructure Delivery Initiative
B-BBEE	Broad-based Black Economic Empowerment
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
BSC	Balanced Scorecard
COMESA	Common Market for Eastern and Southern Africa
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa Limited
DFID	The United Kingdom's Department for International Development
DFRC	Development Finance Resource Centre
DIRCO	Department of International Relations and Cooperation
DTI	Department of Trade and Industry
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EPC	Engineering, procurement and construction
GDP	Gross domestic product
ICAS	Independent Counselling and Advisory Services
ICT	Information and communications technology
IDIP	Infrastructure Delivery Improvement Programme
IFRS	International Financial Reporting Standards
IIPSA	Infrastructure Investment Programme for South Africa
KfW	The German agency Kreditanstalt für Wiederaufbau
JICA	Japan International Cooperation Agency
MIG	Municipal Infrastructure Grant
MTEF	Medium-Term Economic Framework
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NSC	North-South Corridor
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PPP	Public/private partnership
PRASA	Passenger Rail Agency of South Africa
REIPPP	Renewable Energy Independent Power Producers Procurement
SA Inc	South Africa Incorporated
SADC	Southern African Development Community
SANRAL	South African National Roads Agency Limited
SIP	Strategic integrated project
SMME	Small, medium and microenterprise
SOC	State-owned company
UNOPS	United Nations Office for Project Services

THE DBSA'S ONGOING INTEGRATED REPORTING JOURNEY

We are pleased to present our fourth Integrated Annual Report. It is our principal communication to stakeholders and published once a year. It is aimed primarily at providers of financial capital, being both our shareholder - the government of the Republic of South Africa - and the debt capital markets. In addition, we aim to inform all stakeholders interested in the DBSA's ability to create sustainable value over time.

This report contains comprehensive information on the operational and financial performance of the DBSA, its stakeholders, governance, material issues, risks and opportunities and how these influence our strategic objectives. In so doing, we show how we create value and impact as an integral part of the Southern African Development Community and how we will ensure that our value creation is sustainable.

THIS YEAR'S ENHANCEMENTS

As part of our ongoing integrated reporting journey, we continue improving the quality of the information we provide, giving stakeholders a balanced and transparent account of our business. We have deliberately made this year's report more concise. In so doing, we present our 2016 ANNUAL FINANCIAL STATEMENTS as a separate report, with condensed Annual Financial Statements included in the CHIEF FINANCIAL OFFICER'S report, which starts on page 43.

The section THE DBSA AND ITS STRATEGY, which starts on page 5, is more succinct and shows the underlying motivation for our strategic initiatives and how performance against these objectives is measured.

We have further refined our disclosure on governance. See the GOVERNANCE section, which starts on page 18.

We have prepared a separate SUSTAINABILITY REVIEW REPORT to reflect on the impact of our operations on society and the environment.

In order to emphasise the interdependence of all the divisions in the DBSA, the Chief Executive Officer's report, which can be found in the PERFORMANCE AND OUTLOOK section which starts on page 32, now includes divisional reviews.

We are committed to improving on this report further and would appreciate your constructive feedback. Comments can be sent to Johan Conradie, our Manager: Strategy at corporatestrategy@dsba.org, or submitted to the DBSA premises at 1258 Lever Road, Headway Hill, Midrand.

SCOPE AND BOUNDARY

This report covers the financial, environmental and social performance, operational highlights and strategic objectives of the DBSA and its governance. The report covers our core operational areas for the period 1 April 2015 to 31 March 2016. There have been no restatements of financial information in

respect of prior periods. The principle of materiality has been applied in determining the content and extent of disclosure in the Integrated Annual Report. For more details on how we determine materiality, see below.

REPORTING PRINCIPLES AND ASSURANCE

This report is compiled and presented considering the requirements of the King Code of Governance Principles for South Africa 2009 (King III) and the International Integrated Reporting Council's (IIRC) International <IR> Framework. We have implemented these codes as far as possible and endeavour to improve thereon as the journey continues.

Our ANNUAL FINANCIAL STATEMENTS, presented separately, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act, No 1 of 1999 (PFMA) and the Companies Act of South Africa, No 71 of 2008 (Companies Act), where appropriate.

The DBSA applies a combined assurance model to optimise the assurance obtained within reasonable cost from its Risk Management department and the internal and external assurance providers on risks affecting it. For more information, see the Audit and Risk Committee report on page 27.

The DBSA receives external assurance from its auditor, Nkonki Inc., on the fair presentation of the Annual Financial Statements. Our external auditor has issued a report, issued not for the purposes of expressing an opinion, but to report on the findings relating to performance against predetermined objectives, compliance with laws and regulations and internal control. The findings are included in the Independent Auditor's Report to Parliament as reflected in the separate Annual Financial Statements publication.

DETERMINING MATERIALITY

This Integrated Annual Report aims to provide an accurate, accessible and balanced overview of the DBSA's strategy, performance and outlook in relation to material economic, financial, social, environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature that are material to the DBSA's ability to deliver on its mandate and strategy.

The DBSA defines material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders. In identifying matters which are material, we have consistently applied the same resources as in the prior year. While the DBSA gives consideration to all items raised by stakeholders, it does not report on all of these in the integrated annual report. The integrated reporting team applied its judgement in determining the appropriate level of disclosure of material matters in the report, tabling the report to both the

executives and the Board for opinion. The process we adopted to determine the issues material to the DBSA and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality, we determined which issues could influence the decisions, actions and performance of the DBSA.

We describe our most material issues as our key priorities and refer you to pages 5 to 16 of this report, where we describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

FORWARD-LOOKING INFORMATION

This Integrated Annual Report contains certain forward-looking statements on the financial performance and position of the DBSA. In line with the requirements of the PFMA, forward-looking information is provided for a three-year period as part of the Corporate Plan submitted annually to the National Treasury and is based solely on the views and considerations of the Directors. These statements involve risk and uncertainty, as they relate to possible events and circumstances in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic and market conditions, competitive conditions and regulatory factors. These forward-looking statements have not been reviewed or reported on by the external auditor.

APPROVAL BY THE BOARD

This report was prepared under the supervision of the Group Executive: Strategy, Mohan Vivekanandan and the Chief Financial Officer, Kameshni Naidoo CA(SA). The Board is ultimately responsible for ensuring the integrity of the Integrated Annual Report, assisted by the Audit and Risk Committee and further supported by DBSA management, which convened internal teams with the relevant skills and experience to undertake the reporting process and provided management oversight. Internal parties have devoted significant thought to how best to communicate the DBSA story. The Board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented materially in accordance with the <IR> Framework and approved it for publication on 7 July 2016.

www.dbsa.org

BUSINESS AND REGISTERED ADDRESS

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