ANNUAL
INTEGRATED REPORT
2017

LAND BANK
We stand by you

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2017

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CONTENTS

RESILIENTLY FORGING AN
INCLUSIVE AGRICULTURAL SECTOR

ANNUAL
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2017

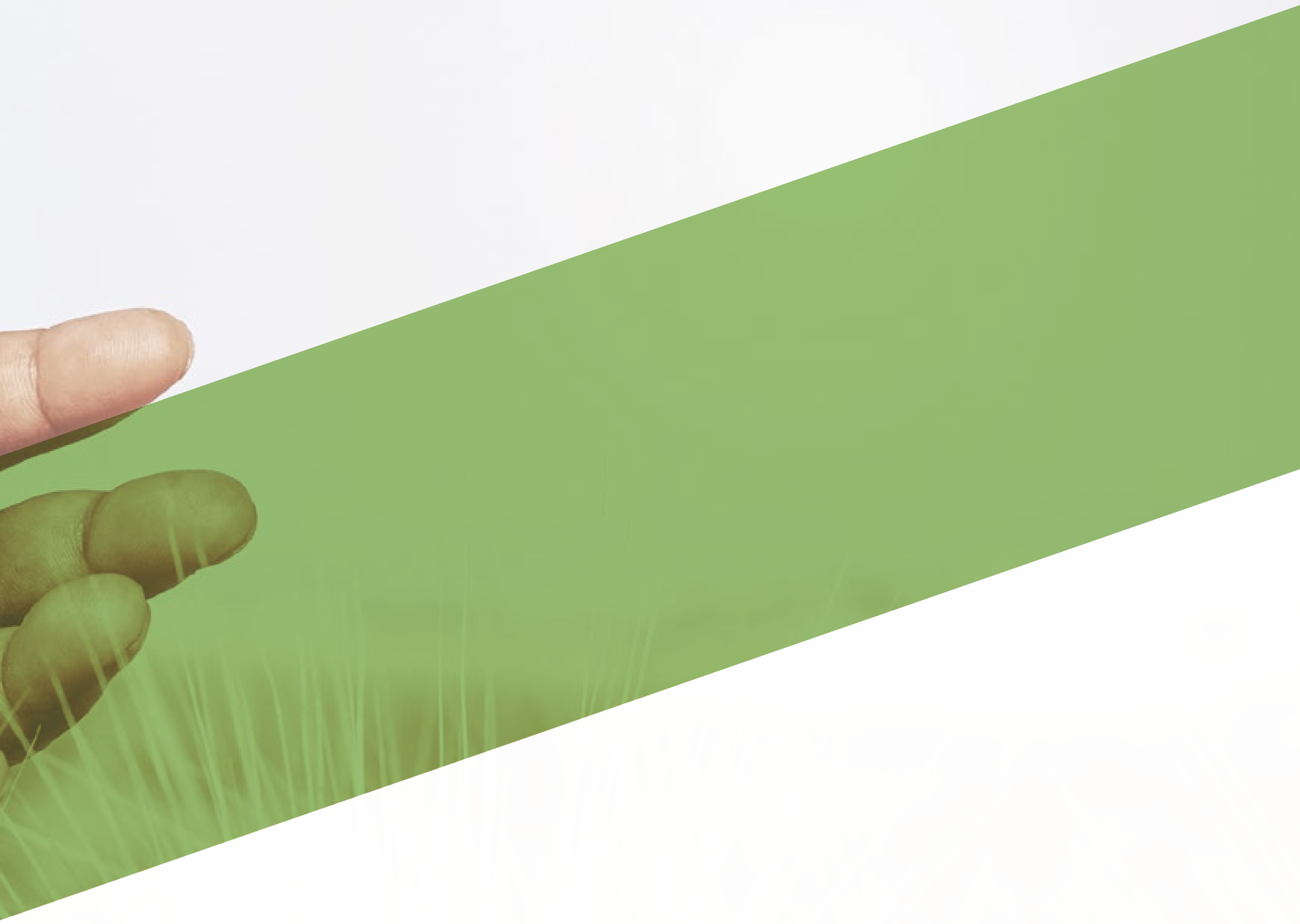
CONTENTS (continued)

AFASA	African Farmers' Association of South Africa
ARC	Agricultural Research Council
CAADP	Comprehensive Africa Agriculture Development Programme
CAR	Capital Adequacy Ratio
CIC	Credit and Investments Committee
CDB	Commercial Development and Business Banking
CB&SI	Corporate Banking and Structured Investments
CPD	Corporation for Public Deposits
CRISA	Code for Responsible Investing in South Africa
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of South Africa
DFI	Development Finance Institution specifically including Land Bank, Industrial Development Corporation and Development Bank of South Africa
DMTN	Domestic Medium-Term Note
DRDLR	Department of Rural Development and Land Reform
ERMF	Enterprise Risk Management Framework
ESMS	Environmental and Social Management System
ESS	Environmental and Social Sustainability
FY	Financial Year
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
GWP	Gross Written Premium
IDC	Industrial Development Corporation of South Africa
IFRS	International Financial Reporting Standards
IIRF	International Integrated Reporting Framework
IMF	International Monetary Fund
IR	Integrated Report
LBLIC	Land Bank Life Insurance Company SOC (Ltd)
LCR	Liquidity Coverage Ratio
LBIC	Land Bank Insurance Company SOC (Ltd)
MIGA	Multilateral Investment Guarantee Agency
NAMC	National Agricultural Marketing Council
NDP	National Development Plan
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
NT	National Treasury
PFMA	Public Finance Management Act 1 of 1999
PIC	Public Investment Corporation
RGC	Risk and Governance Committee
SADC RAP	Southern African Development Community Regional Agricultural Policy

SD	Supplier Development
SLA	Service Level Agreement
SOEs	State Owned Entities including DFIs
Stats SA	Statistics South Africa
UNPRI	United Nations Principles for Responsible Investments
WFF	Wholesale Finance Facilities

Our internal audit function has verified some of our indicators **(these are identified by the ‡ symbol throughout the report)**.

Land Bank's objective during this peroid was to improve its **resilience and financial sustainability** to deliver on our development.



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INTRODUCTION

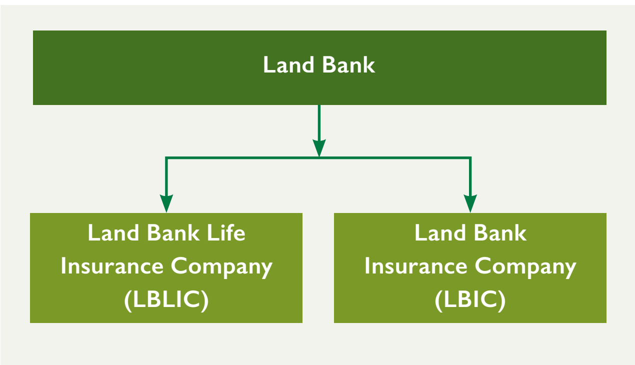
ABOUT THIS REPORT

We are delighted to present our annual integrated report for the year ended 31 March 2017 (FY2017). The report covers the primary activities and performance of the Land Bank Group which includes our banking and insurance operations, but excludes detailed information on minority investments.

The integrated report features our strategies for supporting inclusive growth within the agricultural sector and for creating sustainable value for our stakeholders in both the medium and long term. It outlines our environmental and social footprint and highlights the successes, opportunities and challenges of the period under review.

The scope of the report covers both financial reporting and non-financial performance information. It contains the Group's outlook, targets and objectives for the short term (FY2018) as well as for the medium to long term, as aligned to the National Development Plan (NDP) and Sustainable Development Goals with clear targets to 2030. Our progress towards integrated thinking is reflected in our performance indicators that cover financial and non-financial performance, as well as our strategy, material matters and risks.

Figure 1: Operating businesses reporting boundary for the 2017 Integrated Report



Targeted readers

This report provides requisite information to all our current and potential stakeholders, including our shareholder, investors, regulators, partners, clients, staff and society at large.

We have provided summarised financial statements in this report. The full set of financial statements is available online at www.landbank.co.za or may be requested directly from communication@landbank.co.za.

Materiality

We define material matters as those which have the potential to substantially influence our ability to create and sustain value for our stakeholders. The material matters are identified through a combination of Board and stakeholder inputs and influence our strategy and the content of this report.

Reporting guidelines

Land Bank follows the guidance of the King Report on Governance for South Africa 2009 (King III) for its governance and reporting. We are currently transitioning to the principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV), however, this report is aligned to King III.

This report is compiled and aligned with the requirements of the International Integrated Reporting Framework (IIRF) and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. The financial information contained in this report has been prepared in accordance with International Financial Reporting Standards (IFRS). We align our reporting to the requirements of the Land and Agricultural Development Bank Act 15 of 2002, Companies Act 71 of 2008 and the Public Finance Management Act 1 of 1999 (as amended) (PFMA), as well as the Long Term Insurance Act 52 of 1998 and Short Term Insurance Act 53 of 1998.

Assurance and independent assessment

We have adopted a combined assurance model to assess and assure various aspects of the business operations including elements of external reporting. These assurances are obtained from management and the Board, compliance, internal audit and external assurance providers. We have obtained independent assurance over our annual financial statements by the Auditor-General of South Africa appointed in terms of Section 55 of the PFMA and the audit report is included on page 98.

Our internal audit function plays a crucial role in assessing the effectiveness of our internal control environment, and has verified some of our indicators **(these are identified by the ‡ symbol throughout the report)**. Empowerdex has furthermore verified our BBBEE performance and the certificate is available on our website.

Forward-looking statements

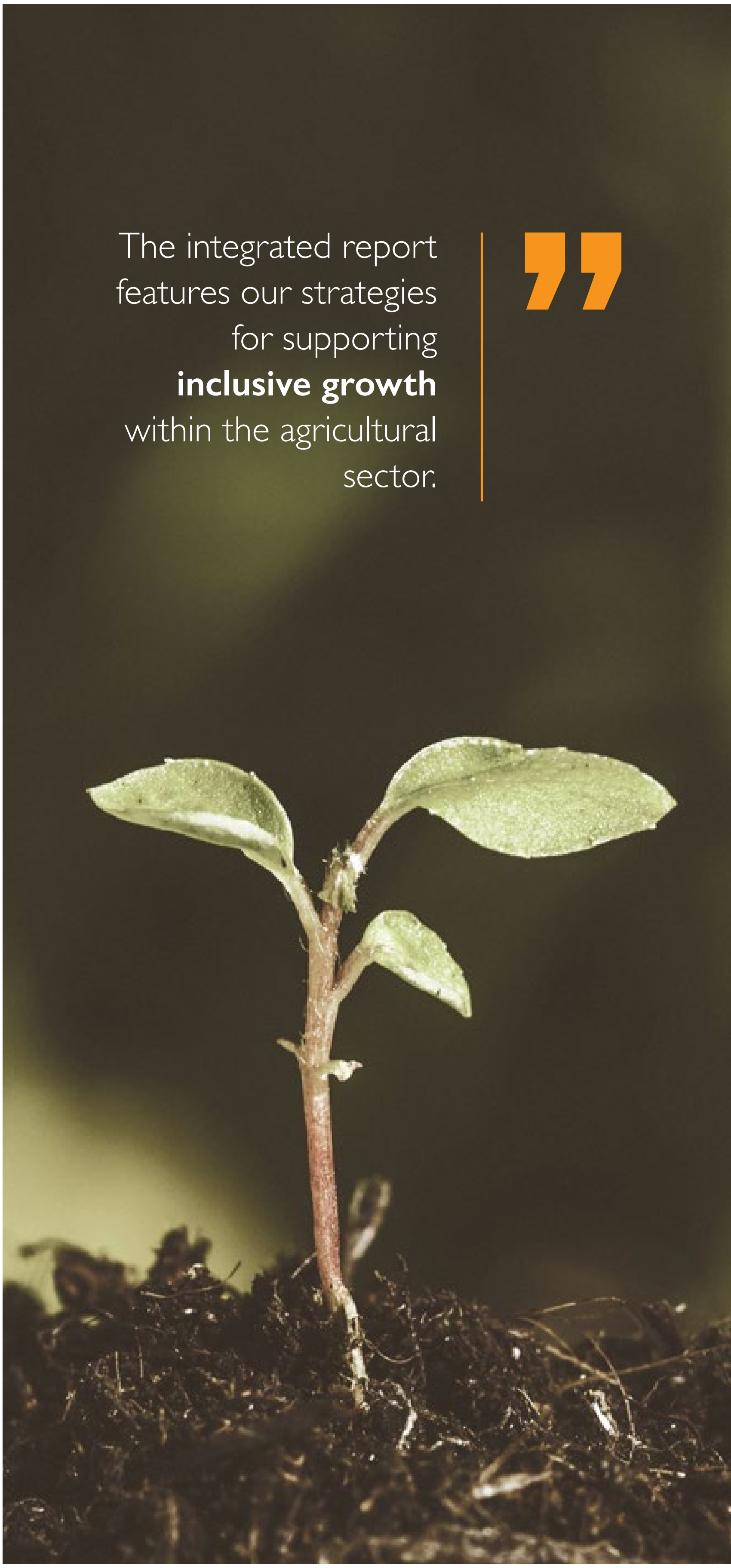
Certain statements on the financial performance and operational results of the Land Bank Group in this integrated report (IR) may be regarded as forward-looking statements or forecasts. These statements involve risk and uncertainty that may cause the actual results and achievements to differ substantially from those implied or expressed in the forward-looking statements. These statements will not be updated subsequent to the publication of this report and have not been reviewed or reported on by the Group's auditors.

Responsibility for this report

As the Board, we acknowledge our responsibility for ensuring the integrity of our 2017 Integrated Report. We believe that this report addresses all matters that have, or could have a material effect on our ability to create value. We have applied our collective minds to the preparation and presentation of information within this report.

Mr MA Moloto
On behalf of the Board

7 July 2017



MINISTER'S STATEMENT

Mr MKN Gigaba, MP
Minister of Finance

The National Development Plan Vision 2030 (NDP) commits us not only to growing the South African economy, but also to transforming it to be more equitable, competitive and sustainable. Inclusive growth and economic transformation are at the core of the NDP vision for the country's development, and Government's 9-point plan outlines immediate national priorities to realise that vision. Government's transformative agenda is to change the structure and systems of production and ownership in such a way to create jobs, reduce poverty and include all South Africans, particularly marginalised groups such as Black people, and all women and youth, in opportunity and wealth creation. Land Bank's development objectives are clearly aligned with the NDP. During the period under review the Bank almost doubled the proportion of its gross loan book that drives transformation to R4.9 billion (11%)‡ compared to R2.5 billion (6%) in FY2016.

Practical experience shows that economic growth is accelerated where organs of state work in partnership with the private sector. Governments have always enabled economic development by using levers at its disposal, such as the fiscus, to invest in social and economic programmes to improve citizens' quality of life. Developmental states go further by actively partnering with the private sector to maximise productive investment. Developmental interventions can include, among others, prioritising high-growth potential sectors and sub-sectors for state support, providing incentives which crowd in private investment, improving access to finance using Development Finance Institutions (DFIs), incentivising bank lending, and helping entrepreneurs and small and medium enterprises with market access. Land Bank provides many sound examples of such partnerships in its wholesale funding facility, for example, funding more than 700 emerging farmers who are supported via private sector intermediaries that provide technical support and access to markets.

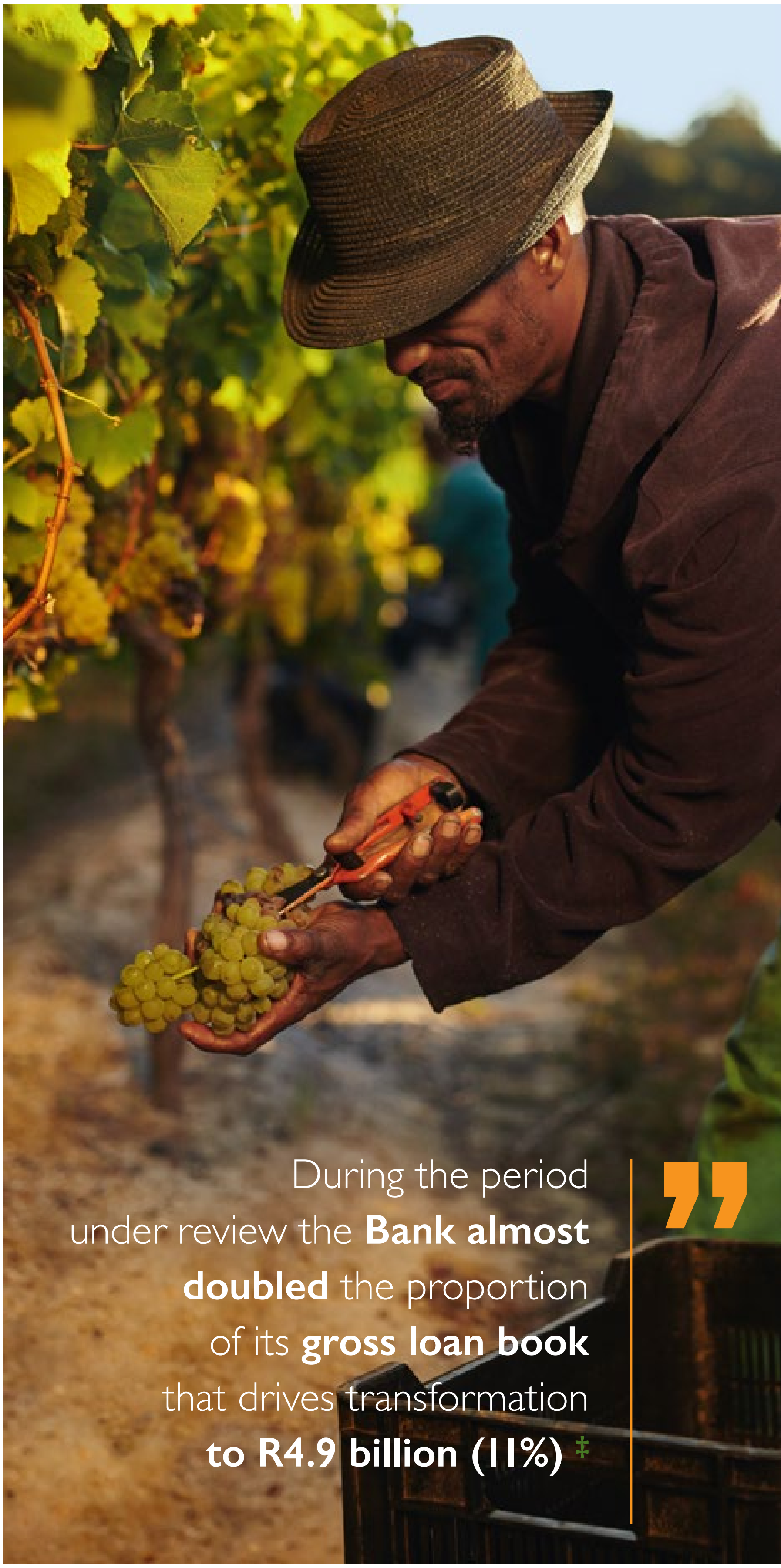
The creation of employment opportunities, stable and secure employment and fair labour practices remains the most effective way to deal decisively with poverty and inequality. High levels of rural unemployment and poverty emphasise the need for the agricultural sector to contribute to this objective. As the primary economic activity in rural areas, the NDP identified the agricultural sector as having the potential to create close to one million new jobs by 2030. The agricultural sector created approximately 201 000‡ jobs between 2012 and 2016, based on the Statistics South Africa (Stats SA) Quarterly Labour Force survey. Based on social accounting models, it is estimated that every R1 billion disbursed by Land Bank, contributes to the creation of approximately 3 200 jobs directly and indirectly in the sector. The R4.8 billion in new disbursements (excluding revolving facilities) that Land Bank made in FY2017 therefore contributed to the creation of more than 15 360 direct and indirect jobs in the agricultural value chain.

Through investment programmes of a DFI such as Land Bank that operate in critical sectors like the agricultural sector, we build essential economic and social infrastructure, drive private investment, enable transformation and pursue industrialisation among suppliers and customers to develop skills and include Black people and women entrepreneurs. Such finance institutions must be well managed and governed to be enablers of inclusive growth since their operational efficiency and integrity has a wider and far-reaching impact on the economy. In that respect, I extend my thanks to the Chairperson of the Land Bank Board, Mr. MA Moloto, the Board and the Chief Executive Officer (CEO), Mr TP Nchocho, as well as the Executive team for their dedication in ensuring the effective execution of the Bank's development mandate and proper governance of its activities during the period under review. I also wish to thank the staff of the Bank for their ongoing commitment to growing the agricultural sector on an inclusive basis and loyal support to the organisation.

During the year in review, Land Bank participated in Operation Phakisa: Agriculture, Land Reform and Rural Development and the Bank has been identified as a key role player to implement some of the identified priorities. The Bank has also been identified as a key enabler of the Climate Change Flagship Programme Priority Area for Agriculture, Food Systems and Food Security to develop an investment mechanism for climate smart agriculture. Close alignment between Land Bank and departments such as Agriculture, Forestry and Fisheries, Rural Development and Land Reform, Water and Sanitation as well as Environmental Affairs is a priority that the team at National Treasury and I fully support this year.

I wish the Bank well in its ongoing journey to promote inclusive growth and create a more productive and climate resilient agricultural sector. As National Treasury, we will strive to maintain and reinforce our relationship with Land Bank in support of its development objectives. I reiterate the faith that Government as shareholder has in the Land Bank's ability to deliver on its mandate.

MR MKN GIGABA, MP
MINISTER OF FINANCE



- Land Bank has once again delivered a solid set of results despite tough agricultural conditions, including the worst drought in a century and a contracting economy with volatile exchange rates which impacted commodity prices. Key financial highlights include:
  - Net interest margin of 3.1%‡ (FY2016: 3.0%);
  - Cost to income ratio of 51.4%‡ excluding organisational review costs (FY2016: 56.0%), 54.4% including organisational review costs;
  - Non-performing loan ratio of 7.1%‡ (FY2016: 8.8%);
  - Strong Total Capital Adequacy Ratio (CAR) position of 17.7%‡ (FY2016: 18.8%) compared to target of 15%;
  - Strong Liquidity Coverage Ratio position of 85%‡ (FY2016: 55%) compared to a target of 60%; and
  - Strong Net Stable Funding Ratio position of 86.7%‡ (FY2016: 79%) compared to a target of 80%.

- Moody's Investor Services upheld the National Scale credit rating of the Bank of Aa1.za.

- We are pleased to report that our Sustainable Financing Strategy is beginning to bear fruit:
  - In FY2017, we raised R7.7 billion‡ in new financing;
  - During March 2017 we issued notes of R1.4 billion‡ under our revised Domestic Medium Term Note (DMTN) programme; and
  - We secured pre-funding for FY2018 from the World Bank and international banks in collaboration with the Multilateral Investment Guarantee Agency (MIGA).

- This has translated into greater support for transformative transactions:
  - During the period under review the Bank increased the proportion of its gross loan book that drives transformation to R4.9 billion (11%)‡ compared to R2.5 billion (6%) in FY2016. We currently support 262 female farmers with loans of R161 million.
  - We nearly doubled our Wholesale Financing Facility (WFF) that supports emerging farmers through intermediaries from R477m in FY2016 to R914 million‡ at the end of FY2017.
  - In FY2017 the Bank relinquished approximately R100 million of its profit to subsidise interest rates to emerging farmers.
  - We provided support to farmers impacted by the drought, disbursing more than R100 million‡ in loans under our drought-relief programme, administered in conjunction with the Industrial Development Corporation of South Africa (IDC).

- As part of our transformation objective, our LBIC subsidiary launched and implemented a Black Broker Training Programme to train the first fully accredited Black Crop Insurance Brokers in the country. A total of 18‡ brokers were accredited who began marketing LBIC's crop insurance products, collectively writing R22.6 million‡ in premiums in their first season of crop insurance solutions provision, which equates to R565 million‡ worth of risk managed exposure.

Land Bank achieved a Level 7 BBBEE rating for FY2017 and has an implementation plan to improve this in FY2018.

> We are pleased to announce that **Land Bank obtained an unqualified audit opinion** and remains **committed to achieving clean audits** in future.

WHO WE ARE

Established in 1912, Land Bank is a wholly government-owned DFI, with the sole mandate of financing agricultural development to achieve food security, and to drive economic growth and development in South Africa. It is charged with promoting agricultural and rural development, as well as providing a range of financial products and services, including insurance such as crop insurance to farmers and agribusinesses.

Land Bank Insurance Company SOC Ltd (LBIC) and Land Bank Life Insurance Company SOC Ltd (LBLIC) are wholly owned subsidiaries of Land Bank mandated to provide insurance and risk management solutions respectively regarding crop, asset and life insurance to the agricultural community. Their directive is limited to operate within the boundaries of the agricultural sector which, by description, classifies them as niche players in a specialised industry. LBIC and LBLIC align themselves with the objectives of the Group to be a sustainable specialist insurer that provide insurance and risk management solutions to the agricultural sector.

Our Vision

Our vision is to be a world-class agricultural development bank that stimulates growth, drives solid performance, and spurs innovation.

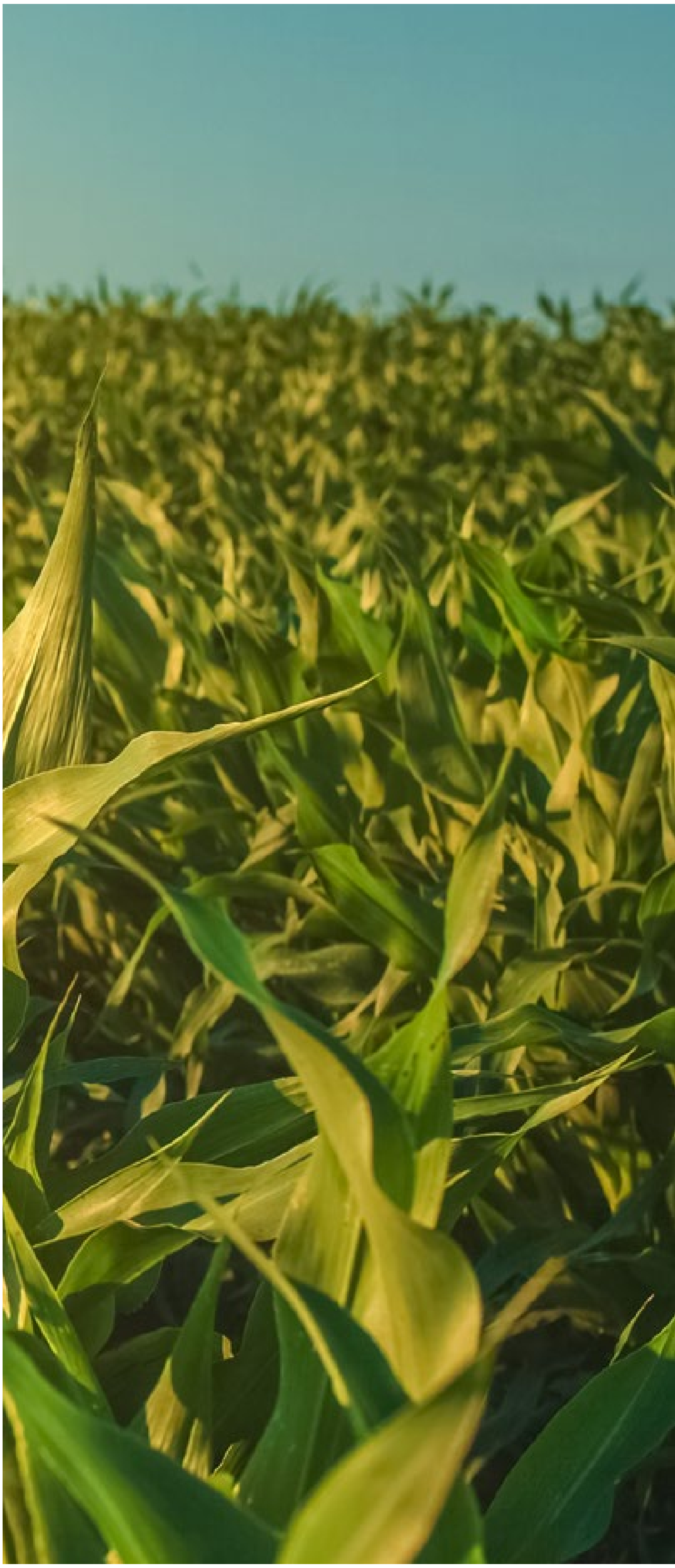
Our Mission

Our mission is to work with all stakeholders to build an adaptive and competitive agricultural sector that drives environmental, social and economic development growth, and contributes to food security.

Our Values

The conduct of the Land Bank Group is guided by the following values:

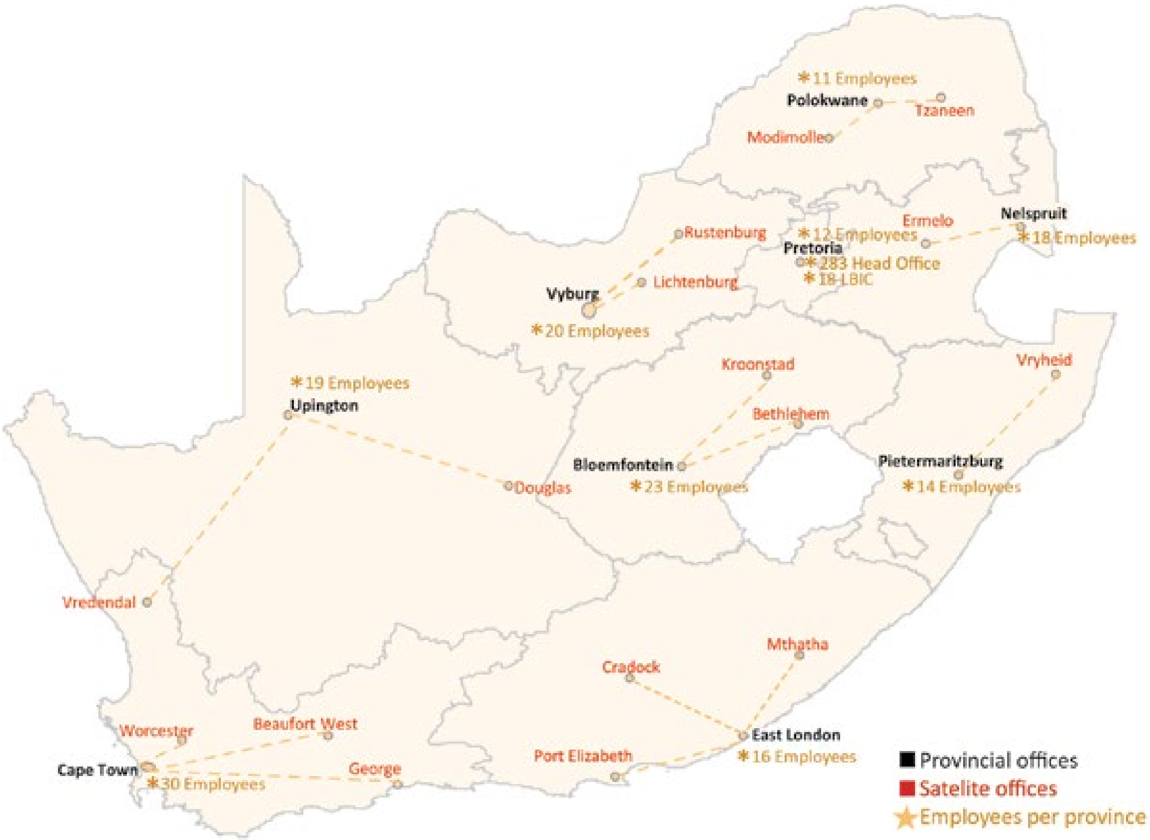
- **Meaningful contribution:** We continuously seek to add value in our engagements.
- **Empowerment:** We seek to empower ourselves and each other in the way we undertake our work.
- **Organisational synergy:** We seek to create a sense of oneness and integration.
- **Accountability:** We do what we say and follow through on our promises.
- **Pro-active:** We seek opportunities to improve performance at all levels, taking all conceivable measures to create new opportunities.



The Land Bank Group has headquarters in Centurion, with operations across South Africa in **nine provincial** and **16 satellite offices with a staff complement of 465‡ employees** as at 31 March 2017.

Land Bank Business Operational Map

Our locations



Our operations

Our operations are restricted to the Republic of South Africa. The Bank separates it operations between two segments namely Corporate Banking and Structured Investment (CB&SI) and Commercial Development and Business Banking (CDB), and the products and services across these two lines of business are provided through the following delivery channels:

Direct: Products and services are offered through the Bank's own operational footprint and infrastructure.

Indirect: Products and services are offered through the operational footprint and infrastructure of the Bank's partners, either by way of intermediaries, or Service Level Agreement (SLA) partners.

Intermediaries: Land Bank provides wholesale funding to intermediaries who on-lend to emerging farmers. All lending activities are governed by sound credit policies which are approved by Land Bank. These intermediaries also provide technical assistance to emerging farmers to ensure farming skill development.

SLA Partners: From time to time Land Bank acquires loans from the balance sheet of SLA partners. As part of the SLA, Land Bank appoints these partners to originate loans on its behalf. All lending activities are governed by sound credit policies which are approved by Land Bank. The SLA partners assist the Bank with the end-to-end credit process from loan disbursement, monitoring, collection and legal recoveries. These partners are paid a management fee for services rendered, whilst risk and profit sharing arrangements ensure quality assets are originated.

The banking operations are supplemented with insurance services through our two insurance subsidiaries known as Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC), which are wholly owned by Land Bank. They are licensed short-term and long-term insurance companies that consist of two core operating segments: insurance and investment. They operate under the guidance of a separate board and are regulated by the Short Term Insurance Act 53 of 1998 and Long Term Insurance Act 52 of 1998 respectively. The Land Bank Insurance Board has adopted all Land Bank policies as far as they are applicable.

LBIC was established in 2012 and started trading in 2014 and provides agricultural insurance in a sector categorised by high systemic risk. LBIC offers crop and asset insurance products to both Land Bank clients and other farmers. LBIC is the only state owned entity (SOE) that participates in agricultural sector insurance and is the second largest agricultural insurer in South Africa.

LBLIC has been offering credit life insurance products to the Land Bank client base since its inception in 1954. The company was established at the request of the farming community to ensure the continuation of farming activities after the death of the borrower of funds from Land Bank. The debt to the Bank could be settled and the heirs continue the farming operations.

In the past it was mandatory for individuals to have an LBLIC credit life policy if they were granted a loan from Land Bank. The insurance premium was capitalised to the loan accounts annually, in arrears. With the introduction of the National Credit Act 34 of 2005, the company had to develop new credit life products and offer clients an attractive value proposition to compete fairly with other industry players.

Group Capital provides support to the business divisions through the following units: Treasury, Finance, Risk and Internal Audit, Strategy and Communications, Human Capital, the CEO Office, Legal and Board Secretariat. Group Capital manages the Bank's capital, cash and funding requirements through the Treasury unit. Funding is provided to the CB&SI and CDB divisions through an internal transfer pricing model. The Bank is in the process of developing an operational cost allocation model to ensure appropriate transfer pricing to the operational business units which will provide enhanced divisional performance reporting.

For more information on our divisions and their priority areas please refer to the sections on Development Impact and Financial Sustainability.

Our clients

As the oldest DFI on the African continent, we have client relationships that stretch over many years and we periodically celebrate the significant milestones. Towards the end of 2016, we paid tribute to a successful dairy farmer in Bonnievale in the Western Cape who has been a client of the Bank for almost 50 years. Through our half-a-century partnership with him, a joint venture with a 50% shareholding in the business was established for the workers on this farm. Land Bank remains committed to continuing its support for this joint venture to ensure its success into the next half century. One of our SLA partners has also been a client of the Bank since its inception in 1912, a testament to the strength of the relationships we strive to build.

We divide our clients into five segments:

Table 1: Our clients

			Commercial farmers			Emerging farmers	
Channel	**Client-facing services**	**Agri corporates**	**Mega farmers**	**Large farmers**	**Medium farmers**	**Smallholder farmers**	**Key metrics**
		Established organisations that use agri produce as an input in the manufacturing of their goods/provision of services or provides inputs/services to the agricultural sector	Well established agricultural enterprises with high-end production and processing capabilities, and distribution networks. Majority of revenue from value-adding activities	Have expert agricultural skill set and dominant market access. In mature phase of business life cycle. Dominant business of the entity is primary farming	Established commercial farmers producing at medium/large scale. Sound agricultural skill set and firm market access. Growth phase business life cycle	Entering commercial farming on a viable piece of land, use technology, possess some skills and have adequate access to market. Establishment phase of the business life cycle	
	Market size	AgBiz, the agricultural business chamber has approximately 70 members excluding financiers	About 3 000 farmers with gross farm income above R5.0 million a year	About 2 000 farmers with gross farm income of between R3.0 and R5.0 million	About 35 000 farmers with gross farm income of less than R3.0 million	About 280 000 based on Census 2011.	
Direct	Corporate Banking and Structured Investments	• Mortgage and other term loans • Revolving credit facilities • Equity investments • Off-balance sheet facilities • Inventory and trade finance • Working capital and guarantees					Commercial loan book: **R11.8 billion‡** Development loan book: **R2.2 billion‡** Number of staff: **35** ‡
	Commercial Development and Business Banking			• Mortgage and medium-term loans to acquire land, livestock and equipment, establish perennial crops and physical infrastructure • Production loans			Commercial loan book: **R5.3 billion** ‡ Development loan book: **R1.0 billion** Number of staff: **117** ‡

			Commercial farmers			Emerging farmers	
Channel	**Client-facing services**	**Agri corporates**	**Mega farmers**	**Large farmers**	**Medium farmers**	**Smallholder farmers**	**Key metrics**
Indirect	SLAs		• Mortgage and medium-term loans to acquire land, livestock and equipment, establish perennial crops and physical infrastructure • Production loans				Commercial loan book: **R21.3 billion** ‡ Development loan book: **R0.8 billion** ‡
	WFF					Equipment and production loans	Development loan book: **R0.9 billion** ‡
	LBIC		• Crop (multi-peril and hail) insurance • Agricultural asset insurance				GWP: **R536.9 million** ‡ **828 495** ‡ hectares insured Number of staff LBIC/LBLIC: **17**
	LBLIC				Credit Life Insurance for long, medium and short-term loans		GWP: **R11.7 million** Investment portfolio: **R1.2 billion** ‡ **6 727** lives assured

Group Capital	Portfolio Management Services	Human Capital	Finance, Treasury and IT	Legal Services	Risk Management	Office of the CEO	Agricultural Economics & Advisory	Internal Audit	Strategy & Communications

CHAIRMAN'S STATEMENT

Mr MA Moloto
Executive Chairman

An uncertain environment

The South African economy remained fragile with two consecutive quarters of negative growth (Q4 2016 and Q1 2017) confirming the negative outlook. This concern was also shared by credit rating agencies in recent reports, where rating action was taken to downgrade the sovereign credit rating to sub-investment grade level. Within a contracting economy with a volatile exchange rate and low commodity prices, agricultural conditions were unpredictable.

During the period under review, South Africa experienced its worst drought since the early 1900s. Consequently, the South African cattle herd was reduced by 20% as farmers were forced to cull animals. The maize price reached historic highs based on one of the smallest crops this century, while the value of agricultural exports fell by more than 10% compared to 2015.

Within this constrained environment, Land Bank managed to deliver a solid set of financial results. As a specialist agricultural bank, the Bank has developed various strategies over the past century to manage its exposures during adverse climatic situations. This includes, but is not limited to, concentration risk limits to inhibit its exposure to single commodities. The Bank's loan book is therefore spread between various agricultural commodities, some of which had limited exposure to the drought or could take advantage of the weak exchange rate for export purposes. In addition, the Bank operates across the whole country, including areas where the weather conditions were slightly more favourable. These strategies, as well as a drive to increase its exposure to secondary agriculture, provided Land Bank with the necessary level of resilience to continue its operations at a sustainable level under uncertain conditions.

The Bank responded

Land Bank's objective during this period was to improve its resilience and financial sustainability, which would enable us to deliver on our development mandate. Achieving this required us to assess our strategy and respond to matters that are material to our enterprise. We prioritised five material matters:

- Corporate governance, which we define to include enterprise risk, compliance, governance and ethics;
- Development impact;
- Financial sustainability;
- Environmental sustainability; and
- Employee development.

Our progress towards addressing these material matters is evidenced by our strong financial performance.

We continued to embed the changes made to our financial framework during FY2016 through the early adoption of IFRS9 and some of the Basel Accord's risk management principles relating to capital funding and liquidity management. This resulted in increased comparability and transparency of our financial information. I am pleased to announce that Land Bank raised R7.7 billion‡ in new commercial funding (of which more than 50% has maturities in excess of 12 months) during the year, as investors continue to believe in our performance and commitment to sound corporate governance.

We have also increased our engagement with investors and are pleased with the enhanced reputation and investor acceptance that the Bank enjoys. The Bank adopted a pro-active investor engagement strategy during FY2017 Q2 when certain domestic asset managers raised concerns about the governance and independence of DFIs and expressed reservations about continued funding support for the sector. This strategy paid dividends in the volume of new investments in the Bank at a more affordable cost to us.

Furthermore, we have made progress towards our goal of better understanding development and how we can achieve our development mandate.

Our strategy is underpinned by the following principles:

- Improve the broader agricultural sector through promoting inclusive growth, transformation, employment and food security;
- Assist farmers to graduate to a commercial level by supporting, monitoring and reporting on those who graduate from one segment to another, as well as those who need additional assistance to do so;
- Assist farmers to manage and minimise their risks and optimising their returns;
- Lower barriers to entry into the agricultural sector by providing affordable finance;
- Crowd in private sector participation into agricultural finance;
- Meet the dual objectives of development impact and financial sustainability; and
- Promote environmental sustainability.

Skilled employees are at the heart of executing on our mandate. During the year under review, we completed the final stage of our organisational review, and from mid-year, we worked with a full staff complement. We have implemented a more robust performance review process to provide staff with regular feedback on their actions and will focus on deepening the skill levels of all employees.

Good governance

Corporate governance is an integral part of the Group's evolution. We are committed to good governance, providing our shareholder and other stakeholders with the assurance that the Group is managed with due consideration to risk and compliance. Sound governance instils confidence in our investors that we are applying our funds in a transparent and accountable manner. I am proud that the Bank is committed to world-class status in risk management, which is an integral part of the strategy. We take our direction on governance from King III, and are currently in the process of aligning our governance to the principles and recommended practices of King IV.

The Bank has further entrenched its sound governance culture by incorporating several governance and compliance related policies by reference in our Domestic Medium-term Note Programme Memorandum, further enhancing our status as a transparent organisation.

We are committed to responsible leadership and we are serious about building and maintaining our ethical corporate culture. Our ethics policy sets the standard for the executive team and our employees to operate in a transparent manner with integrity to the highest ethical standard. Regulatory compliance forms an integral component of the Bank's governance structure. The Board, with support from the Audit and Finance and Risk and Governance committees, is responsible for ensuring that the Group complies with applicable laws, supervisory requirements, non-binding rules, codes and standards. Our compliance universe consists of all statutory and regulatory requirements of relevant legislation, regulations and industry codes applicable to the business and sound management of the Bank.

We welcomed Ms Gugu Mtetwa to the Board on 1 March 2017 who will become chairperson of our Audit and Finance Committee on 1 August 2017. Our previous chairperson of this committee, Mr Patrick Mathidi resigned from the Board with effect from 30 September 2016 due to a career change and we express our sincere gratitude for his years of dedicated service to the Bank.

Outlook

While there are positive signs in the global economy, significant local challenges remain. These challenges are expected to persist throughout the next fiscal year. I remain confident in the Bank's positioning to weather these challenges and to continue to deliver on its mandate.

Appreciation

I would like to express my gratitude to my fellow Board members for their unwavering commitment and contributions to the company over the past year. Our Chief Executive TP Nchocho and his executive team deserves special mention for their sound leadership, so do our staff members who have been exemplary in dealing with the day-to-day challenges and in strengthening the Bank's position as a well-governed DFI.

Mr MA Moloto
Executive Chairman

7 July 2017

How we create value

In the context of Land Bank, we define sustainability as the Bank's ability to use our financial, social, human, and intellectual capital in a manner that will sustain our ability to provide agricultural finance for the current and future generations. We aim to use these capitals and transform them through our activities in such a manner that we continue to add value to all our stakeholders.

As a provider of financial capital to the agricultural sector, we have an indirect effect on agricultural manufactured capital and natural capital through the environmental impacts associated with farming. These capitals are captured throughout our business and are reflected in this report where their effects are relevant to our financial sustainability or to our development mandate.

We acknowledge that the impact of our financial capital on the environment is considerable through our clients' farming enterprises and practices. We also know that environmental events pose a fundamental risk to our business as it affects our clients' ability to service their debt and our continued long-term viability. Our environmental strategy is discussed in detail on page 60.

Table 2: How we create value

<table>
<tr><th></th><th>Intellectual capital</th><th>Social and relationship capital</th><th>Financial capital</th><th>Human capital</th></tr>
<tr><td rowspan="2">Inputs</td><td>• Extensive experience in the South African agricultural sector accumulated over 104 years of lending through various climatic cycles and across a wide range of commodities</td><td>• Relationships with agribusinesses, farmers and agricultural industry bodies
• Relationships with Government, investors and regulators</td><td>• Strong balance sheet
• Finance from domestic and international funders</td><td>• Diversified and competent staff complement
• Continued investment in deepening our skills levels</td></tr>
<tr><td>Selected commodities to which we have exposure:
maize, berries, vegetables, beef, dairy, citrus, cotton, deciduous fruit, flowers, forestry, game, lucerne, tree nuts, oilseeds, pigs, poultry and eggs, pineapples, raisins, sub-tropical fruit, sugarcane, tobacco, wheat, oats, wine, table grapes, wool, sheep</td><td>Our main regulators:
• National Treasury
• Parliament
• National Credit Regulator
• Financial Services Board
• Financial Intelligence Centre</td><td>• Capital Adequacy Ratio: 17.7%‡ (FY2016: 18.8%)
• Liquidity Cover Ratio: 85%‡ (FY2016: 55%)
• Net Stable Funding Ratio: 86.7%‡ (FY2016: 79%)
• Non-performing loan ratio: 7.1%‡ (FY2016: 8.8%)</td><td>• 465‡ staff members
• 23‡ learners
• 10‡ bursaries</td></tr>
<tr><td colspan="5">We use these inputs in the following activities to produce effective outcomes for our stakeholders.</td></tr>
<tr><td>Activities</td><td>Facilitate funding from capital markets, commercial banks, Government and DFIs</td><td>Finance and provide risk management services to role players in the agricultural sector to achieve sector growth and enable food security</td><td>Develop emerging farmers by providing financial and business support for transformation and inclusion</td><td>Co-ordinate relationships with stakeholders to enable effective partnerships</td></tr>
<tr><td>Outputs</td><td>• In FY2017 we raised R7.7 billion‡ in new financing of which R4.0 billion was long-dated funds.
• During March 2017, we issued notes under our revised DMTN programme of R1.4 billion‡.
• We pre-secured funding for FY2018 from the World Bank and international banks in collaboration with MIGA.</td><td>• In FY2017, we disbursed R38.5 billion‡ (including revolving facilities) to the agricultural sector and increased our gross loan book by R4.3 billion‡ (R1.2 billion in FY2016).
• We insured crops to the value of R14.4 billion‡ against hail and other perils.</td><td>• In FY2017, we increased the proportion of our gross loan book to support transformation to 11%‡ (6% in FY2016).</td><td>We belong to the:
Association of African Development Finance Institutions:
AgBiz; and
Southern African Development Community Development Finance Resource Centre.
We participated in Operation Phakisa for Agriculture Land Reform and Rural Development.</td></tr>
<tr><td>Outcomes</td><td colspan="4">We delivered on our mandate by contributing to:
• Equitable ownership of agricultural land, particularly increasing the ownership of agricultural land by historically disadvantaged persons through extending R100 million‡ in mortgage loans to such individuals and groups;
• Agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons by supporting 1 500‡ Black farmers through our direct lending programme;
• Removing the legacy of racial, gender and generational discrimination in agriculture by extending R25.2 million in loans during FY2017 to 33 female farmers of whom 11 are Black;
• Commercial agriculture by growing our loan book to support commercial farmers by R1.9 billion;
• Land access for agricultural purposes;
• Growth of the agricultural sector and better use of land;
• Rural development and job creation by contributing to the creation of approximately 15 360 job opportunities through our new loan disbursements;
• Agricultural entrepreneurship;
• Food security through the payment of crop insurance claims to the value of R385 million‡ to enable farmers to continue their farming operations;
• Enhancing productivity, profitability, investment and innovation; and
• Environmental sustainability of land and related natural resources.</td></tr>
</table>

Stakeholder relationships

Our approach

We consider our various stakeholders as key partners in our business endeavours. Agriculture as a sector is predisposed to co-dependency and delivers best when stakeholder needs are embedded in the business. To strengthen and maintain its positive co-dependent relationships, the Group formalised its stakeholder engagement strategy and reporting during the year under review.

To ensure a holistic and coordinated stakeholder engagement approach, our stakeholders are segmented and classified according to their interest in engaging with Land Bank. Our business units use a combination of one-on-one meetings, presentations, media and closed discussions as means of engagement. We are required to deliver regular reports on these stakeholder engagements through respective stakeholder relationship supporters. Issues that may have to be prioritised and escalated may be highlighted via media monitoring. We manage the outcomes to maintain our relationships and a positive perception of the Group.

Stakeholder relations strategy

An assessment of our stakeholder relationships showed that our stakeholders tend to hold a neutral perception of the Bank. Our objective is to cultivate a positive perception by enhancing the value of our stakeholders' experience from their engagements with the Bank.

During the year under review, we developed our stakeholder strategy, with the following objectives:

- Strengthen and maintain relationships with stakeholders;
- Identify opportunities and threats arising from stakeholders' material concerns;
- Assist with strategic sustainable decision-making;
- Develop and promote a sound understanding of stakeholders' needs, interests and expectations;
- Reinforce our commitment to all stakeholders;
- Set a framework for engagement internally and externally; and
- Ensure we integrate our reputational responsibility into stakeholder management.

Figure 2: Stakeholders by segment

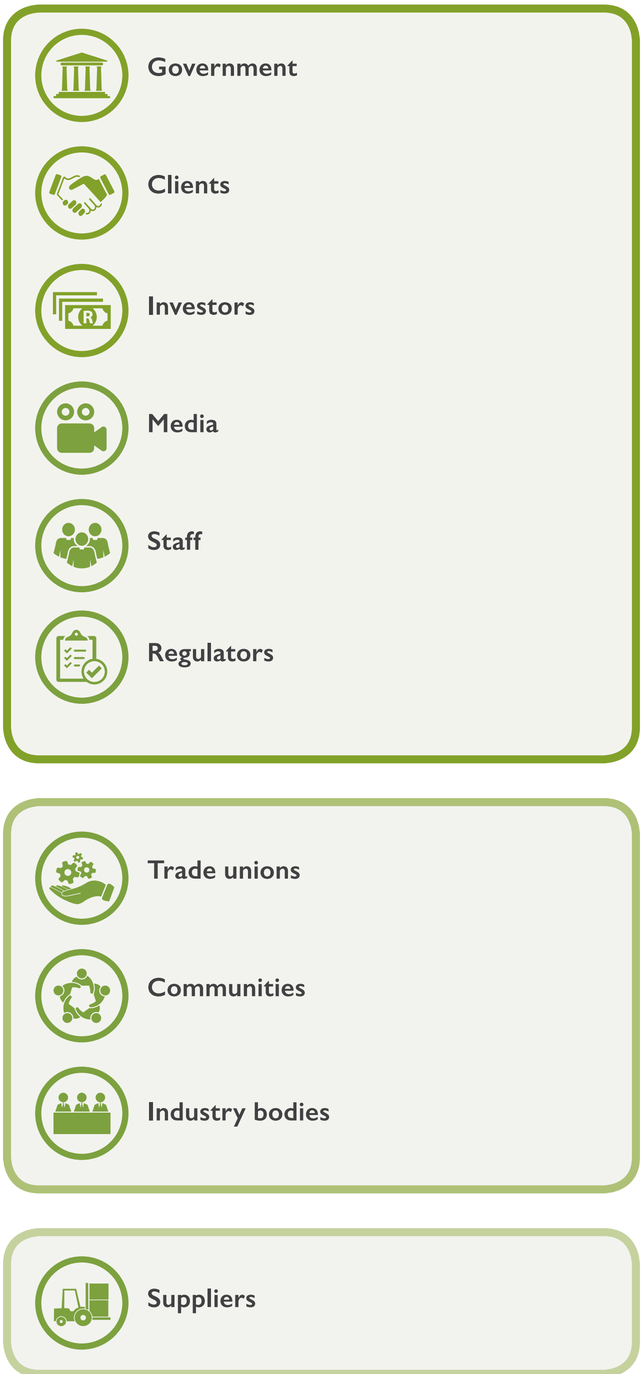


Table 3: Our performance

The following table shows the nature of our stakeholder relationships, how we engage with our stakeholders, their concerns, and our responses to these concerns.

Stakeholder	Our objective	How we engaged	How often	Their concerns	How we responded	Outcome
National Treasury	To maintain transparent relationships and ensure compliance with all legal and regulatory requirements; To retain our various operating licences and minimise our operational risk.	Various forums such as multilateral meetings with the board and management, one-on-one discussions with executive officials.	Ad hoc.	Level of investments in emerging farmer projects; Strength of the Balance Sheet.	Development Impact Strategy set that is more inclusive and includes new, more representative client pipeline; Reduced reliance on short term funding by raising term debt.	National Treasury approved Land Bank's application for increased Foreign Borrowing Limits. National Treasury extended a R4.5 billion guarantee to aid the Bank in further terming out its funding profile of the Land Bank. Issue of letter of support post year-end to replace expiring R1.5 billion guarantee, as partial draw down of the R4.5 billion noted above.
Clients	To better understand client aspirations, businesses and financial service needs; To provide appropriate advice, proactive financial solutions and value-adding services; To ensure that we maintain the high service levels.	Interactions through branch outlets, relationship managers and call centres, complaint lines, client seminars, social media, surveys and marketing and advertising activities.	Dependent on client needs and identified sales, service or guidance opportunities.	Constraints concerning Land Bank's ability to meet development mandates; Land Bank's ability to invest in sufficient equity for growth within Treasury's 19% limit; The cost of finance; Tailor made product offering for client needs; Water rights ownership issues.	Client experience assessments (through annual client service survey); Service Charter developed; Treating Customer Fairly Framework in place; Product surveys.	The provision of sustainable financing models that encourage growth and inclusivity; Value chain projects and partnerships in place to ensure emerging farmer participation.
Investment community	To provide current and future stakeholders with relevant and timeous information, ensuring understanding of the strategy, governance and financial position of the Land Bank. To ensure image improvement and minimise reputational risk; To enhance and deepen the trust placed in us and our brand.	Domestic roadshows; Ad hoc communication; Investor meetings; Conferences and presentations; Announcements and media releases; Investment analyst briefings; Feedback via corporate website; Detailed information on all published documents.	Formally, roadshows are undertaken twice a year; Ad hoc basis as requested by analysts and investors during non-closed periods; Two (or more) broker-hosted conferences every year; Land Bank initiated investor days (once or twice a year).	Political interference; Independence of decision making; Board composition; Procurement irregularities; Land Bank's ability to deliver environmental and social commitments.	Group and individual sessions held with investors to highlight matters of governance and independence; Investor transparency and information undertakings; Investor protection mechanisms introduced in funding instruments and Domestic medium-term Note Programme Memorandum; Plan to hire a dedicated resource for ESMS implementation.	Raised R7.7 billion in new funding during the year.

Stakeholder	Our objective	How we engaged	How often	Their concerns	How we responded	Outcome
Ratings agencies	To keep Moody's Investor Services informed of any Land Bank developments that may impact the credit assessment.	Various bilateral discussions and face-to-face meetings.	Quarterly or when deemed necessary by either party	Deterioration in asset quality; Adequate support from government; Sufficient capitalisation of the Bank.	Obtained a government guarantee for fund raising; Ongoing engagement with the shareholder to raise capital through financial instruments; Lengthening of the Bank's funding maturity profile, maintaining a healthy Liquidity Coverage Ratio (LCR) and Capital Adequacy Ration (CAR).	The Bank's national scale issuer rating remained unchanged, however the global scale rating was downgraded post year end following the downgrade of the sovereign rating.
Media	To leverage media channels to share our business and citizenship story with stakeholders; To communicate developments regarding the Bank's business to protect and manage our reputation.	Quarterly media breakfasts. Launches of Land Bank products and services. Interviews with key business media on relevant reporting dates. Daily interaction regarding media enquiries.	Daily, in response to media queries. Quarterly breakfasts and results presentations.	Awareness of how the Bank achieves its mandate; Thought leadership (want to hear from agric economics - Land Bank position on environment, youth access, women participation, economic transformation).	Media plan in place to provide thought leadership and raise awareness; Media partnership with SABC in place.	The media remains positively disposed towards Land Bank, always willing to engage and provides balanced reporting; Overall, Land Bank received positive coverage during the year.
Government departments	To build and strengthen relationships with government, as a partner and as a key client; To provide input into legislative processes that will affect the economy and our activities and operations; To reaffirm our commitment to development financing for the agricultural sector; To participate in the transformation of SA and the agricultural sector;	Land Bank sought inter-organisational synergies with National Treasury, DRDLR & DAFF to address the needs of emerging farmers and investigate blended financing opportunities; Political engagements take place where there is a business- related invitation; Participation in MINMEC Forums; Parliamentary Portfolio presentations.	Monthly or as deemed necessary by either party.	Lack of support to black farmers. DEA and DAFF are supportive but concerned about ability to execute 'green' financial products.	Planned application for Global Climate Fund accreditation for financial support; Planned engagements to share development finance solutions and Land Bank transformation agenda.	Visible participation and partnerships with government Phakisa and other black smallholding farmer support programmes; The Bank has contributed to government capacity building and job creation targets.

Stakeholder	Our objective	How we engaged	How often	Their concerns	How we responded	Outcome
Employees	To ensure that Land Bank remains an employer of choice, providing a safe, positive and inspiring working environment; To understand and respond to the needs and concerns of staff members; To provide staff with strategic direction and keep them informed about group activities.	Roadshows, email and magazine; Business partner interaction, management meetings, change management programme; Employee feedback to change agents with concerns and suggestions; Employee survey assessed levels of engagement; 360° leadership alignment assessment.	Monthly formal communication, ongoing business partner interaction, ad hoc surveys.	Leadership alignment.	Conducted a 360° leadership alignment assessment to provide input into development and training interventions; Individual and team feedback sessions were conducted. The 360° review process was launched with EXCO and plans to cascade to organisation.	The organisational culture is generally positive; The insights session held for EXCO & general managers was well received; Employee engagement score was in the top 23% of benchmarked organisations.
Industry bodies (municipalities, agricultural colleges & industry organisations)	To learn through interaction with the industry and cross-sectorial organisations; To leverage and build strategic business partnerships for the maximum benefit of all our stakeholders; To use business associations as a forum to promote our viewpoints on key industry issues.	Monthly meetings with various industry bodies. Ongoing when necessary.	As required or dictated by association or partnership membership agreements.	Wish to see further collaboration with other DFIs in research and knowledge-sharing, particularly around environmental due diligence and impact.	Project in progress to conduct research, for example, to measure environmental impacts.	Research and case study implementation by SADC Development Financers Resource Center Agriculture Working Group in Innovative Farming Models. FADA (Angolan Delegation) visit enabled sharing of best practice; Partnerships with IDC and DBSA identified research areas for possible joint funding; Research Symposium with ARC and NAMC is finalising operational activities for a new programme.
Trade unions	To promote fair and equitable employee relations practices, good governance and working relationships.	Consultation on any changes in working conditions, restructuring and performance management issues; Consultations on the resolution of alleged unfair labour practices.	Regular meetings are held with the union representative.	Fair labour practices and equitable treament of staff.	Engagement with the union on various staff matters.	The union accepted the salary adjustments for pay scale parity; Professional working relationship has been maintained with the union.

Stakeholder	Our objective	How we engaged	How often	Their concerns	How we responded	Outcome
Communities	To better understand their aspirations, businesses and agricultural development needs; To provide appropriate advice, proactive financial solutions and value-adding services; To obtain input from environmental experts, communities and non-governmental organisations (NGOs); To create awareness of our sustainability commitment.	CSI initiatives; Various forums, from community engagement forums to one-on-one meetings.	Ongoing, as partnerships dictate or stakeholder needs require.	Lack of funding (infrastructure and skills development for community projects); Visibility and understanding of available financial solutions for community development projects.	Attended communtiy forums and initiated joint projects partnerships to support small/subsistence farmers.	Participated in Productivity SA seminars on agriculture attendeded by community groups to share Land Bank strategic objectives and community support initiatives; Development of a CSI mailbox for funding application; Established partnerships with IDC and NAMC to deliver to subsistence farmers (especially women).
Suppliers	To maintain a quality and timeous supply of goods and services for our operations; To encourage responsible practices in our supply chain; To gain expertise and advice before specifications are developed for products or services.	Ongoing interaction with suppliers and contractors for procurement purposes; Supplier education workshop, indabas, fairs; Quarterly newsletter on sustainability matters; One-on-one negotiations and meetings.	Ongoing as required.	Meeting supplier development mandates.	Initiated supplier development strategic plan during the year under review.	Implemented supplier development initiatives, an investment of R4 million.

Future focus

In alignment with the Corporate Plan and its focus on partnerships, our goal for FY2018 is the further development of our stakeholder engagement plan to set measurable deliverables for each stakeholder. Our objective is to broaden our understanding of stakeholder concerns and improve our relationships and outcomes. We aim to be more specific in defining the objectives, responsibilities and deliverables committed to by Land Bank and each stakeholder. This will include measurable targets with respect to the nature of engagements by stakeholder, frequency, and agreed objectives and tactics. This detailed level of engagement will inform our plans and activities in future.

Our external environment

Global economic context

Over the past year, the global political and economic activity has contributed to an unstable operating environment. Events such as Brexit and the unexpected outcome of the US presidential election were significant contributors to global political uncertainty. The global economy is estimated to have grown by 3.1% year-on-year in 2016, compared to 3.2% in 2015 – the weakest performance since the global financial crisis of 2008. Although the economy is recovering somewhat, the structural impediments continue to hold back a stronger recovery, and the balance of risks remains tilted to the downside, especially over the medium term. Emerging and developing economies grew at an estimated rate of 4.1% year-on-year in 2016, remaining constant compared to 2015.

Table 4: Real Gross Domestic Product (GDP) growth: International Monetary Fund (IMF) estimates (2017)

Real GDP growth rate	2016	2017	2018
World	3.1	3.5	3.6
Advanced economies	1.7	2.0	2.0
Emerging market and developing economies	4.1	4.5	4.8

Source: IMF (2017)

South African context

The South African economy contracted by 0.7% in the first quarter of 2017 compared to a contraction of 0.3% in the last quarter of 2016, and by implication the country has entered a recession. All sectors of the economy recorded a contraction in the first quarter of 2017, except agriculture and mining industries.

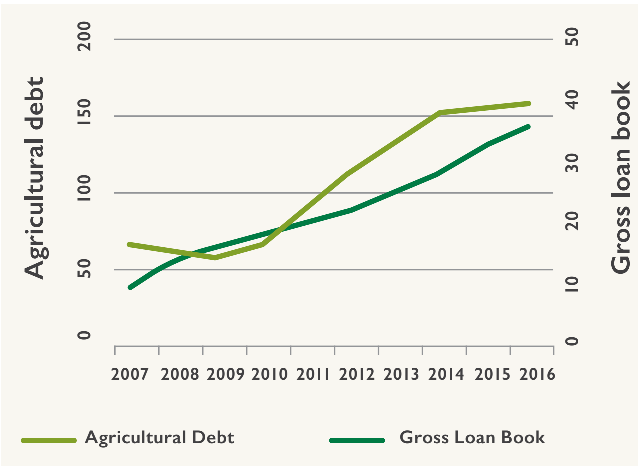
South African agricultural sector

Within the difficult macro-economic environment of 2016, certain geographical areas were subject to a crippling drought. Two consecutive seasons of unfavourable weather conditions in the summer rainfall regions resulted in reduced agricultural output. However, there are positive signs of recovery across the agricultural sector as weather conditions appear to be normalising. As a result, the sector's activity is increasing with summer crop farmers increasing the area plantings by 17.8% year-on-year from 3.3 million hectares in 2016 to 3.9 million hectares in the 2017 planting season. In contrast to the contraction of most sectors during the first quarter of 2017, the agriculture, forestry and fishing industry rebounded from the drought, increasing by 22.2% quarter-on-quarter annualised.

Despite its relatively small share (2.4%) of total GDP, primary agriculture is an important sector in the economy. It remains a significant provider of employment, contributing approximately 5.4% of total employment with associated multiplier effects, especially in the rural areas, and a major earner of foreign exchange. The sector's prominent indirect role in the economy is a function of backward and forward linkages with other sectors. An estimated 60% of agricultural output is used as intermediate inputs by various other sectors of the economy, an indication of how important the sector is as an engine of growth for the rest of the economy.

As at 31 December 2016, the total agricultural debt on commercial farms amounted to nearly R145.0 billion‡ compared to R133.1 billion as at 31 December 2015. During this period, Land Bank's share of the agricultural debt market has remained steady at about 27%‡ of the total market. The other main providers of agricultural financing are the commercial banks, who as a group provide approximately 60% of debt. Both Land Bank and commercial banks finance agricultural businesses who on-lend to farmers. Agri-businesses contribute another 7-8% of financing through their own sources of capital.

Figure 3: Gross loan book compared to total agricultural debt (R billion)



The agricultural debt market structure has changed since the mid-1990s when the Agricultural Credit Board was disbanded and farmers could select their own financiers. Although Land Bank's market share has held steady over the period, the share of commercial banks increased from around 37% in 2000 to about 60% by 2016. Commercial banks have become effective credit providers to a large part of the agricultural market over the period under review. This allows Land Bank to focus on its role as a DFI and use its balance sheet to bridge gaps where the perceived risk of transactions exceed the appetite of commercial funders such as development projects, financing farmers with limited assets to offer as security.

Outlook

The global economic recovery momentum is expected to persist. With buoyant financial markets and a long-awaited cyclical recovery in manufacturing and trade under way, the IMF predicts that the world economy will grow by 3.5% in 2017 and 3.6% in 2018 (IMF, 2017). The World Bank, on the other hand, forecasts that the global economy will accelerate by 2.7% in 2017, up from a post-crisis low of 2.4% in 2016, before strengthening further by 2.9% during 2018.

The domestic economic growth outlook remains weak following the negative growth recorded in the first quarter of 2017. National Treasury projects that despite negative growth in the first quarter of 2017, the domestic economy will grow by 1.3% year-on-year in 2017, 2.0% in 2018 and 2.2% in 2019, as the global economy recovers, supply side factors become less binding, and business and consumer confidence rebound. The South African Reserve Bank's revised downward projections show that the economy will grow by only 1%, 1.5% and 1.7% in 2017, 2018 and 2019 respectively. The South African Reserve Bank's economic growth downward revision is partly due to the expected impact of the sovereign credit ratings downgrade on domestic private sector gross fixed capital formation. The downgrade is also likely to weigh on public sector investment through higher funding costs and more difficult access to funding.

As weather conditions normalise and the agricultural sector's activity continues to increase, we expect confidence in the sector to remain positive in 2017 and 2018. It is expected that the industry will continue to record positive growth for the rest of the year, sustained by growing optimism in the industry. The Agbiz/IDC Agribusiness Confidence Index, which indicates how South Africa's agricultural GDP could perform in the succeeding quarters, has been on an expansionary territory, above 50 index points, for four consecutive quarters.

Strengthening the agricultural credit market

We have identified five specific areas where the Bank can assist in strengthening the agricultural credit market. These priority areas allow us to respond to the Bank's material matters related to development impact and environmental sustainability:

- **Provide** syndicated loans to large commercial businesses with commercial banks where the banks may not have the appetite to take on large single obligor risks;
- **Enable** existing commercial farmers to undertake transformational projects and grow their enterprises to support inclusive growth in the sector;
- **Facilitate** the entry of a generation of Black industrialists in the sector through the creation of appropriate equity investment structures and opportunities;
- **Support** emerging farmers to graduate to commercial status and thus grow the size of the agricultural sector overall, contributing to the creation of employment and reduction in poverty; and
- **Assist** all farmers and agribusinesses to adopt technology that will allow their operations to become more climate-resilient.

For further information on our divisions and their priority areas please refer to page 44 in the Financial Sustainability section.

"As weather conditions normalise and the agricultural sector's activity continues to increase, we expect **confidence in the sector** to remain **positive** in **2017 and 2018**."

Our **total gross loan book grew by R4.3 billion**‡ of which **R2.4 billion**‡ was for **development loans**.

2

OUR STRATEGY

Our strategy

Material matters impacting our strategy

We define our material matters as those challenges and opportunities that have the greatest potential to affect the Group's sustainability and value to our stakeholders. We identify, prioritise and apply material matters through the following process:

Identify

Material matters are identified throughout the year during:

- Board strategy sessions, Board meetings and Board committee meetings;
- Executive management deliberations;
- Investor roadshows, rating agencies and multi-lateral funder discussions;
- Ongoing interaction with our shareholder (National Treasury);
- Discussions with agriculture sector stakeholders including the Departments of Agriculture, Rural Development and Land Reform, Environmental Affairs, AgriSA and the African Farmers' Association of South Africa (AFASA);
- Staff interactions; and
- Continuous engagements with our clients and potential clients.

Prioritise

Five material matters are consistently raised as priorities across these stakeholder platforms. These are the matters most relevant to the achievement of the Bank's development mandate and sustainability objectives.

Apply

The material matters are embedded in the Corporate Plan, which outlines our long-term strategy as well as our annual strategic plan and targets. The material matters thus inform the Bank's Key Performance Indicators (KPIs) directly at the beginning of each year and are, in turn, reflected in the performance scorecards of management.

Table 5: Our material matters

Material Matter	Relevance to Land Bank	Stakeholders	Key associated risks	Actions we have taken	Key Performance Indicator	Status
Corporate Governance	Sound governance provides confidence that Land Bank is applying funds in a transparent, prudent and accountable manner, in accordance with the law and documented controls	• Investment community • Shareholder • Clients	• Breach of regulations, legislation, policies and procedures • Theft, fraud and corruption • Reputation	• Land Bank's Delegation framework and Combined Assurance framework are designed and implemented to provide an effective control environment • Policies and procedures are reviewed on a regular basis • We are embedding a culture of ethical behaviour and shared values • We are in the process of aligning our governance to King IV	Maintain unqualified audit opinion	**Achieved**
					No material breaches of Risk Appetite Framework for FY2017	**Achieved**
					No material adverse issues reported in Risk Quantitative models	**Achieved**
					90% of project milestones achieved in ORT completion	**97% complete‡**
Development Impact	Land Bank is a DFI with a specific mandate to address historical injustices with regards to land ownership and participation in the agricultural sector	• National Treasury • Clients • Government departments • Industry bodies • Communities	• Coordination challenges between stakeholder groups may affect development effectiveness • Existing composition of loan book may constrain our development impact	• Engagements with Government stakeholders to improve alignment on strategy, plans and resourcing • Identification of a pipeline of lending opportunities to increase developmental effectiveness in existing operations and new ventures	Loan book of at least R2.0 billion in development investments	**R2.4 billion‡**
					10% of new disbursements to customers with Level 4 (and better) BBBEE rating	**16.5%‡**
Financial Sustainability	Land Bank operates on a financially sound basis to sustainably support the sector and provide adequate rates of return to investors	• Investment community • National Treasury • Clients	• Limited capital and funding available to expand operations and increase development impact • Credit and investment risk must be managed to ensure that the quality of the loan book is maintained	• We are constantly sourcing funding through investor road shows and have reduced our reliance on short-term funding • We have received additional government guarantees amounting to R4.5 billion to support growth in development impact • We introduced new credit and pricing tools during FY2017 to improve our ability to assess and price risk effectively and the Portfolio Management Services division is strengthening our monitoring capacity	Maintain NPL ≤12% (based on IFRS 9 definition)	**7.1%‡**
					Maintain and grow portfolio by at least R2.5 billion	**R4.3 billion‡**
					Net interest margin ≥ 2.8%	**3.1%‡**
					Cost-to-income ratio ≤ 55% excluding organisational review costs	**51.4%‡**
					LCR ≥ 60%	**85%‡**
					NSFR ≥ 80%	**86.7%‡**
					Total CAR ≥ 15%	**17.7%‡**
Employee Development	Our employees are our most valuable asset and the organisation is unable to deliver any outcomes without its skilled and diverse people	• Clients • Staff	• Ability to attract and retain scarce skills • Ability to embed organisational transformation projects	• We are implementing a talent development strategy and investing in skills development of staff and a learnership programme to proactively identify future talent • We have improved our focus on integrating change initiatives by investing in additional change management skills and programmes	52 Critical roles identified	**92.9% filled‡**
					55% ACI staff in workforce	**66.9%‡**
					30% women in management positions	**37.1%‡**
Environmental sustainability	Land Bank's long-term sustainability depends on the continued existence of a climate resilient agricultural sector. Climatic factors impact the Bank's credit risk directly.	• Clients • Government departments • Industry bodies • Investment community • Multilateral funders	• Effects of climate change resulting in more frequent extreme risk events like drought, floods • Reduction in water and soil quality and competition with mining and other activities affect crop yields	• Environmental and Social Sustainability strategy and embedding environmental risk assessments in our credit processes • Research is in process to understand our clients' farming practices within climate limitations and design lending instruments for the adoption of climate resilient practices	Set standards of good environmental practice	**Complete**
					Develop due diligence protocols	**Complete**
					Structural incentive instrument for environmentally sustainable lending	**Concept approved and funding being sought**

CHIEF EXECUTIVE OFFICER'S REVIEW

Development impact and effectiveness

Mr T P Nchocho
Chief Executive Officer

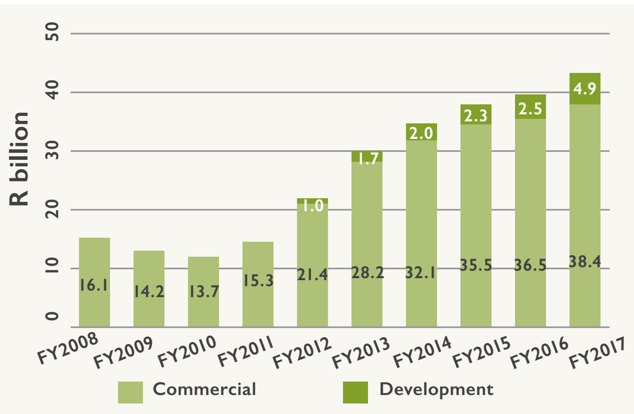
Development is a multi-dimensional process that entails positive changes in structures, institutions and improvement in human living conditions. As a result, Land Bank articulated a corporate strategy (Vision 2020) in 2015 as a catalyst for inclusive and transformational growth in the agricultural sector. We identified five development objectives to improve the agricultural system, namely transformation, sector growth, employment quality, food security and sustainable development.

For Land Bank, development mainly denotes the enablement of inclusive and transformational growth within the agricultural sector. During the year under review, we clarified our development strategy and focused on identifying meaningful outcomes against which we can measure our contribution and effectiveness.

Our performance against this strategy

Our total gross loan book grew by R4.3 billion‡ of which R2.4 billion‡ was for development loans. We take pride in the significant improvement in the pace of growth (96% increase year-on-year) and the proportion of the loan book consisting of development financing (11% compared to 6% in FY2016).

Figure 4: Loan book composition



Through its direct lending, Land Bank currently supports approximately 1 500‡ Black farmers and relinquished approximately R100 million of its profits to subsidise interest rates to these farmers as well as an additional 700 emerging farmers through its WFF intermediaries. One of the contributing factors to the increase in development finance is that average transaction values increased from approximately R0.7 million in FY2016 to more than R2.0 million‡ in FY2017.

Our development strategy emanates from the Bank's mandate and is informed by various existing government policies as well as regional and international objectives. The alignment with national, regional and international priorities is illustrated in figure 5.

> We take pride in the **significant improvement** in the **pace of growth (96% increase year-on-year)** and the proportion of the loan book consisting of development financing (11% compared to 6% in FY2016).

Figure 5: Development strategy

	Land Bank Act	National Development Plan	CAADP SADC RAP	Sustainable Development Goals
EQUALITY, TRANSFORMATION AND INCLUSIVITY	Equitable ownership of agricultural land, particularly increasing the ownership of agricultural land by historically disadvantaged persons Agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons. Removing the legacy of racial, gender and generational discrimination in agriculture	Facilitate land reform to unlock the potential for a dynamic, growing and employment creating agricultural sector		5. Gender Equality
ECONOMIC GROWTH	Commercial agriculture Land access for agricultural purposes Growth of the agricultural sector and better use of land	Convert some under-used land in communal areas and land reform projects into commercial agriculture Pick and support commercial agriculture sector and regions that have the highest potential for growth and employment	Agricultural research, technology dissemination and adoption	8. Decent Work and Economic Growth
EMPLOYMENT	Rural development and job creation Agricultural entrepreneurship	Support job creation in the upstream and downstream industries Develop strategies that provide new entrants access to product value chains and support from better resourced players	Improving rural infrastructure and trade-related activities for market access	1. No poverty 9. Industry innovation and infrastructure
FOOD SECURITY	Food security Enhancing productivity, profitability, investment and innovation	Access for all to sufficient, nutritious and safe food at all times	Increasing food supply and reducing hunger	2. Zero hunger 3. Good health and well-being
SUSTAINABLE DEVELOPMENT	Environmental sustainability of land and related natural resources	Expand irrigated agriculture by 500 000 hectares Find creative partnerships between opportunities	Extending the area under sustainable land management and reliable water control systems	13. Climate action 15. Life on land 17. Partnerships for the goals

During the year under review we clarified our development strategy and focused on identifying meaningful outcomes against which we can measure our contribution and effectiveness. We also made significant progress in identifying more detailed actions to achieve each of our development objectives and I am pleased to report some of the outcomes of our actions below.

Table 6: Progress against our strategies

Objective	Description	Progress
Economic growth	Support **economic growth** Stimulate agri-sector growth in a focussed and targeted manner to increase sector contribution to GDP	During FY2017, we increased our gross loan book by **R4.3 billion to R43.3 billion**‡ (R39.0 billion in FY2016). It is estimated that every R1.0 billion of the Bank's capital employed will result in another R2.0 billion of indirect capital being leveraged in the sector and thus the overall impact of the R4.0 billion will enable the utilisation of another R8.0 billion in the sector.
Employment	Contribute to quality **employment** Create jobs Maintain jobs, skills development Increase youth participation in the sector	The **R4.8 billion** in new disbursements (excluding revolving facilities) that we made in FY2017 contributed to the creation of nearly **15 360** direct jobs and indirect jobs in the sector. In addition, the Bank has contributed to the maintenance of at least **3 500** job opportunities in the embattled poultry sector because of its continued support to existing development projects.
Equality, transformation and inclusivity	Promote **equality, transformation and inclusivity** in the agri-sector Support equitable sector transformation through gender and historically disadvantaged individuals support, rural development and access to land, and to land reform	Over the past five years we have increased the proportion of our loan book devoted to development from R1.0 billion (4%) of gross loan book in FY2012 to **R4.9 billion (11%)**‡ of gross loan book in FY2017. In FY2017 the Bank relinquished approximately **R100 million** of its profit to subsidise interest rates to emerging farmers.
Food security	Ensure **food security** Raise agricultural productivity of key staple crops to increase availability, affordability and sustainable access to food basis	We disbursed in excess of **R100 million**‡ in loans under our drought-relief programme that we administer in conjunction with the IDC.
Sustainable development	**Support sustainable development** Use agricultural infrastructure and natural resources Investing in interventions promoting sustainable management of natural resources and rural development Development of appropriate agricultural infrastructure and sustainable practices.	We financed about **5 000 hectares of new irrigation** through two intermediaries in KwaZulu-Natal and Eastern Cape to benefit more than 1 000 emerging farmers. In Limpopo, Northern and Western Cape we are financing more than **8 000 hectares of new irrigation** lands mainly for commercial agriculture via intermediaries.

In order to give effect to these development objectives, we have identified four priority areas to focus our efforts in FY2018. These are: economic transformation, social inclusivity, economic growth, and innovation and sustainability.

I strongly believe that a corporate culture that subscribes to high ethical and governance standards is a prerequisite to delivering sustainable results. In this regard, I personally signed commitments during FY2017 that bind Land Bank to ethical behaviour and underscore the importance of the Compliance function in the organisation.

Given renewed **investor confidence**, the Bank was able to lengthen its funding maturity profile to **reduce its reliance on short-term funding**, while simultaneously **improving** its **net-interest margin**.

3 PERFORMANCE OVERVIEW

Development impact

As discussed in the CEO's review, development is central to our strategy. To fulfil our mandate, we engaged in several noteworthy transactions during the year.

Support entry of Black industrialists into the sector

A R240 million‡ transaction was concluded with a major fruit producer in the Western Cape. The transaction allowed the client to include a significant Black investor and increase its Black ownership 10% to 31%. Shareholding by the employee trust also increased to 12.5% with 350 beneficiaries. This project is an excellent example of the Bank's support of creating a new generation of Black industrialists and facilitating broad-based empowerment. The transaction preserves 1 800 existing employment opportunities while creating 600 new jobs.

Joint ventures between commercial and emerging farmers

In Limpopo, the Bank assisted a commercial dairy, Limpopo Dairy, in a joint venture with its farm workers to purchase a farm. The workers' trust is a 51% shareholder in Zolarity (Pty) Ltd and the new farm is being developed to include maize, blueberries and alternative energy production. The project will create at least eight new full-time job opportunities and the intention is to add another 150 opportunities over the next year. This project will enable the dairy operation to grow their current business with a national supplier to one of the main retailers based on their newly acquired BBBEE status.

Support to land reform projects

The revitalisation of land reform projects is a key priority identified by the NDP and Operation Phakisa to bring under-utilised land back into production. Ndwandwa Trust is one such restitution project consisting of 29 farms and 9 800 hectares of land where production has ceased and the beneficiaries approached the Bank for assistance during the year. We provided financing to bring 555 hectares back under production. A commercial farmer is providing dedicated technical assistance and mentorship to the community and we hope to be part of the continued expansion of this initiative to restore most of the productive capacity over time.

Financing through intermediaries

To discharge its development mandate, Land Bank offers direct financing to farmers and indirect financing through our WFF. In collaboration with agricultural intermediaries, the WFF aims to commercialise emerging farmers through the provision of technical support, market access and funding at a subsidised interest rate.

Currently, we have 11 partners in this programme and provide access to funding for a variety of farmers and crops. In one such project in the Free State the owner of a feedlot assists an emerging livestock farmer to provide better quality weaners to his operation. Land Bank provided R25 million‡ to the Sernick Group which has been used by 59 emerging farmers to purchase better quality breeding stock. The farmers are also receiving intensive training as part of a three-year programme and share in the increased profits from this higher quality stock. During the past year, these farmers managed to raise 3 000 weaners.

Since FY2013, we have provided R323 million‡ to Humansdorp Co-operative in the Eastern Cape for their empowerment project known as 'The Co-op'. In this manner, 64 projects are supported throughout the region involving livestock, horticulture and a variety of cash crops. The projects sustain 1 000 fulltime jobs and 1 300 seasonal jobs involving more than 6 700 beneficiaries. Humansdorp Co-operative on-lends the funds to the projects, manages repayments and provides technical skills.

LBIC Black Broker Programme: a transformation initiative

As part of our transformation objective, our LBIC subsidiary launched and implemented its Black Broker Training Programme to train the first fully accredited Black Crop Insurance Brokers in the country. Crop insurance in South Africa is distributed via intermediaries who consisted mostly of white males in the past. To align with Land Bank's development objective to increase the footprint of emerging, previously disadvantaged farmers, the Black Broker initiative provides support to such farmers.

A total of 18‡ Black brokers were accredited and began marketing LBIC's crop insurance products in July 2016. As a result of this programme and other similar projects, these brokers wrote R22.5 million‡ in premiums in their first season of crop insurance solutions provision, which equates to R565.0 million‡ of risk managed exposure.

Future focus areas

Our efforts for FY2018 will centre on rendering our project quality, inclusivity and representativeness more effectively, and on implementing the strategy with tangible objectives and time-bound, measurable targets. Policies will be revised to correspond with the development impact philosophy and the updated strategy.

Our focus areas for FY2018 are:

- Grow the sector on an inclusive/shared basis
- Maintain a faster pace for the intervention efforts
- Create a targeted programme of lending and investments
- Structure social impacts for employment, youth and gender inclusion
- Scale up on a structured, programmatic basis
- Provide sustainable financing, based on sound banking and investment practices
- Engage in structured efforts in respect of skills development and technical/ management support

Supplier development

Through our Supplier Development (SD) programmes, we assist small Black-owned businesses to not only maintain their profitability, but also to grow. Beneficiaries of SD are companies with a turnover of less than R10 million or companies with a turnover of R10-50 million that are at least 51% Black-owned. During the year under review, we had no formal supplier development strategy and our actions were based on imperatives identified as part of the BBBEE verification process. As a bank, we do not have a highly developed chain of suppliers who provide inputs in our business. The table below provides detail on our total procurement spend.

Table 7: Procurement spend

Procurement spend	Amount (R million)
Total procurement spend including leases	R152.2
Total procurement spend excluding leases	R146.3
Procurement spend on 51% Black-owned companies	R60.3
Procurement spend on 30% Black-owned companies	R50.3
Qualifying small enterprises	R4.3
Exempted micro enterprises	R6.3

In previous years, Land Bank's SD programmes used larger suppliers to transfer skills to smaller suppliers. However, during the year under review, we commenced with an SD programme where we invested R3.3 million‡ directly in our suppliers to achieve the goal of investing 2% of net profit. We focused on three of our shuttle service companies that met SD criteria. Through engagements with these companies, we assessed their needs and invested in vehicles to assist them in expanding their business service lines. We made a second investment in advanced driving and anti-hijacking courses.

We are in the process of developing a formal SD strategy that focuses on the environment, which will be implemented during FY2018. Part of our environmental policy is to purchase from environmentally sustainable companies where possible. Since larger companies tend to be better equipped to invest in environmental sustainability, our purchasing was biased towards larger companies. With an objective of supporting smaller companies, the strategy will include programmes to support environmental sustainability among smaller companies. As a newly established strategy, we will engage with diverse suppliers that fit supplier development criteria. Programmes will then be customised to specific supplier group needs.

Corporate Social Investment

Through our Corporate Social Investment (CSI) programmes, we aim to promote the development of agricultural expertise among subsistence farmers and communities. This promotes food security, and as subsistence farmers progress to emerging farming businesses, it would enhance employment quality and inclusivity. In this way, we seek to grow the sector and contribute towards its transformation. Our CSI programmes focus on the subsistence farmer segment, thereby complementing our core business activities and customer segments. We further seek to support rural youth and women in addition to supporting small and subsistence farmers and ensuring skills development for them.

Our CSI objectives are aligned with the development objectives of the organisation.

Our objectives for FY2017 were:

- Food security: Up-skill subsistence farmers and communities to provide households with resources to improve food security and reduce vulnerability to hunger.
- Employment quality: Capacity building for small-scale farmers to up-skill them to pursue sustainable agricultural practices and employment opportunities.
- Sector growth and transformation: Building the agricultural sector skills pipeline focusing on the development of youth and women-headed households.

Our CSI strategy is delivered in three tactical areas:

Table 8: Corporate Social Investment

Corporate Social Investment	2017 Expenditure
Flagship projects: Integrated community projects in partnership with industry players and Land Bank intermediaries	R535 000‡
Once-off projects: Funded on an ad-hoc basis according to criteria set against the business objectives	R32 500‡
Staff volunteerism: Embedding the culture of how we do things differently at Land Bank and seeking to create impact for society as a whole	R113 000‡

Our key CSI project entails a partnership with IDC and Buhle Farmer's Academy to train and mentor aspiring Black farmers. This programme enables new and emerging farmers to establish viable farm businesses. Farmers are offered structured agricultural courses in crop and animal production, followed by mentorship support in farm business development and market access. We invested R535 000 in the tuition of 200 students‡, which was matched by the IDC. The academy itself also invested R500 000 in the programme. The year under review marks the first year of Land Bank's involvement. Although the investment was made during FY2017, the programme will not be fully implemented until FY2018, thus we expect to report on the outcomes in our FY2018 integrated report. We also support once-off programmes on an ad hoc basis and employee volunteerism through our Mandela Day activities.

Our CSI focus for the next fiscal year will be to exceed the prescribed investment of 1% of Net Profit After Tax for CSI. To strengthen the impact around the development objectives, raise additional funding and extend our reach, we will identify projects with external partners.

Our focus areas for FY2018 are:

- Increase CSI expenditures to R2.1 million
- Partner with other DFIs and our intermediaries to co-fund programmes, enhance our funding and expand our reach in communities
- Partner with an organisation that has the resources and expertise to teach sustainable agricultural practices to subsistence farmers

Financial sustainability

Highlights

We are pleased to report on a successful FY2017. Notwithstanding the challenging external environment, the Bank achieved solid financial results, enhanced its reputation and funder perception, improved its transparency, and updated its DMTN Programme to further improve investor confidence in the Bank.

Following the significant changes to the organisation during FY2016 and the adverse weather conditions that negatively impacted the summer grain areas, FY2017 was characterised by challenging debt and capital market environments – especially for SOEs – and further macro-economic uncertainties.

Despite these challenges, the following highlights were achieved during the year:

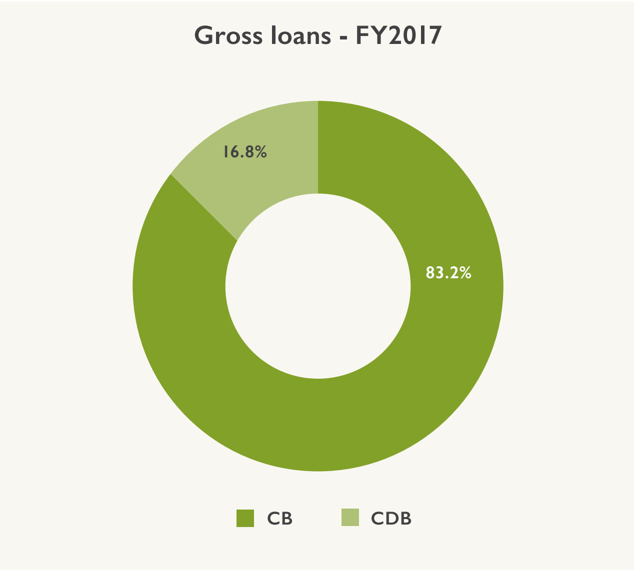
Table 9: Financial highlights

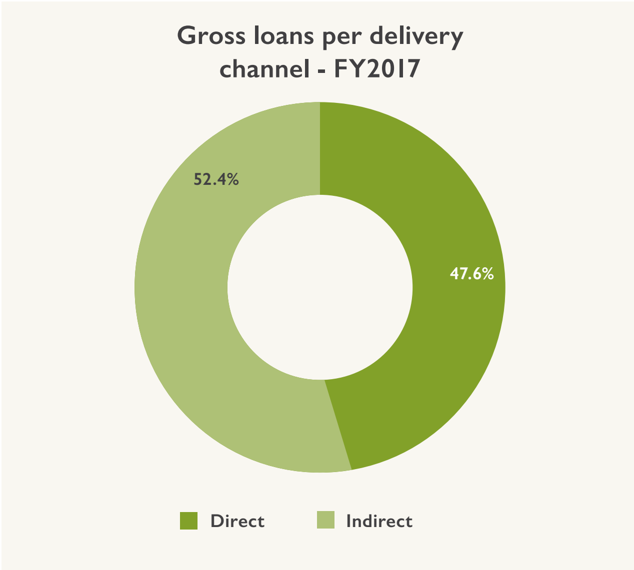
Highlight	Key consideration
Compliance against corporate plan financial sustainability targets	The Bank exceeded all financial sustainability targets, thereby enhancing its financial strength and sustainability
Improved market acceptance and recognition by funders	Following the announcement by key asset managers that funding was suspended to SOEs in Q2 FY2017, the Bank restored investor confidence through proactive engagement with investors and by addressing all concerns raised, resulting in increased investor appetite for Land Bank debt issuance
Maintained National Scale credit rating of Aa1.za	Despite a downgrade of the Bank's Global Scale rating in line with that of the sovereign, Moody's Investor Services upheld the National Scale rating of the Bank, confirming our belief that the risk profile of the Bank has improved
Increased net interest margin to 3.1%	Improved investor confidence and enhanced ability to appropriately price for risk has contributed to contain interest cost and improve asset yields
Achieved enhancements to DMTN programme memorandum	Enhancements resulted in increased appetite for Land Bank instruments: • Improved transparency and disclosure undertakings • Mandatory redemption events lined to: ° Change in control – with specific reference to the Bank's executive authority, namely National Treasury; ° Disposal of all or greater part of the business; ° Breach of anti-corruption laws or corporate governance policies; ° Breach of Environmental Laws – linked to a material adverse event; and ° Change in the business of the Land Bank – linked to a change in the Land and Agricultural Development Bank Act 15 of 2002. • Inclusion of notes that may qualify as 'regulatory capital' • Market standardisation of specific clauses
Increased investor appetite following the update of the programme memorandum and pro-active engagements	During Q3 and Q4 of FY2017, Land Bank was able to gain significant traction in lengthening the funding profile and reducing reliance on short term funding, with longer dated issuance of in excess of R4.0 billion (3-year: R2.52 billion and 5-year: R1.51 billion)
Significant post-balance sheet funding activities	Strengthened both the sources of development and commercial funding with large funding transactions: • R0.8 billion DMTN issuance (1-year: R155 million; 5-year: R650 million) • R1.9 billion private placements with tenor of 5 years • A US$93 million ZAR equivalent 25-year facility has been concluded with the World Bank which will be used for emerging farmer and social development • Concluded a US$300 million MIGA guarantee backed 10-year term loan facility: ° Tranche 1: US$70 million executed during April 2017 ° Tranche 2: US$130 million executed during May 2017 ° Tranche 3: US$100 million due in December 2017 • R2.15 billion undrawn committed facilities available

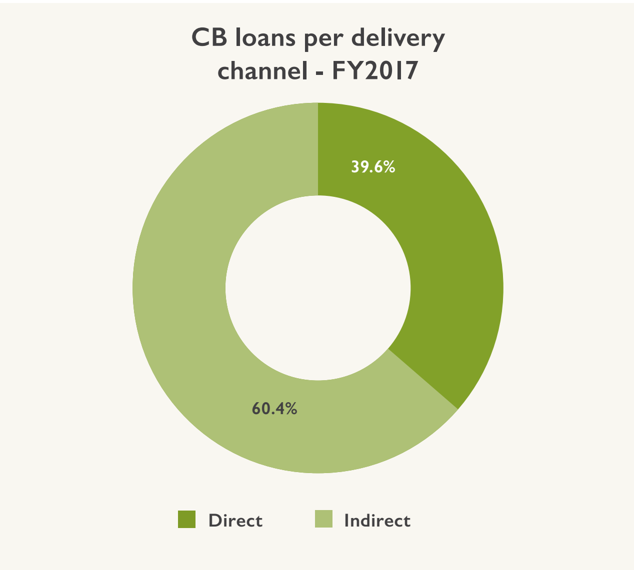
Divisional performance

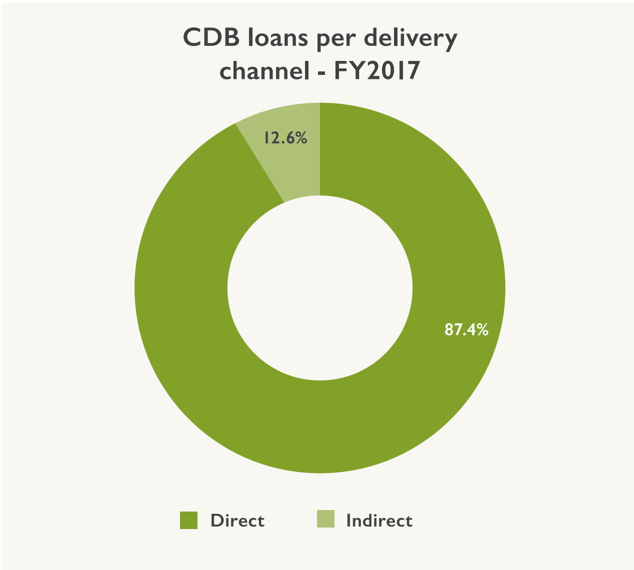
For the period under review, Land Bank's gross loan book amounted to R43.3 billion‡ of which 83.2%‡ and 16.8%‡ were contributed by CB&SI and CDB respectively. Furthermore, 47.6%‡ and 52.4%‡ of the gross loans were contributed by the Bank's Direct and Indirect delivery channels respectively.

Figure 6: Gross loan book analysis





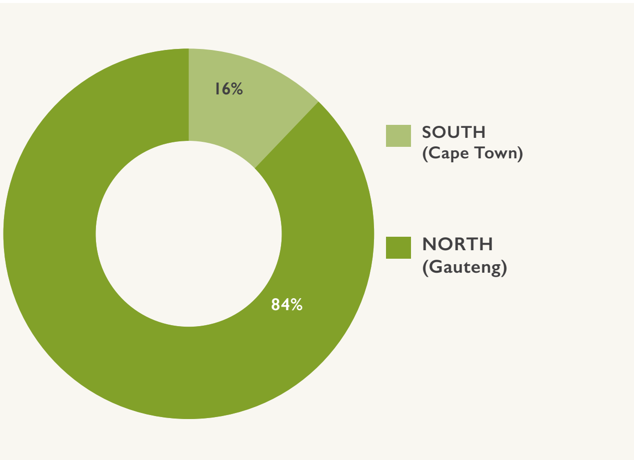




Corporate Banking and Structured Investments

CB&SI comprises the largest portion of the Bank's lending activities, with 83.2%‡ of the total loan book, and the division's activities played an integral part in the growth of the loan book in FY2017. The division focuses on syndicated loans to large commercial businesses, falling in the agri-corporate, mega and large farmer client segments. In addition, a Structured Investments function was established during August 2016 to complement the service offering of the CB&SI division with the key objective of offering equity investment for development or transformational deals. It thereby facilitates the entry of Black industrialists in the sector through the offering of appropriate equity investment structures. CB&SI services our corporate clients and plays an integral part in maintaining a quality loan book for financial sustainability. It services clients through two regional offices, North (located in Centurion) and South (located in Cape Town). The chart below reflects the regional contribution of the CB&SI gross loans.

Figure 7: Corporate banking loan book by region



Service delivery is achieved through direct and indirect delivery channels.

Direct lending

Aligned with our imperatives of maintaining the balance sheet, the direct service offering is aimed at large agribusinesses and mega farmers with good revenue and return. Such clients enhance the quality of our loan book and enable the Bank to maintain sufficient profitability for investment in development and inclusive farming. Direct lending to such clients approximates 39.6% of the corporate loan book.

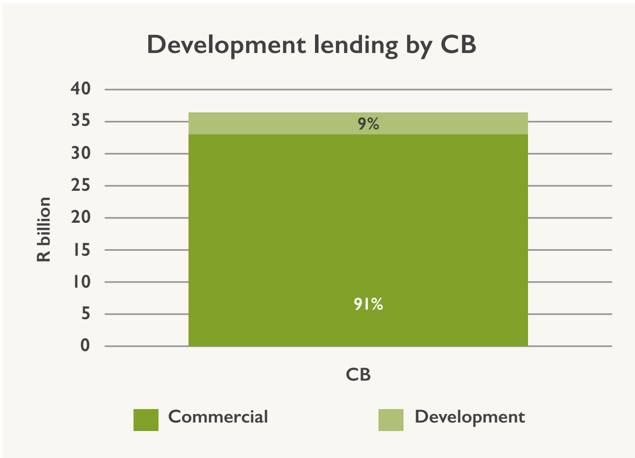
Indirect lending

The remainder of the loan book consists of facilities provided through Indirect delivery channels, or intermediaries, referred to as SLA partners, to manage loans on the Bank's behalf mainly to mainly commercial farmers. These facilities are on-balance sheet for Land Bank, but off-balance sheet for the intermediaries, thereby creating space on their balance sheets for further expansion in the sector. The number of farmers financed during the year varied as it is based on production cycles, but as at 31 March 2017, Land Bank has financed 6 775 farmers via these intermediaries. R0.5 billion‡ of the indirect loan book is currently used to support development transactions.

Development

CB&SI disbursed more than R5.0 billion‡, including revolving loans, to entities with a BBBEE Level of 4 or better in FY2017. In future, the strategy will be to accelerate development transactions already in the pipeline, structure financially sustainable proposals to SLA partners and identify industry opportunities that will maximise our development impact, including the growth of the equity investment portion of the book. CB&SI's efforts to strengthen the value proposition will include tailored funding structures with extended tenor, grace period for capital repayments and subsidised funding. We will seek public-private partnerships to complement these instruments and extend our economic and social impact.

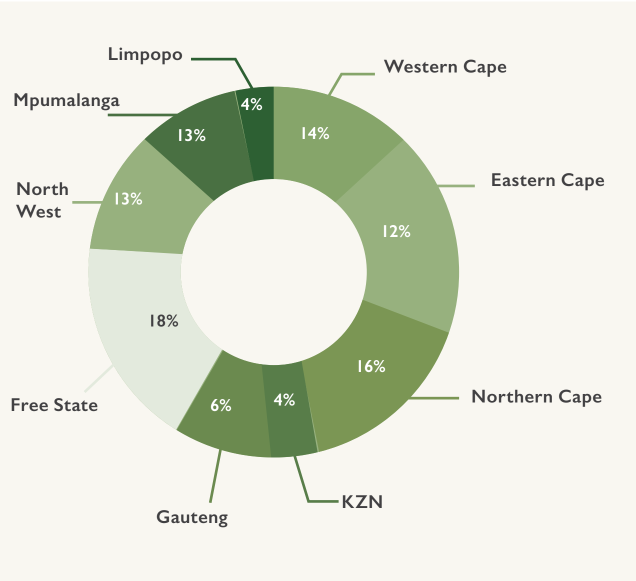
Figure 8: Split in gross loan book between development and commercial agriculture for CB&SI



Commercial Development and Business Banking

The CDB division provides financing solutions to both medium commercial and emerging farmers with the goal of development and transformation. Through financing commercial farmers, the division enables them to undertake transformational projects and grow their enterprises to support inclusive growth in the sector. It also supports emerging farmers to graduate to commercial status and thus grow the size of the agricultural sector overall, contributing to the creation of employment and reduction in poverty. The division utilises sustainable financial solutions and provides end-to-end business support for emerging farmers to accomplish this goal. CDB services its clients through our provincial network and the geographical spread is reflected in the loan book composition.

Figure 9: CDB Loan book by region



Direct lending

The division lends directly to commercial and emerging farmers through the Bank's provincial network, which approximates 86.4% of the CDB loan book.

Indirect lending

Indirect lending to emerging farmers is done through WFF and such lending activities approximate 12.6% of CDB's loans. Not only do the WFF intermediaries share credit risk and reduce the Bank's risk as a result thereof, but they also provide technical support and mentoring to emerging farmers, thereby improving the sustainability of their businesses.

Development

CDB nearly doubled its WFF facility that supports emerging farmers through intermediaries from R477 million in FY2016 to R914 million at the end of FY2017. Examples of these facilities are discussed under the Development Impact section on page 40. CDB currently supports more than 1 500 historically disadvantaged individuals through its direct lending.

Figure 10: Split in gross loan book between development and commercial agriculture for CDB

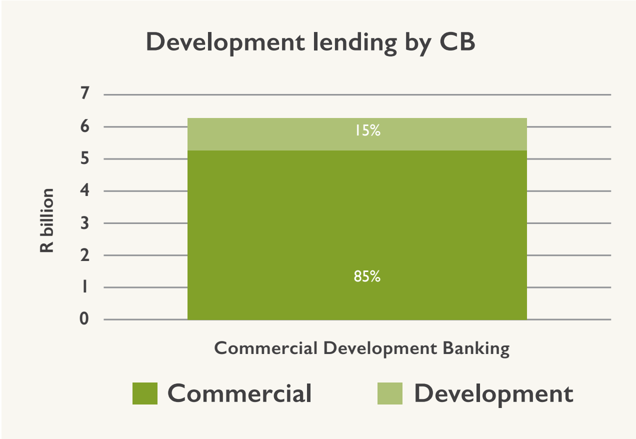


Table 10: Salient features of the banking operations' divisional financial performance

	CB&SI	CDB
Gross loans	R36.1 billion	R7.3 billion
Loan performance (%):		
* Stage 1: Performing	84.0%	82.2%
* Stage 2: Under-performing	10.4%	3.4%
* Stage 3: Non-performing	5.6%	14.5%
Net interest income	R1.1 billion	R198.3 million
Net profit	R741.2 million	R95.5 million

Land Bank Insurance Company

LBIC recorded a positive performance for FY2017, measured by significant growth in GWP (32.3%) versus a low GWP in the previous year due to unfavourable weather conditions. LBIC wrote R536.9 million (FY2016: R405.9 million) gross premiums from 5 697 crop policies. However, significant claims were also experienced based on the weather conditions which resulted in a net loss of R2.7 million.

Land Bank Life Insurance Company

The Group's credit life premiums written during the year more than doubled to R11.7 million (FY2016: R5.3 million). The profit from the credit life business enabled the company to build a significant investment portfolio over the years, which is managed by a variety of fund managers. The net profit of the company is now mainly derived from the investment returns. LBLIC subscribes to the principles of responsible investment and has accumulated an investment portfolio of R1.2 billion‡ (FY2016: R1.3 billion). The investment and actuarial committee sets the investment objectives of the company and appoints an investment manager to ensure the asset managers operate within their set mandates.

The appointed asset managers support responsible investment and are either signatories of the United Nations Principles for Responsible Investments (UNPRI), a framework for achieving better long-term investment returns and more sustainable markets, or subscribe to the Code for Responsible Investing in South Africa (CRISA), that guides the institutional investor on conducting investment analyses and activities, as well as exercise rights to promote sound governance. Through the asset managers, many positive recommendations relating to environmental performance measures and remuneration policies have been made to the companies in which we invested.

Table 11: Salient features of the insurance operations' financial performance

	LBIC	LBLIC
Gross premiums	R536.9 million	R11.7 million
Underwriting loss	R18.5 million	R12.4 million
Investment income	-	R60.5 million
Net (loss)/profit	(R2.7 million)	R53.4 million
Investments	-	R1.2 billion

Detailed financial performance is noted in the Financial Sustainability Report.

Banking operations

Table 12: Analysis of banking results

	FY2017 R million	Published * FY2016 R million	Like-for-like FY2017 R million	Like-for-like *FY2016 R million	Variance (%) FY2017 vs FY2016 (Like-for-like)
Gross interest income	4 234.8	3 543.8	4 234.8	3 543.8	19.5%
Net interest income	1 256.9	1 134.5	1 256.9	1 134.5	10.8%
Investment income	11.5	10.1	11.5	10.1	13.9%
Net impairment charges	(81.5)	(74.2)	(81.5)	(74.2)	9.8%
Non-interest expense	(269.1)	(240.6)	(269.1)	(240.6)	11.8%
Non-interest income	60.6	48.7	60.6	48.7	24.4%
Operating expenses	(569.9)	(677.9)	(538.8)^	(515.2)^	4.6%
Indirect taxation	(68.9)	(54.3)	(68.9)	(54.3)	26.9%
Loss from discontinued operations	(5.2)	(35.6)	(5.2)	(35.6)	(85.4%)
Profit for the year	**316.3**	**94.0**	**347.4**	**307.5**	**13.0%**
Other comprehensive income/(loss)	(10.6)	(22.2)	(10.6)	(22.2)	(52.3%)
Total comprehensive income	**305.8**	**71.8**	**336.9**	**285.3**	**18.1%**
Cash and cash equivalents	1 211.3	2 120.6	1 211.3	2 120.6	(42.9%)
Capital and reserves	5 364.6	5 058.8	5 364.6	5 058.8	6.0%
Net loans and advances	40 975.6	36 353.4	40 975.6	36 353.4	12.7%

* FY2016 results have been restated to reclassify the interest expense on the post-retirement medical aid liability out of the interest expense line, into its own line.

^ Excludes organisational review costs of R31.1 million in FY2017 and R162.7 million in FY2016.

Excluding the once-off expenses in FY2016 and FY2017, our total comprehensive income increased by 18.1% to R336.9 million (FY2016 like-for-like: R285.3 million). The following adjustments were made to the FY2016 published profit for the year to compile the FY2016 like-for-like results:

Table 13: FY2016 like-for-like

Profit for the year	Variance (%)	FY2017	FY2016
Published basis	+100%	**316.3**	**94.0**
Organisational review	(80.9%)	31.1	162.7
IFRS fair value designation to amortised cost	(+100%)	-	50.8
Like-for-like basis	**13.0%**	**347.4**	**307.5**

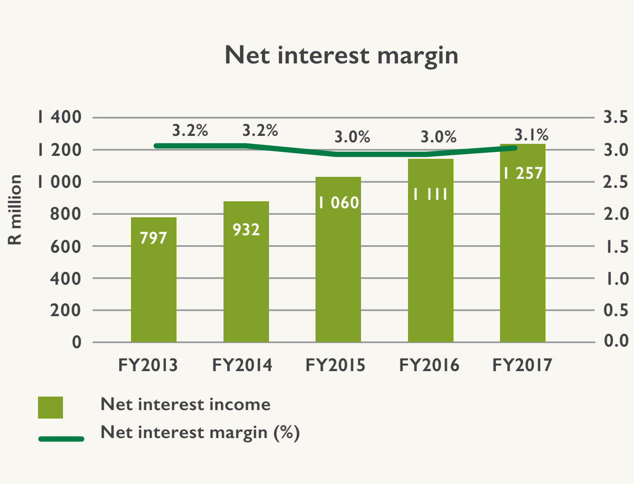
Net interest income

Net interest income amounted to R1.3 billion (FY2016: R1.1 billion) and gross interest income increased to R4.2 billion, up from R3.5 billion reported during FY2016. The improved performance was on the back of increased loans and advances which grew by R4.3 billion to R43.3 billion, coupled with enhanced risk based asset pricing.

Interest expense increased to R3.0 billion from R2.4 billion reported for FY2016 due to increased funding liabilities which have increased by approximately R3.8 billion from FY2016, as well as an increase in cost of funding on the back of our ongoing initiatives to actively lengthen our funding profile. The general SOE yield expectations by investors have also increased during the year, resulting in increased funding cost.

Net interest margin has increased from 3.0% during FY2016 to 3.1% for FY2017. The increase in the net interest margin against the background of the difficult funding environment, is a pleasing result.

Figure 11: Net interest margins



Impairments

For FY2017, net impairment charges amounted to R81.5 million (FY2016: 74.2 million) The Bank's IFRS 9 models as adopted during FY2016 have now been in place for two consecutive reporting periods and impairment charges have stabilised somewhat during the year with results being more predictable. The models will continue to mature in future.

Table 14: Impairments year-on-year

	FY2017 R million	FY2016 R million	Variance (%)
Total impairment	(81.5)	(74.2)	9.8(%)

Non-interest income/ (expense)

Non-interest expenses incurred for FY2017 was net R208.5 million, compared to R192.0 million for FY2016. Non-interest expenses mainly consist of SLA administration fee expenses of R269.1 million. The fees increased by 14.4% year-on-year due to a higher average loan balance of the SLA loan portfolio, as well as additional loan book acquisitions during the period under review. The interest received on these loan books of R2.1 billion (FY2016: R 1.6 billion) is included in the net interest income.

This increase was partly offset by administration fees, rental and sundry income of R60.6 million (FY2016: R48.7 million).

Table 15: Non-interest income/ (expense)

	FY2017 R million	FY2016 R million	Variance (%)
Non-interest income	**60.6**	**48.7**	**24.4%**
Account admin fee and commission income	36.2	32.9	10%
Investment property rentals and income from properties in possession	15.1	15.1	0%
Sundry income	9.3	0.7	+100.0%
Non-interest expense	**(269.1)**	**(240.6)**	**11.8%**
Account admin fee expenses	(269.1)	(235.3)	14.4%
Sundry expense	-	(5.3)	(100.0%)

Investment income and fair value gains

Investment income increased by R1.3 million to R11.5 million (FY2016: R10.1 million) and the fair value gains increased to R5.9 million (FY2016: R4.4 million).

Table 16: Investment income and fair value gains

	FY2017 R million	FY2016 R million	Variance (%)
Interest	5.4	5.6	(3.6%)
Dividends	8.0	6.5	23.1%
Investment management fees	(1.9)	(1.9)	0%
Total investment income and fees	**11.5**	**10.1**	**13.9%**
Realised gains	18.6	20.2	(7.9%)
Unrealised fair value losses	(12.0)	(15.4)	22.1%
Held-for-trading fair value losses	(0.7)	(0.4)	(75%)
Total fair value gains	**5.9**	**4.4**	**34.1%**

Operating expenses

Operating expenses incurred during FY2017 amounted to R569.9 million (published basis), having decreased from R677.9 million (published basis). When comparing FY2017 and FY2016 operating expenses excluding the once-off organisational review expenses. Operating expenses have only increased by 4.6% to R538.8 million from R515.2 million.

The adjustments made to the FY2017 and FY2016 operating expenses to determine the like-for-like expenses amounted to R31.1 million (FY2016: R162.7 million), are detailed below:

- Staff related cost (severance packages, and leave encashment) of R9.6 million (FY2016: R98.4 million);
- Professional fees of R10.4 million (FY2016: R43.6 million);
- Legal fees of nil (FY2016: R18.6 million); and
- Other related costs of R11.1 million (FY2016: R2.1 million).

The Bank's operational efficiency as measured by the cost-to-income ratio has improved from 56.0% (like-for-like) as reported in FY2016 to current levels of 51.4%.

Table 17: Operating expenses

	FY2017 (published) R million	FY2016 (published) R million	Variance (%)
Notable movements			
Staff costs	332.2	334.0	(0.5%)
Lease expenses	28.8	29.3	(1.7%)
Professional fees	30.8	36.9	(16.5%)
Legal fees	12.7	14.2	(10.6%)
Other operating expenses	134.3	100.8	33.2%
Total costs from normal operations	**538.8**	**515.2**	**4.6%**
Organisational review costs	31.1	162.7	(80.9%)
Total operating costs for the year	**569.9**	**677.9**	**(15.9%)**

Discontinued operations

Losses from the discontinued operations amounted to R5.2 million (FY2016: R35.6 million), declining by 85.4%. The annual losses primarily relate to the funding costs of the Land Development Finance Unit (LDFU) portfolio, but was offset in the current year by a reversal of bad debt provision amounting to R47.5 million (FY2016: R7.7 million release). This reversal is a direct result of the increase in forced sale value of the underlying security. The unit was discontinued in FY2009 as the loans then granted fell outside the Bank's operating mandate. Since its reclassification as discontinued operations, no interest has been accrued or recognised on the loan portfolio, which at a gross level remained unchanged from the prior year. We continue to explore commercially sound disposal options for the remaining assets.

Other comprehensive income

Table 18: Other comprehensive income

	FY2017 R million	FY2016 R million	Variance (%)
Actuarial losses on post-retirement medical aid liability	(13.0)	(17.5)	25.7%
Revaluation of land and buildings	2.0	6.3	(68.3%)
Gain/(losses) on financial assets at fair value through other comprehensive income	0.4	(11.0)	+100%
Total	**(10.6)**	**(22.2)**	**52.3%**

Post-retirement medical aid liabilities

We provide a post-retirement medical aid benefit to staff who qualified for life-long medical aid subsidies as at 1 December 2005. This fund functions primarily as a defined benefit scheme. The fund, which is subject to an annual actuarial valuation, reported an actuarial loss of R13.0 million (FY2016: R17.5 million) in the period under review, due to increased medical aid inflation, partly offset by increases in the discount rates.

We have a standalone investment to mitigate the risk that the Bank is exposed to, which amounts to R359.9 million (FY2016: R357.0 million). Furthermore, the Bank is currently engaging post-retirement specialists in a bid to manage the adverse effects of the liability.

Cash and cash equivalents

With our recent voluntary adoption of Basel-like risk management practices of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) (with certain Board-approved deviations from the regulations), we aim to hold high quality liquid assets to provide sufficient liquidity buffers to mitigate re-financing risk and prevailing operational demands.

Liquidity Coverage Ratio

The LCR aims to ensure that banks maintain adequate levels of unencumbered high-quality assets (numerator) against net cash outflows (denominator) over a 30-day significant stress period.

Deviation from the banking regulations

Given our unique business model – including the inability to take deposits and the requirement to have cash available – the Bank deviates from the banking regulations in the following areas:

- Our previous liquidity ratio required us to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in Government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act 94 of 1990 in terms of classifying cash deposits and available committed facilities as high quality liquid assets.
- In the past we have enjoyed a 100% roll-over rate from Public Investment Corporation (PIC) and Corporation for Public Deposits (CPD) debt investments and this behaviour is expected to continue. For this reason, the Bank excludes contractual maturities from these institutions from the 30-day maturity profile.
- We acknowledge a deviation from the regulation in terms of assumptions made regarding roll-over rates with investors to assess the likelihood of roll-over. We will always apply the minimum roll-over rate (between historic roll-overs and investor discussions) to the calculations of the LCR.

These deviations from the banking regulations have been negotiated with investors in bilateral loan covenants and they are comfortable for the Bank to apply these principles.

For FY2017 the Bank achieved a LCR of 85% against a target of 60% (FY2016: 55%, – no target), while total cash and cash equivalents amounted to R1.2 billion (FY2016: R2.1 billion). To further strengthen its emergency liquidity position, we negotiated new and increased revolving credit facilities of R650 million. We now have access to R2.65 billion[1] in facilities of which R2.15 billion is committed and R0.5 billion is uncommitted.

[1] – Excludes R0.5 billion bridge facility which expired on 8 April 2017.

Figure 12: Total non-performing loans compared to gross loan book growth

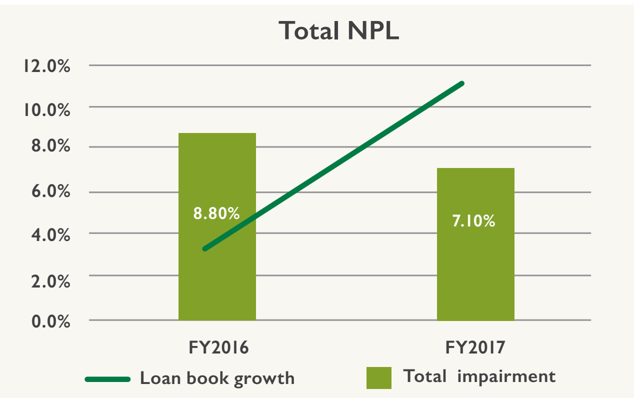
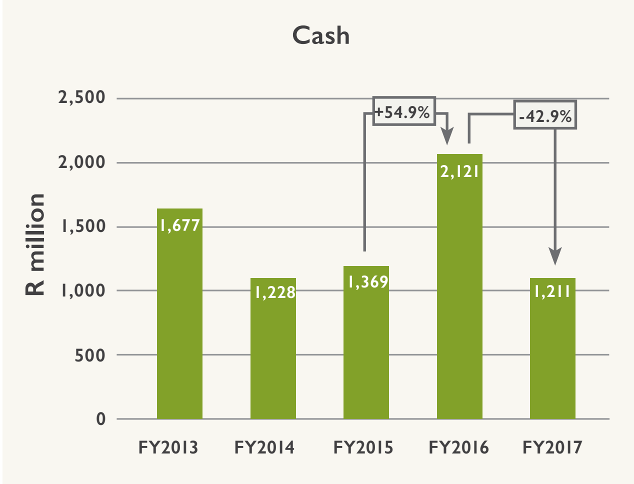
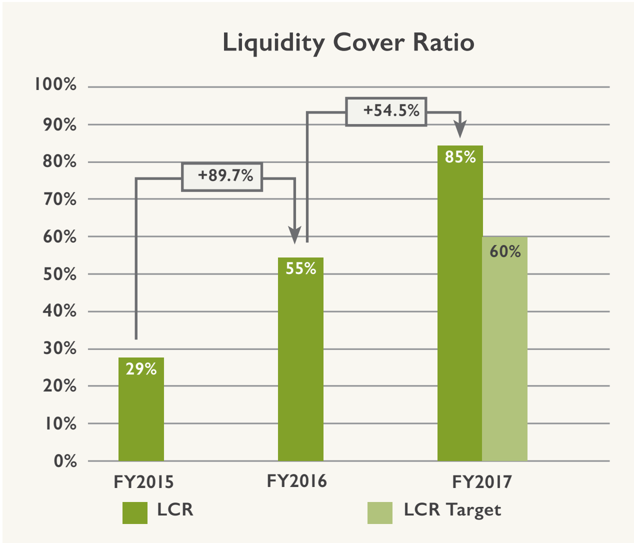


Figure 13: Cash balances and Liquidity Cover Ratio





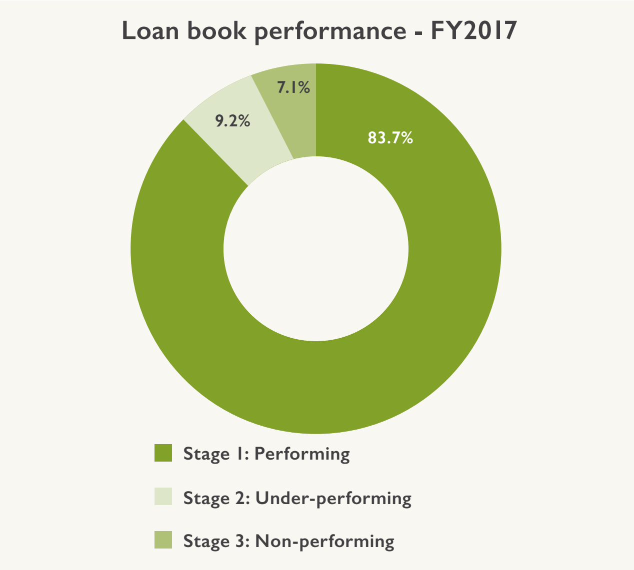
Investments

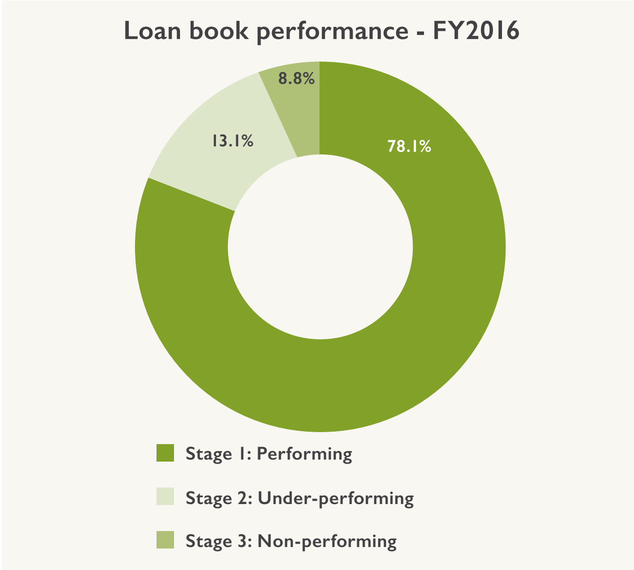
At FY2017, our investment portfolio amounted to R983.2 million consisting of investments in subsidiaries and other entities. We acquired investments in Rhodes Food Group and Acorn Agri Private Equity during the year, which is the result of debt to equity (investment) conversions of two distressed assets. The balance relates to an investment portfolio of R359.9 million which was set up to hedge against the Bank's post-retirement medical aid liability, which amounted to R338.2 million at FY2017.

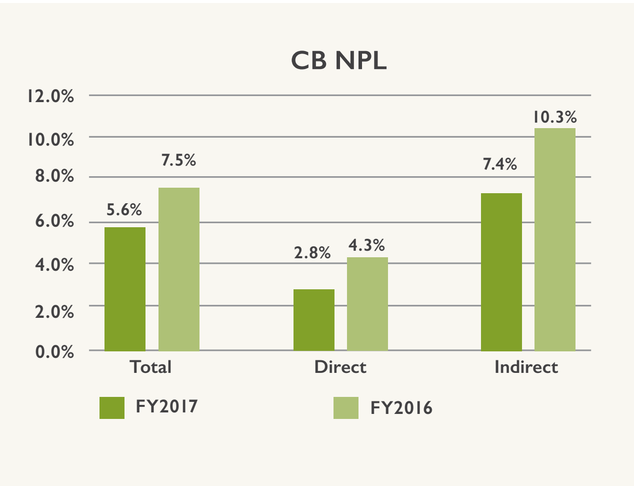
Loans and advances

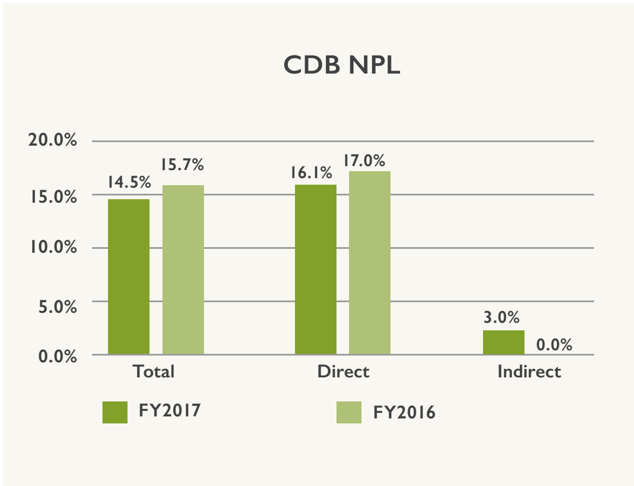
At FY2017, the net loans and advances increased by R4.6 billion to R 41.0 billion from FY2016. For the same period, the gross loans amounted to R43.3 billion compared to R39.0 billion reported for FY2016. Our NPL ratio at 7.1% for FY2017 has shown an improvement from 8.8% reported at 31 March 2016. Although the impairment ratio has decreased from 6.8% in FY2016 to 5.5%, the impairment coverage has remained unchanged at 77.3%.

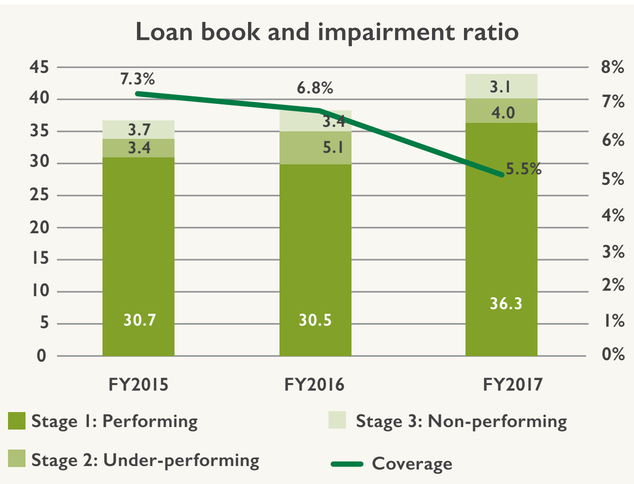
Figure 14: Loan book profile based on the IFRS 9 stage classifications

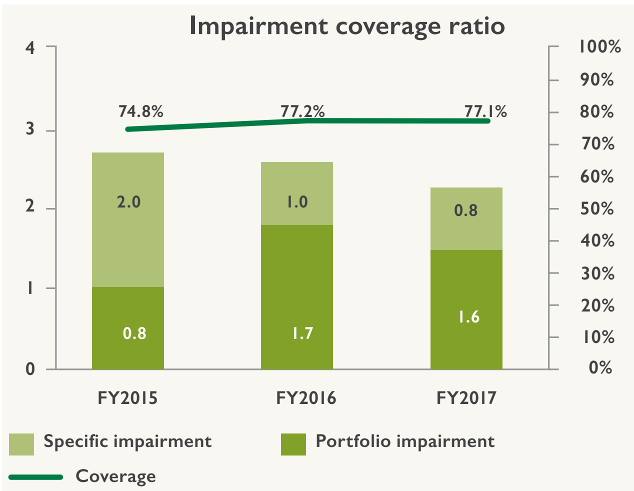












Assets held-for-sale

This category comprises the assets of the discontinued LDFU. No interest accruals have been raised since the unit suspended operations in FY2009. Net assets increased by R47.5 million to R197.1 million (FY2016: R149.6 million). The increase was on the back of improved security against the loans which allowed us to release part of the provision for bad debt. Gross loans in the portfolio remained unchanged from the prior year at R630.6 million.

The assets in the discontinued portfolio were valued by independent professional valuators at 465.8 million (FY2016: R317.0 million) and the forced sale value was estimated at R219.8 million (FY2016: R199.0 million).

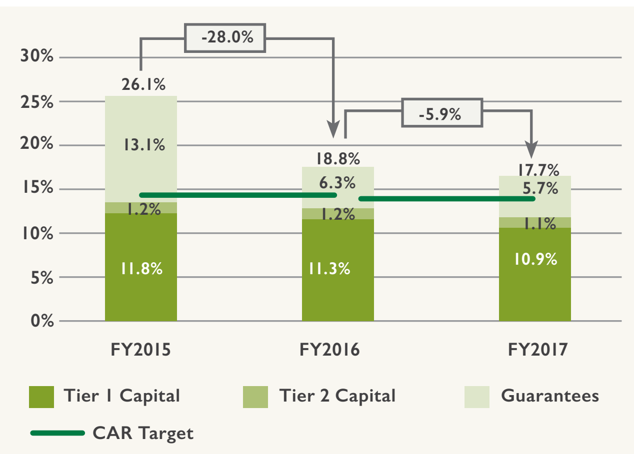
Property and equipment

Net carrying values of property and equipment declined to R45.1 million (FY2016: R83.8 million). This significant decrease is mainly attributable to the reclassifications of certain land and buildings to investment properties. The amount reclassified in FY2017 was R52.2 million (FY2016: R 5.7 million), and was due to the organisational review that was concluded in the current year. Disposals and additions amounted to R9.0 million (FY2016: R8.8 million) and R17.3 million (FY2016: R3.1 million) respectively, while revaluations were R2.1 million (FY2016: R4.7 million). Disposals in the year mainly comprised furniture, fittings and office equipment of R4.7 million (FY2016: R2.8 million), while the new additions can be contributed mainly to computer equipment, amounting to R14 million (FY2016: R2.1 million).

Capital and reserves

At 31 March 2017, equity and reserves have increased to R5.4 billion from the R5.1 billion reported at 31 March 2016. The Bank's capital adequacy position remains healthy with a Basel-like total CAR of 17.7% (FY2016: 18.8%). The decrease is largely due to improved interpretation of the regulations which has led to increased risk weighted assets.

Figure 15: Total Capital Adequacy Ratio



Funding liabilities (including LDFU)

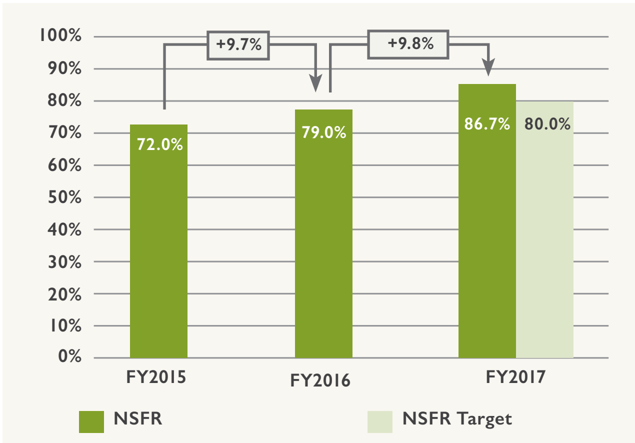
Funding liabilities are a function of loan book growth as well as pre-funding requirements in anticipation of maturing debt and expected increased seasonal loan draw downs.

Net Stable Funding Ratio (NSFR)

The NSFR aims to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. It aims therefore to limit over-reliance on short-term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items.

For FY2017, the Bank achieved a NSFR of 86.7% against a target of 80%, while total funding liabilities amounted to R37.8 billion (FY2016: R34.0 billion).

Figure 16: Net Stable Funding Ratio



Despite a difficult trading environment, the Bank achieved average roll-over rates as follows:

- Excl. PIC/ CPD: 73%
- PIC/ CPD: 100%
- Total: 85%

The Bank also managed to raise approximately R7.7 billion new funding of which R4.0 billion was long-dated funding (3 year: R2.5 billion; 5 year: R1.5 billion).

In line with our commitment to reduce reliance on short-term funding we have made great strides in extending our maturity profile, thereby reducing refinancing risk and improving general liquidity levels of the Bank.

The table below notes the Bank's progress toward meeting its medium-term funding mix target (FY2018 target).

Table 19: Medium-term funding mix

Tenor	Medium-term target	FY2017		FY2016		FY2015	
		R million	%	R million	%	R million	%
Drawn facilities		2 922[1]	7.7%	1 501	4.4%	1 322	4.2%
<1 year	50%	21 353	56.4%	18 656	54.8%	21 966	69.4%
1 - 3 years	30%	8 230	21.8%	9 238	27.4%	7 796	25.3%
3 - 5 years	10%	3 279	8.7%				
5 - 7 years	5%	1 011	2.7%	4 539	13.3%	588	1.9%
>7 years	5%	1 044	2.8%				
Total		**37 840**	**100%**	**34 024**	**100%**	**31 672**	**100%**

[1] – Subsequent to year-end all committed facilities have been paid down.

The extension of the maturity profile has been done in a well-coordinated, responsible and cost-effective manner, protecting the Bank's net interest margins. The Bank successfully compressed funding spreads in the 1-year, 3-year and 5-year tenors by between 10-30 basis points.

Increased investor confidence allowed the Bank to diversify its funding base further and attract new and previous investors who no longer held Land Bank investments.

Figure 17: Land Bank investor base profile

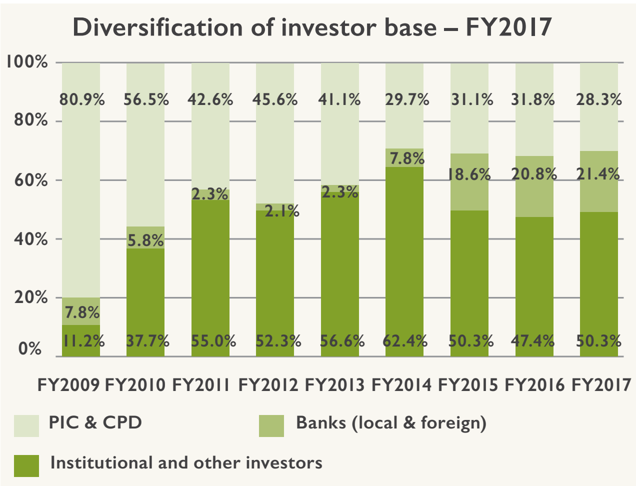
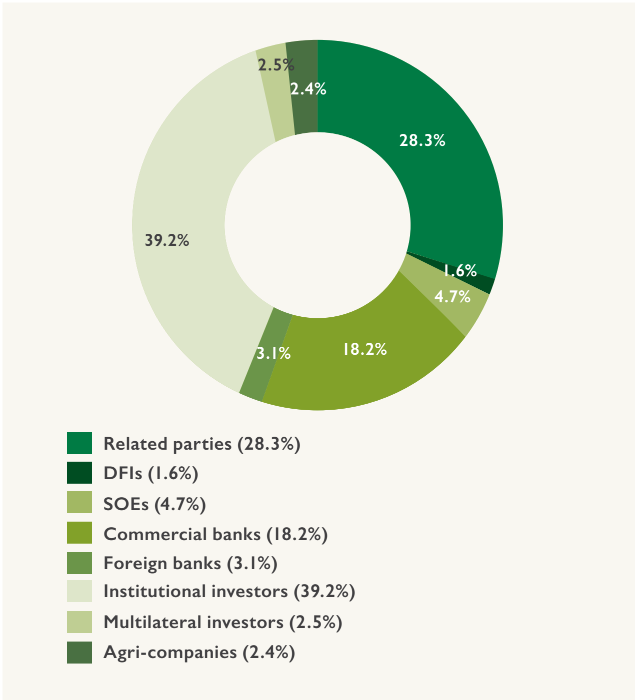


Figure 18: Funding sector analysis – FY2017



Provisions

Overall, operating provisions decreased by 47.7% to R107.1 million (FY2016: R204.8 million). Provisions raised amounted to R89.3 million (FY2016: R171.8 million), of which staff incentives and leave pay contributed R28.1 million and R8.3 million respectively. Utilisations and reversals for the same period amounted to R130.6 million and R56.4 million respectively. Utilisations during the year were mainly driven by the restructuring costs of R68.0 million and staff incentives of R22.5 million.

Table 20: Provisions summary

	FY2017 R million	FY2016 R million	Variance (%)
Labour disputes	3.7	1.2	+100%
Leave pay	8.3	19.4	(57.2%)
Staff incentives	28.1	22.5	24.9%
General	26.1	23.2	12.5%
Legal fees	40.8	43.6	(6.4%)
Admin and penalty fees	-	26.9	(100%)
Restructuring costs	-	68.0	(100%)
Total	**107.1**	**204.8**	**(47.7%)**

Land Bank insurance companies

Table 21: Land Bank Life Insurance Company performance

	FY2017 R million	FY2016 R million	Variance (%)
Gross premiums	11.7	5.3	+100%
Net premium income	5.2	2.4	+100%
Operating expenses	(8.0)	(6.9)	15.9%
Underwriting loss	(12.3)	(8.7)	41.4%
Investment income	62.5	78.4	(20.3%)
Net profit	53.4	74.3	(28.1%)
Excess assets over liabilities	1 122.4	1 069.0	5.0%
Investments	1 226.9	1 333.9	(8.0%)
Capital Adequacy Requirement	112.1	106.8	5.0%

Net profit for LBLIC declined by R20.9 million or 28.1% to R53.4 million (FY2016: R74.3 million). LBLIC's overall performance was affected by the weak performance of the investment portfolio that saw investment income decline by 20.3% to R62.5 million (FY2016: R78.4 million).

LBLIC launched their group life schemes for cooperatives in July 2016, which more than doubled the premiums from the prior reporting period. The company is looking to grow this line of business with similar transactions during FY2018. Operating expenses increased by 15.9% to R8.0 million (FY2016: R6.9 million). Total excess assets over liabilities increased to R1.12 billion (FY2016: R1.10 billion), after an intercompany loan repayment of R200 million, mainly on the back of the 5.1% return on the investment portfolio. LBLIC had a CAR of 112.1 times at the end of the period under review (FY2016: 106.8).

Table 22: Land Bank Insurance Company performance

	FY2017 R million	FY2016 R million	Variance (%)
Gross premiums	536.9	405.9	32.3%
Net premium income	130.5	113.5	15.0%
Operating expenses	(18.4)	(11.4)	61.4%
Underwriting loss	(18.5)	(3.7)	(+100%)
Net profit/(loss)	(2.7)	13.6	(+100%)
Combined operating ratio	114%	103%	10.6%

The short-term insurance company, LBIC, reported a net combined operating ratio of 114% in the current reporting period (FY2016: 103%) reflecting a net loss of R2.7 million (FY2016: R13.6 million profit). As the El Niño-related drought dissipated in the current season, more crops were planted with the anticipation of good rains for the season. As a result, gross premiums increased by 32.3% to R536.9 million (FY2016: R405.9 million). Hail claims increased from the prior season though, with the return of the rains, which was the major contributor to the increase of the underwriting loss reported, by R14.8 million to R18.5 million (FY2016: R3.7 million). Net premium and claims reserves released from the prior accounting period were predominantly utilised to settle drought claims to harvest in the first half of the reporting period.

LBIC plays an important role in absorbing some of the inherent volatility characteristics of the agricultural sector. The company had a small agri-assets portfolio that generated R1.2 million's worth of premiums in the current reporting period (FY2016: R2.2 million). LBIC is looking to grow this line of business to diversify the risk associated with crop insurance.

Land Bank injected an additional R150 million capital into LBIC during the current reporting period. LBIC is in the process of transferring some of this additional capital to an investment portfolio consisting of cash and bonds. Total assets increased to R866.7 million (FY2016: R667.8 million) while the Capital Adequacy Ratio increased to 5 times (FY2016: 3 times) and the Solvency Capital Requirements to 3.9 times (unaudited 4th quarter) (FY2016: 1.22 times) as at the end of the reporting period.

Employee development

Our approach

The purpose and objective of our human capital is to create and support a culture of high performance that enables the Bank to achieve its objectives. We aim to be recognised by our employees, customers, stakeholders and shareholder as a high-performing organisation and we depend on our human capital to achieve this objective. We are guided by the Human Capital strategy which is applicable to the entire Group, including its subsidiaries. The Human Capital Division contributes to the Group's financial and social sustainability by attracting and retaining people with the right skills, at the right time and at the right price.

Most relevant to our Human Capital strategy is transformation. Our initiatives taken towards transformation are around employment equity, ensuring a diverse workforce, employee capability building, rewards and recognition, performance management, staff engagement and culture.

Our Human Capital strategy

Our Human Capital vision is being a strategic partner that enables the Bank to achieve its vision to be a world-class agricultural development bank. The Human Capital Division revised the people strategy in FY2017 to align it with the organisation's strategy. In so doing, the Human Capital operating model was re-defined and a road-map drawn up to focus key initiatives and programmes towards the strategic intent.

Our objectives for FY2017 were:

- Implementing talent management including capacity building and establishing the Land Bank Agriculture Academy
- Fostering diversity
- Acquiring critical skills
- Implementation of remuneration and benefits structures
- Conducting a detailed survey to determine employee engagement
- Providing training in employee relations

Following the FY2016 organisational review, FY2017 was a year of transition from finalising the strategy and re-structuring to scaling up resources and implementing the strategy. Therefore, this was the first year of a longer-term objective of developing a strategic human capital partnership that adds value to the business, focuses on reviewing and developing policies and procedures to entrench a culture of good governance and ethical behaviour.

Our performance

The Human Capital priorities for FY2017 were to assess the organisational human resources, capabilities, processes and governance structures to enable the Group to meet the needs of the new organisational structure. The structure was finalised during the first quarter, resulting in a recruitment drive to facilitate the attraction and strengthening of the Bank's talent pool.

We furthermore reviewed and aligned the performance management process and tools to ensure the cascading of performance targets as outlined in the Corporate Plan. To build internal capabilities, learning and development interventions were rolled out for employees. The Human Capital Division commenced the process to establish a Land Bank Learning Academy for internal capability and skills development. The first phase of the Learning Academy was piloted in Commercial Development and Business Banking and the credit assessment division conducting skills assessment to establish a baseline of the skills. The Bank enrolled 23 learners on a learnership programme.

The active engagement of employees remains a key focus area for us. During the year, we participated in the annual National Employee Engagement Survey, in which the Bank was rated amongst the top 23% of participating companies, indicating that our employees are actively engaged. The initiatives that contributed to the engagement levels included a change management programme and interactive communication with the executive team to enhance Land Bank culture.

Our performance indicators

Employees

We employ 465‡ people, of which 19‡ are contractors and 23‡ are learners. We experienced higher than normal levels of attrition and new appointments during the year due to the organisational review. A total of 201 employees left the company as a result of the review, which included voluntary severance packages and early retirement.

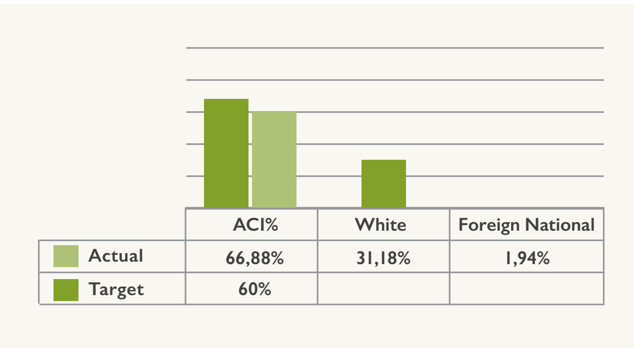
A total of 194 new appointments were made as per the approved structures and vacancies of the Bank. Of the critical roles identified by the Bank, 92% were filled during the financial year and a retention rate of 97.71% was maintained. We also achieved our target of 55% African, Coloured, and Indian (ACI) staff in the workforce and 37% women in management positions.

Table 23: Employee segmentation

	2017
Total number of employees	465‡
Number of permanent employees	*423‡*
Number of contractors	*19‡*
Learners	*23‡*
New appointments	194‡
Attrition (Including VSP and EVR)	201‡
Voluntary	*42‡*
Involuntary	*159‡*
Amount spent on employee training	R3.6 million‡

We exceeded our target of 55% for the percentage of our employees who were African, Coloured and Indian, which comprised 66.9%‡ of our total staff complement.

Figure 19: Land Bank Group ACI %: 31 March 2017



Of the total staff complement, 43% are women, and 37%‡ of our management roles are filled by women.

Figure 20: Land Bank Group: % women in management roles: 31 March 2017

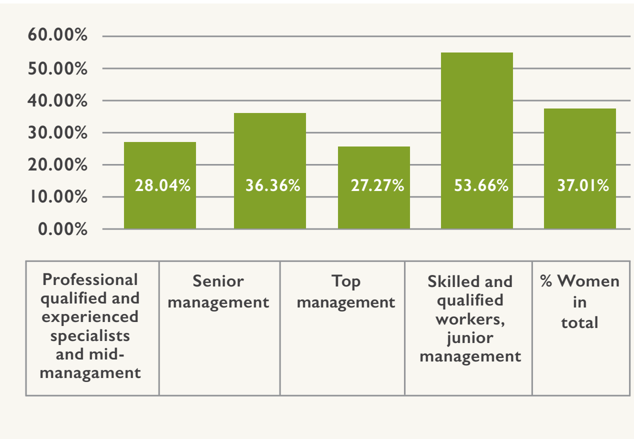


Figure 21: Land Bank Group: age profile

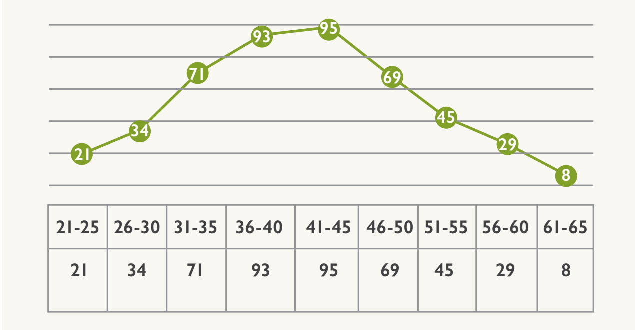
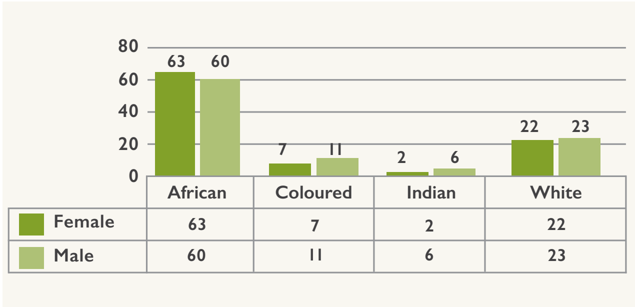


Figure 22: FY2017 new appointments: 194



Retirement and risk benefits

All the Bank's benefits are applicable for all categories of staff, except the retirement and risk benefits which are provided for permanent employees only, in accordance with the retirement rules. The Bank provides for annual leave, sick leave, maternity leave, study leave, and family responsibility leave. We constantly review staff benefits to provide the best possible options to our staff.

Injuries

One employee sustained a leg injury due to a car accident during client visits.

Staff development

We invested R3.6 million‡ in employee skills development expenditure during the year. During the year we revised our human capital systems to track training hours by employee, gender and employee category and expect to report on these in our FY2018 report.

We implemented various learning and development interventions during this reporting period such as technical courses, generic skills, internal skills transfers, and workshops. Table 24 depicts some of the training categories in which we invested.

Table 24: Training courses provided

Business area	Intervention
Provincial offices	SAP process training
Board + EXCO	1. Consultative agricultural workshop 2. Instruments of investment workshop
Board secretariat, legal services, internal audit	Writing better business documents
Various business units	Various technical interventions
Risk management	Technical report writing
Portfolio management services	1. Agricultural skills development programme module 1 2. PMS leadership development programme

Future focus areas

The next fiscal year will be focused on embedding and implementing the policies and procedures we finalised during FY2017.

Our focus areas for FY2018 are:

Build and deepen the skills foundation

- Land Bank Agriculture Learning Academy
- Land Bank Bursary Scheme
- Land Bank Learnership programme
- Targeted skills development programmes
- Mentorship
- Leadership and management development
- Talent pipeline – succession management

Culture

- Conduct a detailed culture survey

Remuneration and rewards

- Explore non-financial rewards and recognition

Employee value proposition

- Review all HC policies to incorporate EVP

Environmental sustainability

Our approach

Environmental sustainability is a material matter for Land Bank which is exposed to various risks due to climatic conditions and the agricultural practices of clients. The agricultural sector's continued existence and profitability is intricately linked to the state of the environment and future access to sufficient land and water for agricultural purposes. Simultaneously, agricultural activities have a substantial direct and indirect impact on the environment.

We measure our direct environmental impacts, which can be viewed on our website at www.landbank.co.za. However, our material environmental impact is indirect through Land Bank's influence on the sector at large, and therefore our approach is focused on plans and initiatives that will enhance our influence on the environmental sustainability of the sector. This in turn secures our own financial sustainability.

Our environmental and social strategy

Our environmental and social strategy aims firstly to enable Land Bank to identify environmental and social risks associated with its lending activities, and secondly to collaborate with its clients and other stakeholders to manage such risks in the interest of the long-term sustainability of both the Bank and agricultural sector.

Table 25: Our main objectives and activities for FY2017

Objectives	Activities
Strengthen procedures for conducting environmental and social due diligence	Revise and expand our Environmental and Social Management System (ESMS) and develop tools and instruments
Develop opportunities for sustainable agricultural practices	Develop an incentive scheme for 'green' products
Enhance environmental and social risk and opportunity research	Commission research studies to assess environmental and social risks and opportunities associated with our lending to be completed in FY2018
Promote materials usage efficiency and sustainable waste management	Track and monitor our material consumption and waste management with a focus on water, energy, fuel, electricity and paper

Our performance

We focused on the development of our (ESMS) which comprises policy commitments, guidelines and implementation tools aimed at guiding the Bank in identifying and managing environmental and social risks associated with our lending or activities of our clients.

A key element of our strategy is to inform the business of current and future environmental risks. We have commissioned a study to investigate how clients contribute

to environmental impacts and how the environment in turn, impacts their businesses. A further objective is to assist in reporting on environmental impacts and to identify potential indicators that the Bank should track to monitor the effect of its indirect environmental impact.

We have developed a proposed Climate Resilient Agriculture Fund to provide blended financing for qualifying clients to assist them with adopting technology that will improve their resilience to adverse climatic conditions. The concept has been shared with a number of stakeholders to gauge appetite and a key focus of FY2018 will be the launch of a pilot programme.

In February 2017 we applied to be nominated for accreditation to the Green Climate Fund which will allow us to leverage international grant and loan funds and technical assistance to support the South African agricultural sector in its endeavours to become more climate-resilient. The Department of Environmental Affairs confirmed in May 2017 that the nomination has been submitted for consideration to the Fund.

Future focus

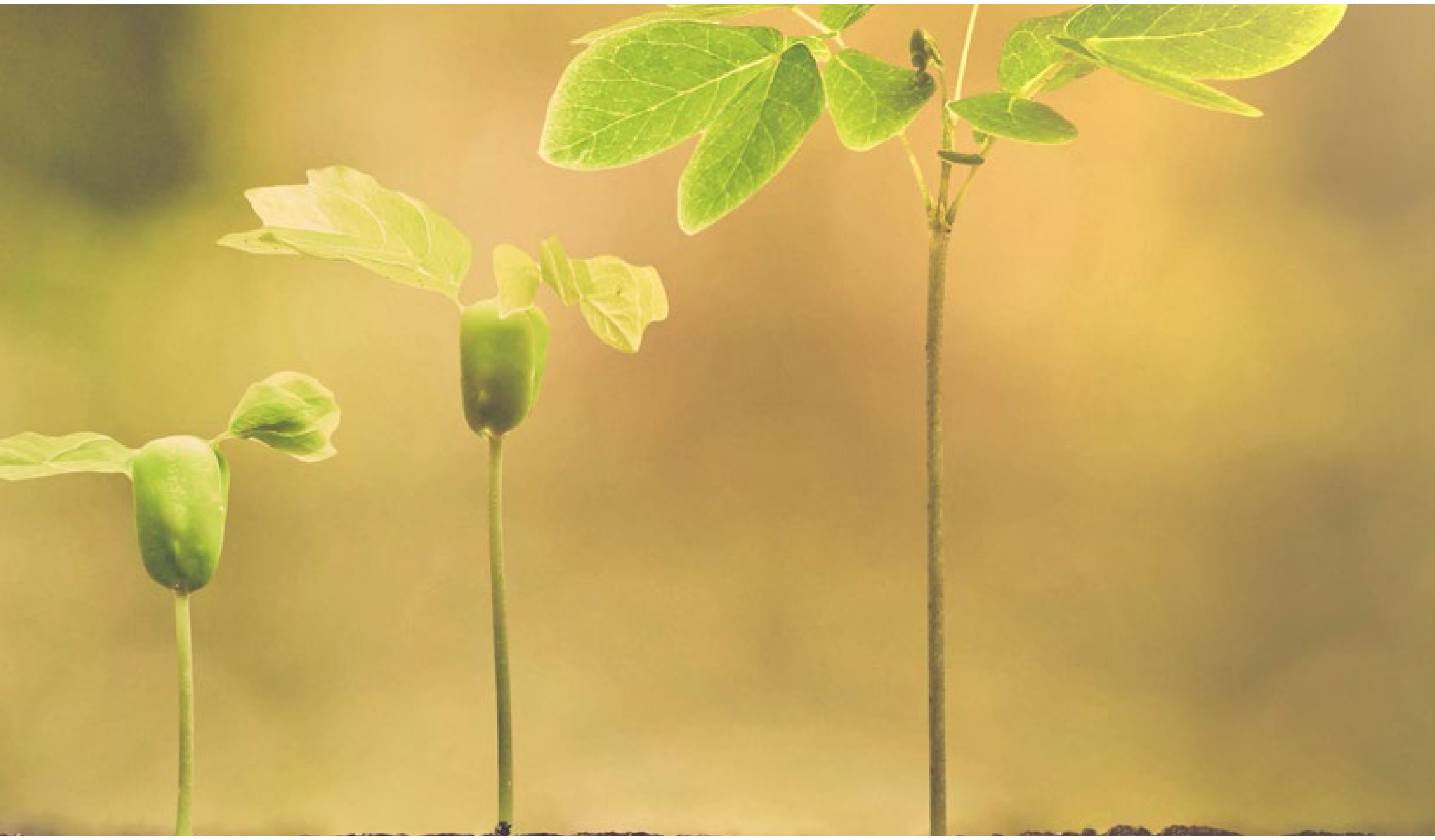
In the next fiscal year we will implement the ESMS system by training frontline employees and integrating the system into the lending processes. As part of this initiative and to facilitate its integration, we will appoint a dedicated Environmental and Social Risk Officer.

A key focus for FY2018 is the assessment of the processes needed to implement the measurement of our indirect impacts as an outcome of the research on our clients' farming practices.

We are awaiting the outcome of our application to be accredited by the Green Climate Fund and, if accepted, will focus on meeting the accreditation criteria to enable us to access the available resources as soon as possible.

Our focus areas for FY2018 are:

- Implement the Environmental and Social due diligence procedures
- Broad implementation and capacity building for ESMS tools, including training of frontline office on environmental and social risks and opportunities
- Complete the research study to assess environmental and social risks, and finalise indicators
- Finalise development of the Climate Resilient Agricultural Fund and mobilising grant and loan funds for implementation
- Achieve accreditation with the Green Climate Fund



Corporate governance is an integral part of the Group's evolution. We are **committed to good governance** providing stakeholders with the assurance that the Group is managed with due consideration to risk and compliance.

4

CORPORATE GOVERNANCE

Governing our business

Land Bank finances agricultural development to achieve food security, and to drive economic growth and development in South Africa. This requires good corporate governance to provide shareholders and other stakeholders with the assurance that the Group is managed with due consideration to risk and compliance.

The Board adopted the principals of the King IV Report on Corporate Governance for South Africa 2016 (King IV) in November 2016 and the Bank is in the process of transitioning to this code. A gap analysis of the King IV requirements was conducted and incorporated in a monitoring report outlining the required management action to address each gap, and the date by which each gap must be closed.

Land Bank aimed to follow the King III principles as closely as possible and the table of how each principle is applied is available online.

We are committed to transparency, integrity and accountability, and strive towards world-class banking practices. To ensure that our operations are executed according to these principles, we have established a management system that includes a compliance framework, a code of ethics, as well as policies and protocols to govern processes and operations. This framework is applicable to all the Group's subsidiaries in addition to those policies and procedures that are specific to certain subsidiaries.

Board of directors

The Bank's Board of directors provides leadership and strategic direction to the Bank, and is responsible for providing prudent control over the Bank and its affairs. In carrying out its functions, the Board exercises the utmost care and acts in the best interest of the Bank.

The Board is appointed by the Minister of Finance and consists of an independent non-executive Chairman, Mr MA Moloto, nine independent non-executive members, and two executive directors. Board members are appointed for a period not exceeding five years and their term may be extended by the Minister. We have a diverse board with strong skill sets.

Eight of our board members are female and four are male, and nine members are from historically disadvantaged backgrounds. The Board members bring a mix of skills and qualifications including business, banking, agriculture, development and legal.

Figure 23: Board composition: gender

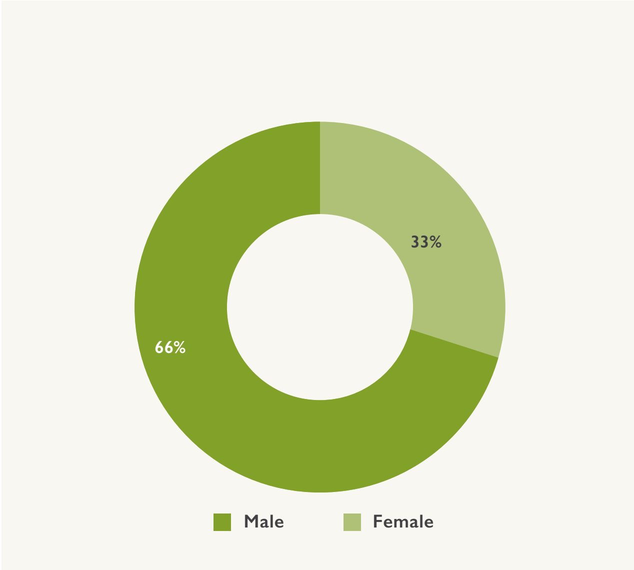
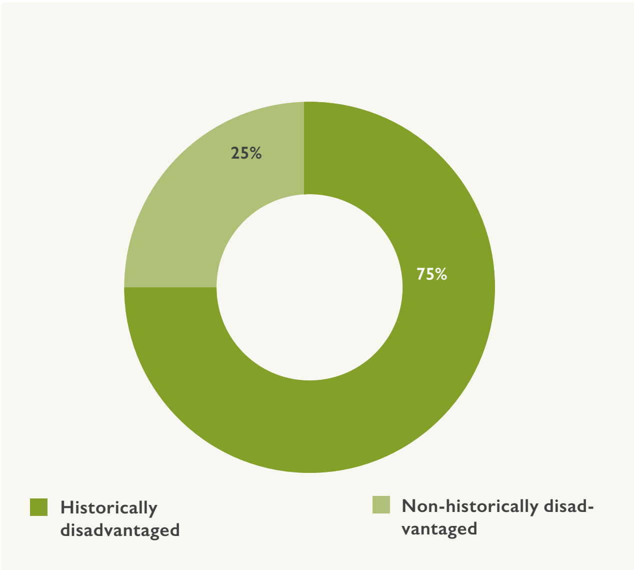


Figure 24: Board composition: race



Board composition

NON-EXECUTIVE DIRECTORS

		
Mr MA Moloto, 49	**Prof ASM Karaan, 49**	**Ms DN Motau, 54**
MSc Finance and Financial Law; Postgraduate Diploma in Economic Principles; BA (Hons) Development Studies; BA Education	PhD Agriculture; MSc Agriculture in Economics; BSc (Hons) Agriculture, BSc Agriculture	B Com; Certificate in Business Project Management; Diploma in Advanced Banking
Appointed 01 January 2015	Re-appointed 01 January 2015	Re-appointed 1 March 2017
SA Corporate Real Estates; DBSA; Kansai Plascon Africa; Harith General Partners; Centre for Education in Economics; Finance Africa; SA Corporate Real Estate Fund Managers.	Pioneer Foods, Southern Oil Ltd, TerraSan Holdings, Fruitways Group, Quantum Foods, Zeder Investments.	Aphiwa Risk Consultants; Amakha Farms; LBIC; LBLIC
Mr Moloto has extensive experience in infrastructure development, financial regulation, pension fund governance, energy regulation and legislative work. He has served on the boards of the Pan African Infrastructure Development Fund and the Government Employees Pension Fund. He has served as a Member of Parliament and is currently Political and Economic Advisor to the Speaker of the National Assembly.	Prof Karaan is an agricultural economist and Dean of the Faculty of AgriSciences at Stellenbosch. He was President of the Agricultural Economics Association of South Africa (2008/9) and Chair of the National Agricultural Marketing Council. He serves as a Commissioner on the National Planning Commission of South Africa.	Ms Motau has wide experience gained from different environments and institutions, spanning the banking, regulatory and supervisory environment, credit risk rating and government policy formulation. Having started her career in banking, focusing on financial analysis and development finance through the Development Bank of Southern Africa, she moved to the South African Reserve Bank to gain an understanding of the environment within which banks operate. She has developed expertise in risk management, having managed the credit exposures of Government at National Treasury. In 2011 she launched a financial risk management consultancy, Aphiwa Risk Consultants (Pty) Ltd, focusing on the financial inclusion of the small micro enterprises into the formal sector through access to finance. Her projects include advising on strategy formulation for penetrating the informal market.
Human Resources & Social and Ethics, Credit and Investment	Credit and Investment (Chairperson), Audit and Finance (resigned as member May 2016)	Credit and Investment

		
Ms SA Lund, 55	**Ms N Zwane, 57**	**Ms D Hlatshwayo, 54**
MA Rural Development Planning; BA (Hons), B. Journ, Senior Executive Programme (Havard & Wits Business Schools)	MSc Agricultural Science; BSc Chemistry and Botany	BA (Hons) Social Science (Hons); MBA with specialisation in Advanced Corporate Finance, Senior Executive Leadership Development Programmes Harvard and Wits
Re-appointed 06 January 2015	Appointed 06 January 2015	Appointed 06 January 2015
None	Africa Growth Institute; PPP4 Rural Development (Pty) Ltd; Africa Agribusiness Incubator Network South Africa	Lanseria International Airport; Nokubusa Holdings; LBIC; LBLIC; Lanseria Holdings; Profibre Siyaphambile; Hulisani; Afmetco; Public Investment Corporation
Ms Lund is General Manager for growth and diversification in corporate business development at Transnet SOC Ltd, which she joined in 2006 as General Manager for public policy. In 2011 she established its corporate sustainability portfolio. From 2000-2005 Ms Lund was Head of Business Development and Senior Transaction Advisor in the Public-Private Partnerships Unit, National Treasury; and from 1995-2000 was Deputy Director-General in the Department of Land Affairs. Ms Lund is a member of the Institute of Directors Southern Africa and its Sustainable Development Forum.	Ms Zwane served in various capacities between 1996 and 2009 at the Department of Agriculture, Forestry and Fisheries, culminating with her appointment as Director-General of the department. She is the founder and Executive Director of PPP4Rural Development (Pty) Ltd which is accredited with the AgriSETA. She has strong technical, policy analysis and development, strategic planning and business development skills with a wide network of partnerships and alliances in the private, public, non-governmental and international development spheres. She also adds her agricultural knowledge as well as experience in agribusiness incubator development and small scale farming outgrower programmes.	Ms Hlatshwayo has a solid business management background that spans over 20 years. She has been a Partner at Ernst & Young; a Director in the Corporate Finance Division of Andisa Capital, a subsidiary of Standard Bank; a Product Manager at ABSA Bank; a Group Executive at Transnet driving the restructuring and Mergers and Acquisitions Portfolio; and a Product Manager at Telkom SA. Ms Hlatshwayo has skills in Corporate Finance, Business Process Re-engineering, Organisational Design, Corporate Strategy Development and Business Planning, Change Management and Programme and Project Management.
Risk and Governance (Chairperson), Audit and Finance	Human Resources & Social and Ethics, Audit and Finance	Human Resources & Social and Ethics, Credit and Investment

Ms TT Ngcobo, 68

BA Social Science; Management Development Programme (Harvard Business School, Boston, USA); Post Graduate Diploma in Management

Re-appointed 01 March 2017

Thelma Ngcobo and Associates; Omanyuswa Spearheading Investments; Manyusa Petroleum (Pty) Ltd; LBIC; LBLIC; Elmonet Properties; TJMS Innovation Group; Intergalactic Investments; Kensani Facilities; Property Investments

A BA Social Science Graduate, holding a Post Graduate Diploma Graduate Diploma in Management (HR) from Wits Business (an Honours equivalent). Ms. Ngcobo participated in the prestigious executive education programme at Harvard Business School (PMD) 1995, and undertook diplomatic training in Zimbabwe pre-1994 for the South African Government. She has also undertaken various short courses from INSEAD in France, as well as the UK.

Ms Ngcobo is a management consultant with a wealth of in-depth experience in human resources, advocacy work, transformation and marketing research gained in large corporations as a member of the senior executive team over three decades. She worked at a wide variety of companies and became the first Black female General Manager in 72 years at the South African Reserve Bank. She serves on board committees at a number of institutions for Human Resources and Remuneration, Social and Ethics, as well as Risk where her skills and experience contribute to strengthening these boards.

Human Resources & Social and Ethics (Chairperson), Risk and Governance

Adv S Coetzee, 55

Baccalaures Legum Civilum (BLC); LLB

Appointed 03 August 2015

Blue Crane Aviation; LBIC; LBLIC

Advocate Coetzee is an admitted advocate of the High Court of South Africa. She has extensive experience in leadership positions in both the private and public sector. She has played key roles in policy and strategy formulation, regional integration, structuring companies in the Public Enterprises arena, M&A transactions, high-value long-range infrastructure and other asset transactions, as well as regulatory reform. She is well versed in the transport, logistics and energy sectors from a policy, strategy, legal and regulatory perspective.

In the corporate arena she led governance, risk management and compliance reform, flexible and cost contained procurement and contracting reform, structured negotiations, effective reduction in litigation liabilities and legal costs, as well as performance monitoring and evaluation. As a senior executive she is also well versed in consumer laws and competition law, having successfully resolved material competition law matters in South Africa, the USA and European Union.

Human Resources & Social and Ethics, Risk and Governance

Ms M Makgatho, 46

MA Development Finance; BCom (Hons) Economics

Appointed 03 August 2015

Kumbuba Investments; Studio Five Graphic Design; Matla Investment Holdings; Association of Black Securities; Investment Professionals

Ms Makgatho is the former Transnet Group Treasurer and was responsible for driving Transnet's funding strategy as well as managing rating agencies, investor and lender relationships. This amongst other things included raising a third of the required funding for Transnet's R300 billion investment programme from debt capital markets. She led all aspects of the company's comprehensive funding strategy through various funding sources including commercial paper, domestic bonds, Development Funding Institutions and bank loans, amongst others. She joined Transnet in 2007 as Head: Structured Finance and has been responsible for the origination and structuring of debt capital market transactions (loans and bonds). She has also been responsible for developing Transnet's strategic approach to strengthen existing funding sources and build up new ones. Previously Ms Makgatho worked as a consultant responsible for Treasury and Economic advisory as well as the National Treasury and the National Institute of Economic Policy (NIEP).

Audit and Finance (Acting Chairperson), Credit and Investment

	
Ms G Mtetwa, 38	**Mr BP Mathidi, 47**
BCom Accounting; Post Graduate Diploma in Accounting; Executive Leadership Development Programme; Personal Mastery Programme(GIBS); Partner Development Programme (GIBS); Advance Risk Management Programme; Chartered Accountant (SA)	MSc Financial Management; B Compt (Hons) Accounting; BCom Accounting
Appointed 01 March 2017	5 March 2008 – 30 September 2016
DBSA; Santam; Italtile; Aviation Co-ordination Services; Yethtu Investments; Siyakhula Women Investments; Equites Property Fund; Siyingi Holdings	None
Ms Mtetwa is a Senior Executive with over 15 years of experience in the Financial Services and Telecommunications industries, specifically in Short- and Long-term Insurance, Investment Management, Real Estate and Technology. She qualified as a Chartered Accountant in 2004 and was admitted as a partner at PwC in 2008, where her clients included ABSA Investment Management (AIMS), Sasria, and Liberty Properties. In 2012 she became a member of PwC Southern Africa's Management Committee (ManCo) heading up Transformation and Diversity. In 2014 she joined Vodacom as a Managing Executive in Finance. Ms Mtwetwa was nominated for the Top 35 CAs under 35 years in South Africa by SAICA in September 2014.	
Audit and Finance	Audit and Finance, Risk and Governance

Executive Directors

Mr TP Nchocho, 49

BCom; Master of Business Leadership, Venture Capital and Private Equity Programme; MSc Development Finance and Economics; Advanced Management Programme, Harvard Business School

Appointed 01 February 2015

LBIC; LBLIC

Mr Nchocho has a wealth of experience in development finance, banking and public administration. He worked at the then Qwa-Qwa Development Corporation which became the Free State Development Corporation as an investment officer and went on to head up the Small and Medium Enterprises division. He spent a brief period as Chief Director at the National Department of Public Works before joining the Development Bank of South Africa in 2002 where he held various roles. He was closely involved in the development and establishment of the Private Power Producers capability in South Africa and went on to become the Group Executive: South Africa Division at the DFI.

Prior to joining Land Bank, he served on the boards of advisers of various private equity firms across diverse industries. His passion for socio-economic development has motivated him to serve as board member for several community-based organisations where he could offer his business skills to support new entrepreneurs.

Mr BJ van Rooy, 42

BCom Accounting, BCom (Hons), CTA; Chartered Accountant (SA)

03 August 2015

LBIC; LBLIC

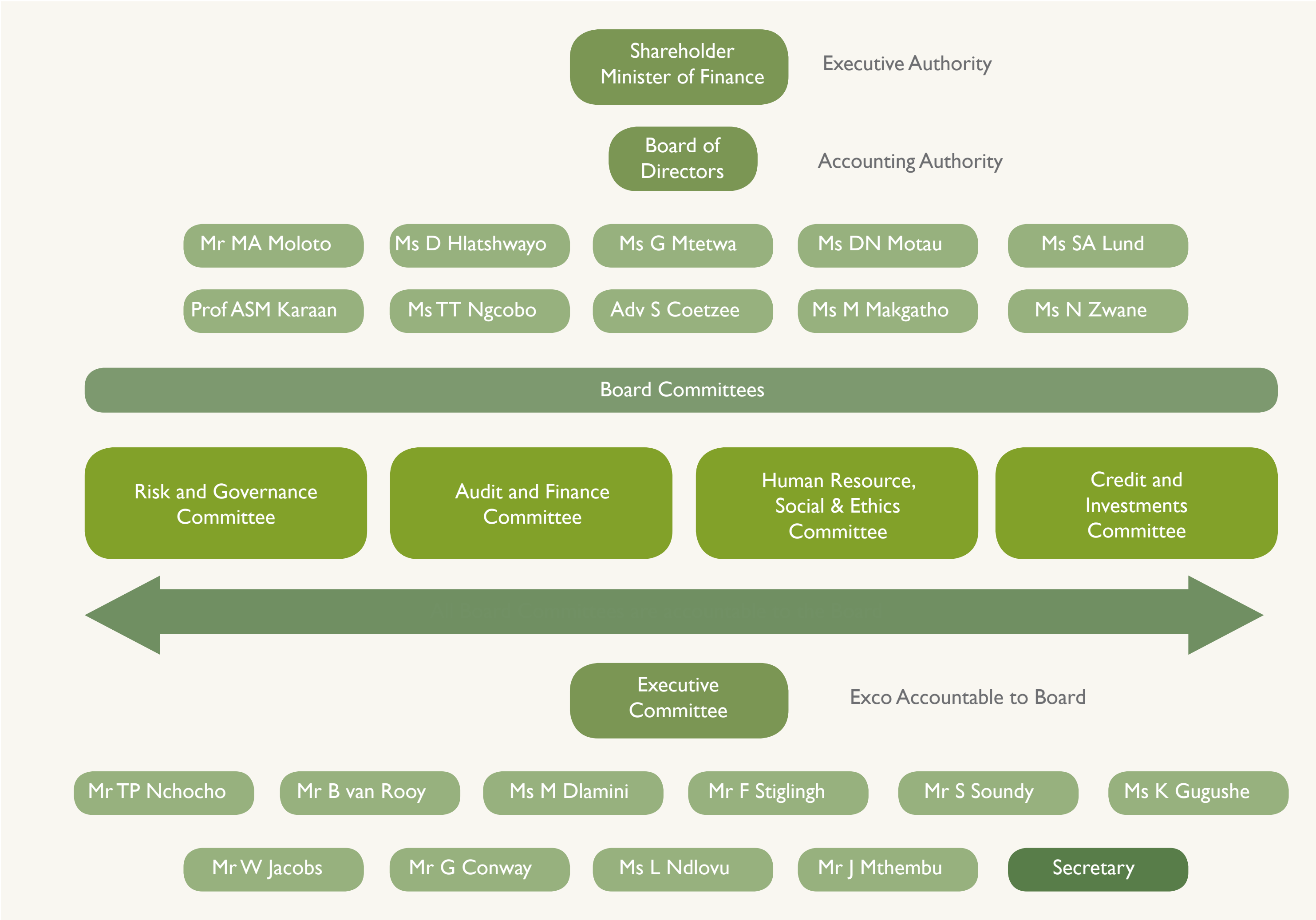
Mr van Rooy is a qualified chartered accountant with diverse financial, executive management and entrepreneurial skills. He completed his articles at PricewaterhouseCoopers in 2000, where he specialised primarily in IT, construction and engineering industries. He further obtained experience in mergers and acquisitions as well as a variety of risk and financial management disciplines at Barclays Africa Group (Absa Bank) during a six-year career. He then joined the JD Group (a JSE listed diversified retail and consumer finance business) where he went on to become the Group Financial Director as well as the CEO of JD Consumer Finance, a division of the Group.

He has a strong track record of successes that include the restructuring of bank and corporate balance sheets, successfully implementing ERP systems, product development (debt and consumer finance assets and insurance products), mergers and acquisitions, developing and promoting talented staff to executive positions, implementing innovative funding and debt structures and the implementation of the various Basel capital management and funding principles.

4. CORPORATE GOVERNANCE

Governance structure

Figure 25: Our governance structure



Board evaluation

In order to address a gap highlighted in our King III analysis in the previous reporting period, Land Bank developed a board evaluation process in 2017. The evaluation will be conducted on an annual basis and consists of a performance evaluation through a self-assessment questionnaire, and a shareholder evaluation of board performance in terms of the Shareholder Compact. The self-evaluation will be completed by the end of 2017. The performance in terms of the Shareholder Compact is reflected in the Annual Performance Report on page 88.

Conflict of interest

Board members are required to timeously disclose to the Minister and the Board any material interests which may constitute a conflict of interest in respect of his or her duties as a Board member. Land Bank directors have freedom of affiliation to external associations, including social, cultural and political formations.

Board changes

- Ms G Mtetwa joined on 1 March 2017.
- Mr P Mathidi resigned on 30 September 2016 due to a change in career.

Company Secretary

The Board appoints a Company Secretary that has the requisite knowledge, skills and experience to fulfil the requisite functions. Board members have access to top management and the Company Secretary for advice about the governance of the Bank or Board procedures. The Chairperson and the Company Secretary ensure that each new director is provided with a comprehensive orientation. The Company Secretary is available to guide the directors in the performance of their duties and their performance is assessed in line with the Bank's performance management programme by the CEO on a regular basis.

Board attendance

The Board met nine times during the period under review with an average attendance of 92%.

Table 26: Board attendance

Land Bank Board & Board Committee Meetings	Land Bank Board	HR & SEC Meetings	Credit & Investment Committee Meeting	Audit & Finance Committee Meeting	Risk & Governance Committee Meeting
Number of meetings in FY2016/2017	9	7	14	6	4
Mr MA Moloto	9	7	13		
Prof ASM Karaan	5		14	1	4
Ms SA Lund	7			6	4
Adv S Coetzee	8	7			
Ms ME Makgatho	7		12	4	
Mr BP Mathidi (Resigned in September 2016)	6			6	2
Ms N Zwane	8	7			
Ms D Hlatshwayo	7	6	11		
Ms DN Motau	9				
Ms TT Ngcobo	9	7	14		4
Mr TP Nchocho	9	6	12	6	3
Mr BJ van Rooy	9	3	11	5	4

Board responsibilities

Our Board Charter regulates the way in which the Board conducts business and sets out the specific individual and collective roles and responsibilities.

As its primary function, the Board is responsible for determining the Bank's strategic direction and to exercise prudent control over the Bank and its affairs. The Board is further responsible for:

- Appointing the CEO in conjunction with the Minister of Finance;
- Providing effective leadership based on an ethical foundation;
- Directing and controlling the operations and business of the Bank;
- Implementing the policies in accordance with the Land and Agricultural Development Bank Act 15 of 2002;
- Developing strategies for the efficient management of the Bank;
- Developing a code of good practice;
- Ensuring that assets are adequately safeguarded, verified, maintained and accounted for;
- Ensuring that the Bank complies with all relevant laws, regulations and codes of business practice, and that it communicates with its shareholder and stakeholders;
- Reviewing and approving Land Bank policies, standards, frameworks and authority levels;
- Reviewing the report from the Risk Committee regarding the effectiveness of the Asset, and Liability Management Committee of the Bank; and
- Approving the Integrated Annual Report, annual financial statements and annual budget.

Objectives for the year

- Ensure independence of committee chairs;
- Monitor King IV progress; and
- Facilitate diversity.

Activities for the year

- Board evaluation;
- Succession planning; and
- Training (including on-boarding).

Board committees

Our Board Committees facilitate the discharge of responsibilities and provide oversight and guidance to the operational units of the Bank. The chairperson of each committee is also a board member, and reports the committee activities back to the Board. Our Board consists of four committees and their delegation of authority is depicted in the figure below. The Bank's day-to-day activities are directed by our Executive Committee, led by the CEO. These committees are:

- Credit and Investments Committee;
- Audit and Finance Committee;
- Human Resources and Social and Ethics Committee; and
- Risk and Governance Committee.

Each Board committee has formal written terms of reference that are reviewed every year and, at a minimum, effectively delegate certain of the Board's responsibilities. The full terms of reference for each committee are available online.

The committees are empowered to seek outside for other professional advice, as the members consider necessary, to carry out their duties. The Board continually assesses the need for additional committees to assist it in carrying out its duties and meeting its statutory and legislative requirements.

Credit and Investments Committee (CIC)

The CIC assists the Board in fulfilling its credit risk and investment risk oversight responsibilities, particularly regarding the evaluation of credit/investment mandates and governance, policies and credit risk/investment risk appetite. The committee is also responsible for confirming the adequacy and efficiency of credit impairments and ongoing monitoring of the overall credit portfolio. The CIC acts as the mandated committee appointed by the Board to monitor, evaluate and ultimately approve all material aspects of the Group's Internal Rating Based (IRB) credit rating models and processes. The current membership comprises five non-executive directors who meet monthly to consider transactions within the committee's delegated authority, and quarterly, to monitor the credit and investment portfolios.

FY2017 was a challenging year for the agricultural sector, especially with the effects of the ongoing drought on our clients, as well as challenges experienced within the poultry industry and other agricultural risk events. Against this backdrop, we continued to make significant improvements in managing the credit risk within our portfolio and focused on:

- Improving operational efficiencies within our credit systems and processes;
- Updating our credit risk framework and policies (especially taking into account development impact); and
- Developing and executing our strategy and processes related to equity investments.

In response to investor concerns, we amended our credit policies to strengthen our credit governance processes. We increased the quorum requirements to two thirds of voting members and all committee decisions have been amended from a simple majority to a two thirds approval by members present.

Key activities

- Considered all credit and equity investment transactions within mandated delegation of authority;
- Reviewed credit policies and credit committee mandates and charters in line with the new operating model and business strategy and operating model;
- Established the policy framework for equity investments, enabling the Bank to pursue its business strategy;
- Approved Internal Ratings Based Models to quantify counterparty credit risk, Pricing Calculation Tools which enabled us to implement risk adjusted pricing, and to embed IFRS 9 implementation, particularly regarding counterparty stage classification and impairment calculation;
- Monitored agricultural conditions continuously, focusing on identifying key affected counterparties, and enabling implementation of risk mitigation strategies. The key challenges during the year included the continued drought, poultry industry challenges, and disease and pest infestations; and
- Monitored counterparties in distress (Watchlist Clients) continuously and assessed the viability of proposed work out solutions. During the year we have been able to finalise the restructuring of two previously distressed counterparties (Renaissance Brands Limited and Afrifresh). These restructures resulted in Land Bank gaining minority stake investments in Rhodes Food Group and Acorn Agri Private Equity.

Audit and Finance Committee

The Audit and Finance Committee is responsible for ensuring that Land Bank's Internal Audit function is independent and has the necessary resources and standing authority within the Bank to enable Internal Audit to discharge its duties.

The Internal Audit department reports to Land Bank's Audit and Finance Committee functionally, and to Land Bank's CEO administratively. The Head of Internal Audit has a direct reporting line to the Chairperson of the Audit and Finance Committee.

The Audit and Finance Committee meets at least four times per annum, and has the authority to convene additional meetings as and when necessary. Six meetings were held during FY2017. The minutes of the Audit Committee meetings were made available to the entire Board upon request.

Key activities

- Reviewed the effectiveness of internal control systems;
- Considered the risk areas of the Group's operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the internal audit function and forensics department;
- Considered all factors and risks that may affect the integrity of integrated reporting, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information and forward-looking statements or information;
- Reviewed and recommended the Integrated Report for approval by the Board;
- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the expertise, resources and experience of the Bank's finance function;
- Reviewed regular reports on the capital, funding and liquidity position and monitored compliance to funding covenants;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Received regular reporting from each of the above functions and monitored timely resolutions of issues or concerns raised by management;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Performed such other functions as required from time to time by the National Treasury in the regulations relating to public entities;
- Ensured that the combined assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the combined assurance received was appropriate to address all significant risks faced by the Bank.

The Audit and Finance Committee notes that there were no instances brought to its attention suggesting that control breakdown occurred in the functioning of the Group's systems, procedures and controls that could lead to losses, contingencies or uncertainties that would require disclosure in the financial statements. Control deficiencies identified by the internal and external auditors were brought to the attention of the Audit and Finance Committee and management took corrective action.

Having considered, analysed and reviewed the information provided by management, Internal Audit and External Audit, the Audit and Finance Committee confirms that:

- The internal controls of the Group were effective in material matters throughout the year under review and nothing material has come to the committee's attention;
- Appropriate policies, supported by reasonable and prudent judgements and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place safeguarded the Group's assets;
- The financial statements comply, in most material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards; and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

Consolidated and separate annual financial statements

Having reviewed the audited consolidated and separate annual financial statements of the Group, particularly to ensure that disclosure was adequate and that fair presentation had been achieved, the committee recommended the approval of the consolidated and separate annual financial statements to the Board.

Going concern

The Audit and Finance Committee concurs that it is appropriate to prepare the Group financial statements on a going concern basis, and the Bank has no reason to doubt that it will continue to be a going concern in the year ahead. The Audit and Finance Committee therefore recommends that the financial statements as submitted be approved by the Board. The Committee has also reviewed the FY2017 Integrated Annual Report as submitted and recommends it to be approved by the Board.

Election of committee members

The Audit Committee is a statutory committee elected by the shareholders and in terms of section 94(2) of the Companies Act, read with Chapter 3 of King III, the shareholders of a public company must elect the members of an Audit Committee at each Annual General Meeting. In terms of Regulation 42 of the Companies Regulations, at least one-third of the members of the Company's Audit Committee at any time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The current membership of the committee comprises four non-executive members.

Ms M Makgatho
Chairperson: Audit and Finance Committee (acting)

4 July 2017

Human Resources and Social and Ethics Committee

The Human Resources & Social and Ethics committee's mandate is to ensure that the Bank's human resources and remuneration policies are effectively implemented. Its main objective is to assure the Board that staff regulations and conditions of service for executives and employees are properly implemented, that they are being fairly and competitively compensated, and that individuals are rewarded according to their contribution to the Group's success.

The committee oversees and reviews short-term incentive schemes and fringe benefits. In addition to employee related matters, the committee further provides assurance to the Board regarding the development and administration of social, ethics and environmental policies and ensures that management appropriately implements social ethics and environmental management programmes.

The committee monitors the implementation and transformation of BBBEE and activities relating to social and economic development, good corporate citizenship, environmental, health and public safety, consumer relationships, labour, and employment, and monitors the management of the Bank's social, ethics and environmental matters. During the financial year, significant progress was made with the institutionalisation of the areas represented by the Human Resources & Social and Ethics Committee.

Key activities

- The Human Resources Committee function was reviewed to include the social and ethics function which were previously with the Risk Committee. The reviewed Human Resources, Social and Ethics Committee Charter and Work plan were approved;
- The Ethics Policy and implementation plan was approved;
- Land Bank's critical roles were reviewed and approved, which enabled the Bank to prioritise filling these vacancies to achieve the key strategic objectives;
- The Committee will continue to provide assurance to the Land Bank Board with regards to aspects related to human resources, social matters and ethics;
- The Bank's pay scales were reviewed and approved to ensure the Bank's ability to appoint and retain employees at the right level and remuneration;
- The Bank's Remuneration Policy, Short Term Incentive Scheme and Long-term Incentive Scheme were reviewed and approved subject to the Minister of Finance's approval;
- The Development Impact Strategy was reviewed and approved; and
- The Organisation Review process was implemented.

The reviewed Remuneration Policy, Short Term Incentive Scheme and Long-Term Incentive Scheme were presented to the Minister of Finance for approval. The Bank is awaiting feedback from the Minister's office.

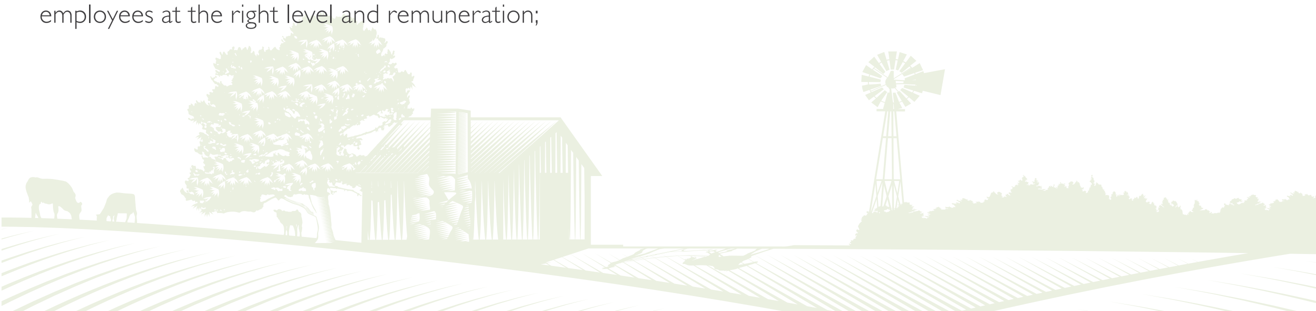
Executive remuneration

Remuneration of the CEO and Non-Executive Directors is determined by the Minister of Finance as legislated in the Land and Agricultural Development Bank Act 15 of 2002. Remuneration of the Executive Directors is determined by the Board in accordance with the remuneration structure as approved from time to time.

An external service provider conducts job evaluation and salary benchmarking for the CEO and executive management positions. The resultant remuneration structure is aligned to the governance precincts and is approved by the Board. Information from the benchmarking analysis, and the governance precincts are considered in determining the pay scales. The CEO, in consultation with the Board, determines the executive remuneration, taking the pay scales and other factors into consideration.

Executive remuneration consists of an annual guaranteed package which includes contributions to a retirement and medical benefit fund, a cell phone allowance and a performance-based short-term incentive.

Prior to finalising the performance scorecard ratings, the auditors (both internal and external) validate and provide assurance on the scores. The internal auditors also verify the payments prior to pay-outs. The remuneration structure referenced to the SOEs' remuneration guidelines sets parameters on percentage bonuses payable at midpoint/ median or in the upper quartile.



The tables below show the remuneration of Board members and executive managers for the year under review, for the Group.

Table 27: Remuneration - Land Bank non-executive directors and executive directors for FY2017 (R'000)

	Board	Audit and Finance	Risk and Governance	Credit and Investment	HR & SEC	Ad Hoc Meetings	Cash Salary	Performance Bonuses	Other Benefits[3], Fees & Expenses	Total
Non-Executive Directors										
Arthur Moloto	714	-	-	180	97	8	-	-	-	999
Dudu Hlatshwayo	217	-	-	153	83	16	-	-	4	473
Njabulo Zwane	234	97	-	-	97	8	-	-	-	436
Mohammad Karaan	200	14	-	224	-	8	-	-	-	446
Sue Lund[1]	234	97	85	-	-	8	-	-	4	428
Patrick Mathidi[2]	150	90	28	-	-	24	-	-	3	295
Thembekile Ngcobo	250	-	56	-	126	24	-	-	3	459
Davina Motau	250	-	-	194	-	8	-	-	9	461
Sandra Coetzee	234	-	56	-	97	8	-	-	1	396
Mathane Makgatho	234	69	-	167	-	8	-	-	2	480
Nomagugu Mtetwa	8	-	-	-	-	-	-	-	-	8
Subtotal	**2 725**	**367**	**225**	**918**	**500**	**120**	**-**	**-**	**26**	**4 881**
Executive Directors										
TP Nchocho Chief Executive Officer	-	-	-	-	-	-	4 009	2 090	202	6 301
Bennie van Rooy Chief Financial Officer	-	-	-	-	-	-	2 996	1 021	109	4 126
Total Land Bank	**2 725**	**367**	**225**	**918**	**500**	**120**	**7 005**	**3 111**	**337**	**15 308**

1 Paid to Transnet Foundation until Q4 of which 50% was paid to Ms Lund in terms of her employer policy on employee non-executive directorships

2 Paid to Momentum Asset Management

3 Includes group life, capital disability and total and temporary disability benefits, as well as vitality benefits

Table 28: Remuneration - Land Bank Insurance Services non-executive and executive directors for FY2017 (R'000)

	Board	Audit & Risk	Investment & Actuarial	Ad hoc Meetings	Cash Salary	Performance Bonuses	Other Benefits[1], Fees & Expenses	Total
Non-Executive Directors								
Bajabulile Luthuli	131	36	-	16	-	-	2	185
Davina Motau	75	54	45	16	-	-	-	190
Thembekile Ngcobo	75	-	-	16	-	-	-	91
Sandra Coetzee	37	-	-	-	-	-	-	37
Mathane Makgatho	-	-	36	-	-	-	-	36
Dudu Hlatshwayo	440	-	-	16	-	-	-	456
David Bergman	149	109	45	16	-	-	4	323
Subtotal	**907**	**199**	**126**	**80**	**-**	**-**	**6**	**1 318**
Executive Directors								
Mpumelelo Tyikwe[2] Managing Director	-	-	-	-	385	809	17	1 211
Adam Rakgalakane[3] Managing Director	-	-	-	-	1 762	-	76	1 838
Total LBIS	**907**	**199**	**126**	**80**	**2 1847**	**809**	**99**	**4 367**

1 Includes group life, capital disability and total and temporary disability benefits, 2 Resigned on 31 May 2016, 3 Appointed as at 10 August 2016

Table 29: Remuneration - Land Bank executive officers in FY2017 (R'000)

Title	Basic Salary	Bonus	Cellphone Allowances	Other benefits[1]	Total
Mr JS Mthembu Executive Manager: Legal Services	2 320	867	24	69	3 280
Ms ETM Dlamini Executive Manager: Human Capital	2 342	876	24	70	3 312
Ms L Ndlovu Executive Manager: Commercial Development and Business Banking	2 247	563	24	67	2 901
Mr WJ Jacobs Executive Manager: Agricultural Economics and Advisory	2 300	648	24	69	3 041
Mr SCE Soundy Executive Manager: Strategy and Communication	2 407	488	24	71	2 990
Mr GJM Conway[2] Executive Manager: Corporate Banking and Structured Investments	2 404	803	24	66	3 297
Ms K Gugushe Chief Risk Officer	2 514	508	24	74	3 120
Mr F Stiglingh[3] Executive Manager: Portfolio Management Services	1 989	-	20	72	2 081
Total	**18 523**	**4 753**	**188**	**558**	**24 022**

1 Other benefits include Group Life, Capital Disability and Total & Temporary Disability Benefits as well as vitality benefits

2 Title changed from 01 August 2016

3 Appointed as at 01 June 2016

For comparative remuneration figures refer to pages 32-36 of our FY2016 Integrated Report available at www.landbank.co.za

Retirement contributions

Employer contributions are 11.25% of the pensionable salary, while employee contributions constitute 7.50% of the pensionable salary. The total retirement contribution amounts to 18.75% of the pensionable salary, which includes the risk cover and administrative costs. Participation in the Retirement Fund for the CEO and executives on a longer fixed-term contract (five years) is optional. In the event that the CEO or an executive does not participate in the Retirement Fund, then the Bank will pay the group life and risk cover on their behalf. The group life assurance and risk benefit cover are through participation in the Retirement Fund.

Risk and Governance Committee (RGC)

The RGC monitors risk across the Land Bank's Enterprise Risk Management Framework (ERMF) specifically addressing certain risk types under the mandates of the other Board committees including credit risk, investment risk, financial risk, people risk, ethics risk, social and environmental risk, reputational risk, and transformation risk. The current RGC membership comprises four non-executive directors who meet every quarter.

The RGC's mandate is to oversee the development of the Bank's Risk Strategy and Risk Management plan, to approve the risk appetite, approve and review the risk policies, and to maintain the ERMF. The committee monitors the organisation's risk profile continuously to ensure that it is kept within the defined risk appetite and that appropriate action is taken where required.

The RGC engages regularly with the Chief Risk Officer and executive management on the top risks that the Bank has to contend with. It furthermore tracks material emerging risks (in the economy, the agricultural sector and the environment) that may impact on the strategy and operations of the Bank in both the short- and longer-term.

Our drive towards being world-class in enterprise risk management will evolve over the next five years. The Bank has embarked on a process to establish integrated risk management and seeks to become a trusted partner to stakeholders. Some of the critical success factors in this process, which have been achieved to date, include:

- Setting the tone by Board and executive management;
- Entrenching a strong risk and ethics culture;
- Positioning risk as a strategic driver;
- Attracting skilled resources; and,
- Fostering transparency and accountability.

Key activities

- Reviewed the Enterprise Risk Governance Architecture (including the Risk Universe), Delegation of Powers (in accordance with regulatory, structural and governance prescripts) and alignment of Board committee charters;
- Reviewed and updated the Enterprise Risk Management Framework and Risk Appetite Framework, the Combined Assurance Framework and the related suite of frameworks, policies and procedures;
- Reviewed and updated Treasury Policies, approved the adoption of updated Capital and Funding Ratios and the establishment of an Interest Rate Management Strategy;
- Developed various reporting tools, including the common risk language, key risk indicator tool, key issues control log, risk appetite framework monitoring dashboard and risk escalation matrix, which further formalise the documentation and depiction of the organisation's risk profile; and
- Introduced committee attestations and risk escalation procedures.

Governing IT

The RGC assists the Board in carrying out its IT responsibilities. The committee is responsible for IT oversight and is supported by the General Manager: IT who provides them with quarterly updates on the status of material IT projects and key IT risks. Land Bank's IT strategy is aligned to the corporate strategy as well as its Vision 2020. It outlines how specific organisational strategic objectives will be supported by the IT division.

The IT governance plan incorporates elements from the following frameworks: King III, Information Technology Infrastructure Library (ITIL v3), and Control Objectives for Information and related Technology (COBIT) and outlines specific IT operational initiatives and their respective timelines. It also deals with the daily operational issues of the IT division.

The IT division aims to provide efficiency and innovation in processes and service delivery. Its mandate includes:

- Ensuring IT-related risks do not exceed Land Bank's risk appetite and tolerance levels, and that these risks are identified, measured and managed;
- Ensuring efficient, measurable value from IT-enabled initiatives, investments, services and assets;
- Ensuring that IT-enabled changes are supported by organisation-wide change management processes;
- Increasing the likelihood of benefit realisation and readiness for future change through technology enablement; and
- Ensuring that disaster recovery and business continuity systems are up to date and functional.

Executive management

The members of the Land Bank executive management team contribute a variety of skills and experience to the organisation.

Mr GJM Conway, 50

BA Social Science; Post-Graduate Diploma in Utility Management; MBA

1 September 2015

Executive Manager: Corporate Banking and Structured Investments

Witzenburg PALS, Mouton Citrus

Ms ETM Dlamini, 57

BA Social Science; Masters Diploma in Human Resources; Programme in Advanced Marketing Management; Advanced Diploma in Business Management; International Executive Development Programme; Leadership Development Programme for Senior Managers

15 August 2013

Executive Manager: Human Capital

ETM Moja Investments CC; Sustainable Aluminium Packaging

Ms K Gugushe, 41

BCom, Accounting and Commercial Law; Post-Graduate Diploma in Accounting; Certificate in the Theory and Practice of Auditing; Chartered Accountant (SA)

15 September 2015

Chief Risk Officer

Grayston Preparatory School (NPC)

Mr WJ Jacobs, 45

BSc, Agricultural Economy; MBA

01 August 2015

Executive Manager: Agricultural Economics and Advisory

The Effective Consulting (Pty) Ltd

Mr JS Mthembu, 42

LLM-Corporate Law; B Proc.; Certificate in Senior Leadership Programme; Certificate in Accounting Law; Certificate in Integrated Bar Project; Certificate in Conveyancing

07 April 2009

Executive Manager: Legal Services

Ms L Ndlovu, 46

BSc, Industrial Information Technology; Post-Graduate Management Development Programme; MBA

1 August 2015

Executive Manager: Commercial Development and Business Banking

Belvoir Farm; Conservation South Africa; Women's Infrastructure Empire; Finningley Development

Mr SCE Soundy, 52

BAdmin; BAdmin (Hons), Industrial Psychology; Graduate Diploma in Marketing; MBA; Global Executive Development Programme

17 August 2015

Executive Manager: Strategy and Communication

Mr F Stiglingh, 46

Management Development Programme; Financial Accounting; Senior Management Retail Development; Senior Management Corporate Governance Programme; Senior Management Banking Programme; Executive Development Banking Programme

01 June 2016

Executive Manager: Portfolio Management Services

Inprofit Solutions Pty Ltd; One Source Pty; Precision Collect; JMVS Holdings; Surenet Direct; Take Note Trading; Isphere Technologies.

Managing risk

"Overall, we are pleased with the level of control that has been exercised within the organisation in pushing for the achievement of the targets set in the Corporate Plan, and we are satisfied that where these have been at risk, sufficient attention has been given to address it. Great strides have been made in maturing our risk management culture and we continue to enhance this." (Chief Risk Officer, K Gugushe)

Our approach

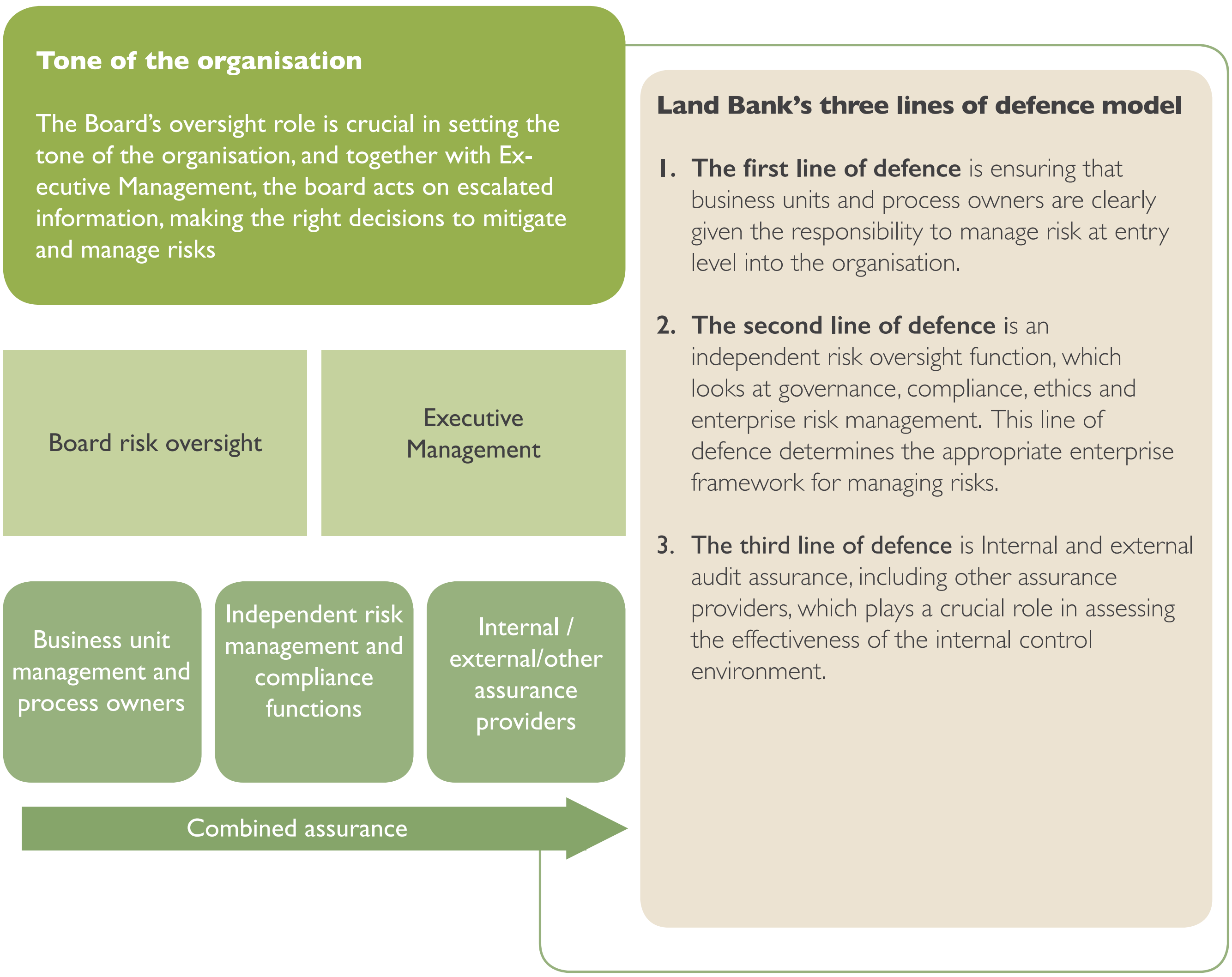
Our mission for risk management is to build capacity and consistency, and to evolve from simplicity to maturity. We are committed to be rated world-class at risk management. During the year we continued to evolve our risk management approach to ensure relevance to Land Bank's changing operating environment. We positioned risk as a strategic driver and made strides towards entrenching a strong risk and ethics culture. This included hiring skilled resources for managing risk. We are implementing policies and processes to foster transparency and accountability.

The Board is ultimately responsible for ensuring effective systems of risk management , internal control and governance, which require an effective internal audit function. Internal controls entail obtaining reasonable assurance for the following processes:

- Accomplishing organisational objectives and goals;
- Using resources economically and efficiently;
- Ensuring reliability and integrity of financial and non-financial information;
- Ensuring compliance with relevant policies, procedures, laws and regulations; and
- Safeguarding assets.

We assess, analyse and report all significant risks according to our defined risk management protocol. In the context of our recent operational changes, we have standardised and implemented our framework for risk management, including incorporating the enhancements to the Internal Audit methodology, the strengthened Enterprise Risk Management (ERM) Framework and the guidelines of King IV Report on Corporate Governance.

Figure 26: Three Lines of Defence incorporating five lines of combined insurance

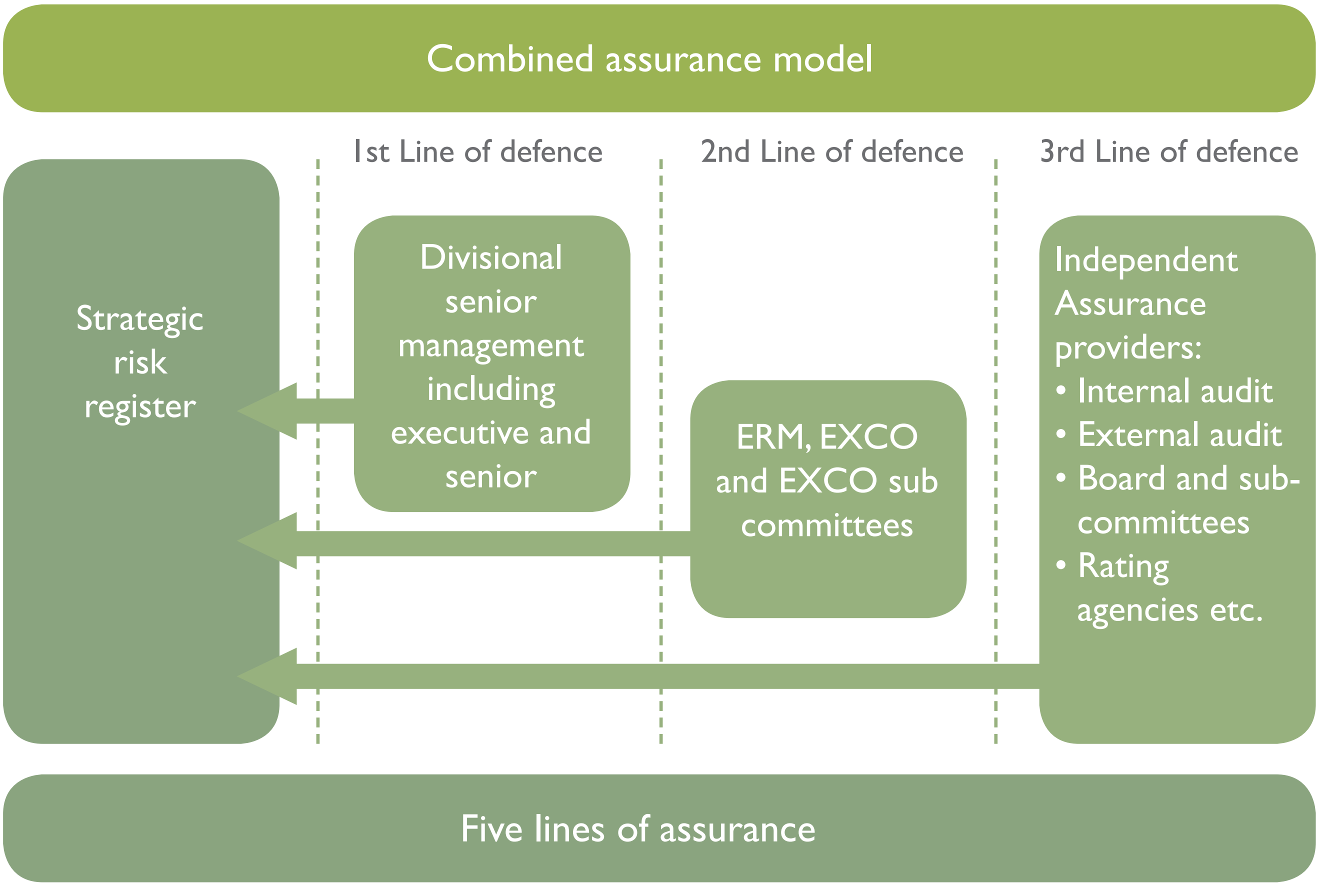


The aim of the updated Combined Assurance Model is to:

- Ensure implementation of a harmonised corporate governance, risk management and internal control system that addresses business needs and complies with legal and regulatory requirements;
- Optimise overall assurance to the Audit and Finance and Risk and Governance Committees;
- Identify areas of potential assurance gaps and facilitate the implementation and management of improvement plans for the gaps identified; and
- Ensure better coordination of assurance provider's activities.

We are currently in the process of rolling out the updated Combined Assurance Model across the Bank as presented below.

Figure 27: Combined assurance model



Internal Audit

The Land Bank Internal Audit Department provides independent, objective assurance, and assists in improving the effectiveness of risk management, internal control and governance processes. It is governed by the PFMA, Treasury Regulations, the King Report, and the Standards for the Professional Practice of Internal Auditing, and the Protocol on Corporate Governance in the Public Sector.

Internal Audit is furthermore an independent function that reports functionally to the Board Audit and Finance Committee and administratively to the CEO.

The activities of Internal Audit are detailed in an Annual Internal Audit plan that is approved by the Board Audit and Finance Committee and includes:

- Considering the scope of work of the external auditors, to ensure optimal audit coverage;
- Assessing the adequacy and effectiveness of the systems of internal control and risk management;
- Analysing and evaluating business processes and associated controls;
- Evaluating the effectiveness of controls over the reliability and integrity of management information, with emphasis on financial information;
- Ascertaining the level of compliance with relevant policies, plans, procedures, laws and regulations; and
- Recommending appropriate corrective actions.

All audit issues identified are reported to the Board Audit and Finance Committee and are tracked until resolved by management.

Risk profile

We have established a risk appetite framework that aligns with our business strategy. It enables us to understand the risks associated with our business, to evaluate them appropriately and to manage them proactively and effectively. The risk appetite is the total exposure that Land Bank wishes to undertake based on the risk-return trade-offs that will enable us to achieve our strategy, and specifically, financial sustainability. The below diagram illustrated how we integrate risk management into our business.

Table 30: Intergration of risk into business

Manage | Assess | Identify

Enterprise Risk Management Framework

Monitor

Enterprise Risk Universe

Operational Risks	Internal Process Risk
	People Risk
	Systems/IT Risk
	Governance, Compliance and Ethics Risk
	External Events Risk
Strategic	External Rating Risk
	Environmental and Social Risk
	Reputational Risk
	Business Risk
	Transformation Risk
Credit and Investment Risk	Credit Evaluation Risk
	Credit Concentration Risk
	Investment Risk
	Credit Default
Financial Risk	Market Risk (Interest Rate, Commodity Prices, Foreign Exchange Investment Risk)
	Accounting Regulations
	Liquidity Risk (Refinancing Risk)
	Capital Adequacy

Respond

Annual risk assessments during strategy and business planning process
- Assessment of risk trends
- Political and economic climate
- Lessons learnt
- Root cause analysis
- Stakeholder perception

Key issues
- Day-to-day operations
- Stakeholder feedback
- EXCO
- Board committees
- Management committees
- ERCO(ORCO)
- MANCO
- National Treasury

2nd Line oversight
- Credit risk monitoring
- Operational risk
- Compliance risk
- Market and liquidity monitoring
- ERM

ERM Framework gap analysis alignment
- Policies
- Processes and procedures
- Risk management processes
- Key risk indicators
- Risk appetite framework
- CRO Report

Assurance provider findings
- Internal Audit
- Combined Assurance
- External Audit
- Regulator (NCR, FIC)
- Corporate Plan
- Auditor General

Riks
Issues
Events
Control
Breakdowns

Report

National Treasury

Land Bank

Subsidiaries

EXCO

Business Review

Manco

ERCO (ORCO)

RCSA
Risk Registers
Risk Appetite

Apply
Risk Escalation
Criteria
Sec 54
Materiality
Framework

Residual Risk
Audit Findings

Riks
Issues
Events
Control
Breakdowns

ERM Reporting Process

Key Issues Control Log

Escalation Process Applied

RCSA
Risk Registers
Risk Appetite

Apply Risk Escalation Criteria

Risks
Emerging Risks
Control breakdown
Forward looking risks

Risk profile

Our risks and responses

Our businesses have exercised sufficient attention to managing and mitigating risks. We use quantitative, qualitative and judgment in reflecting on the overall risk profile. Our top risks associated with each material matter and our response to those risks is covered on page 33.

The table below shows the top risks to our business and their ratings.

Table 31: Land Bank's risk profile

Likelihood					
	5	10	15	20 • BBBEE score	25
	4	8	12 • Agricultural Innovation • Capital adequacy and sustainable business funding • Theft, fraud, and corruption	16 • Development Effectiveness • Environmental and social risks • Legal and regulatory compliance	20
	3	6	9 • Critical and scarce skills acquisition • Business disruptions	12 • Embed long term strategy • Credit and investment risk • Managing organisational transformation	15
	2	4	6	8	10
	1	2	3	4	5
			Impact		

Fraud prevention

The Bank maintains a zero-tolerance approach to unethical or dishonest behaviour and any employee found to be acting unethically is subject to disciplinary action. A fraud and ethics hotline is available to employees and clients to report dishonesty. All anonymous tip-offs are investigated by Internal Audit and reported to the Audit and Finance Committee. No material fraud matters were investigated during the financial year.

Ethics

We are a member of the Ethics Institute and assess our organisation's ethical performance against the following factors:

- Leadership commitment;
- Governance structure;
- Ethics Management Strategy;
- Corporate Citizenship Strategy;
- Codes and policy;
- Institutionalisation; and
- Reporting.

We are currently awaiting feedback from the Ethics Institute on their assessment of Land Bank. We will disclose our independently assured ethics performance in the FY2018 integrated report.

Our CEO is firmly committed to our Ethics policy which is aligned to the Land Bank's Leadership Charter which includes a value that states: "We will act with integrity and accountability".

Compliance

Regulatory compliance forms an integral component of Land Bank's governance structure. As such, it is a top priority that we comply to the spirit and letter of the law. The Bank's compliance risk management programme is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa and the Bank strives to comply with the highest professional standards of integrity and behaviour.

The Board, with support from the Audit and Finance and Risk and Governance Committees, is responsible for ensuring that the Group complies with applicable laws, supervisory requirements, non-binding rules, codes and standards. Our compliance universe consists of all statutory and regulatory requirements of relevant legislation, regulations and industry codes applicable to the business and sound management of the Bank.

Processes are in place to ensure that the Board is adequately informed of significant developments in applicable laws, rules, codes and standards. Compliance is an integral part of the Bank's risk-management process and the Board is confident that management is implementing an effective compliance framework and processes.

Apart for a late payment of PAYE (for which we have updated controls) and subsequently received remission from SARS, we did not incur any regulatory fines or penalties in 2017. No known requests were received under the Promotion of Access to Information Act 2 of 2002.

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ANNUAL PERFORMANCE REPORT

Table 32: Annual Performance Report
Land Bank

Key Performance Area	Measure	Definition	Status	Performance
ORT journey implementation	90% of milestones achieved	Embark on an intervention to define the Banks strategy, redefine its operating model and design a structure that would support the Bank's achievement of its mandate and overall objective to become the leader in Agri financing through the development and implementation of integrated systems, a strong organisational culture and sound risk management.	97% complete. Change and implementation rollout; Remuneration & benefits (LTI&STI) framework concluded; Strategic alignment of PM framework and development of scorecards.	**Achieved**
Governance	Maintain unqualified audit opinion			**Achieved**
Risk management	No material breaches of Risk Appetite Framework for FY2017	Risk appetite thresholds measured in the risk appetite report.	In respect of the risk magnitude relating to the RAF, the breaches are medium and therefore not material (Medium = impact on the non-achievement of objectives or a threat that that could cause some financial loss that requires management attention.) Materiality was assessed for the RAF with reference to definitions in the 1. ERM Framework. 2. Key Issues Control Log 3. Corporate Plan Significance and materiality framework. The three indicators in the RAF that are in breach are: • Net interest income margin was 3.1%, which is acceptable. • Cost to income was 52%, above the RAF threshold of 50%, but below the Corporate Plan threshold of 55% which is acceptable. • The liquidity buffer measure is going to be defunct once the NT approves our Treasury Policies (replaced by LCR), which is not material.	**Achieved**
	No material adverse issues reported in respect of risk quantitative models	Results of independent and internal back-testing of models.	No adverse material findings (ERM Framework) were issued on the internal audit report. There were areas of improvement which were recommended in the report. 2. Furthermore, the internal report by KPMG has a requires improvement finding and highlighted areas of improvement, namely: a. Validation Framework and Policy approved by the Board. b. Model Validation plan approved by the Board. c. Model Governance Framework and Validation policy operationalised in the business. d. Validation work on IRB models has commenced.	**Achieved**

Key Performance Area	Measure	Definition	Status	Performance
	Maintain NPL ≤12% (based on IFRS 9 definition)	The total NPL's (including insolvencies excluding LDFU) (with IFRS 9 impact) was within the targeted range (Green). The percentage is in line with the new IFRS9 calculations.	7.1%	**Achieved**
Development effectiveness	Loan book of at least R2.0 billion in development investments	Total disbursements to development clients during the year.	R2.151 billion	**Achieved**
	10% of new disbursements to customers with Level 4 (and better) BBBEE rating	10% of new disbursements by value.	16.5%	**Achieved**
Financial sustainability	Maintain and grow portfolio by at least R2.5 billion	Gross loan book value as at end of quarter minus loan value at 31 March 2016 (R39.0 billion).	R4.3 billion	**Achieved**
	Net interest margin ≥ 2.8%		3.1%	**Achieved**
	Cost-to-income ratio ≤ 55%		51.4% excluding organisational review costs 54.4% including organisational review costs	**Achieved**
	LCR ≥ 60%		85%	**Achieved**
	NSFR ≥ 80%		86.7%	**Achieved**
	Total CAR ≥ 15% (including government guarantees)		17.7%	**Achieved**
Environmental sustainability	Set standards of good environmental practice	Entails updating the current Environment and Social Management System (ESMS) with environmental opportunities and their assessment. Some opportunities have already been identified and integrated into ESMS, but more still have to be identified.	ESMS and implementation guidelines and tools documents completed	**Achieved**

Key Performance Area	Measure	Definition	Status	Performance
	Develop due diligence protocols	Entails updating the current (ESMS) to set due diligence protocols for environmental opportunities.	Completed	Achieved
	Structure incentive instrument for environmentally sustainable lending	1. Development of green funding proposal 2. Based on the proposal, structure incentive instrument	Structural incentive instrument developed and concept approved by EXCO for implementation in FY2018.	Not achieved
Talent management	Critical roles identified	Board approved 52 critical roles that were identified.	92.91%	Achieved
	55% ACI staff in work force		66.88%	Achieved
	30% women in management positions		37.01%	Achieved

Table 33: Land Bank Insurance Company financial key performance areas

Key Performance Area	Measure	Status	Performance
Gross written premium	R535 million	R537 million	Achieved
Net premium income**	R138 million	R131 million	Not achieved
Combined operating ratio	94% ***	114%	Not achieved
Capital adequacy (current regime)	2 times cover	5 times cover*	Achieved
Liquidity ratio	1-2 times cover	2 times cover	Achieved
Return on investment (3-year)****	CPI plus 2%	CPI	Not achieved

*Actuarial data for quarter 3 is not yet available, therefore quarter 2 data has been used. However, we do not anticipate a deterioration in the SCR.

**Calculated based on gross total expenses and gross premium

***Combined operational ratio = net claims + net commission + operating expense/ net written premium

****CPI is taken as an average of 3 years

Table 34: Land Bank Life Insurance Company financial key performance areas

Key Performance Area	Measure	Status	Performance
Gross written premium	R20 million	R12 million	Not achieved
Net premium income*	R9 million	R5 million	Not achieved
Combined operating ratio	110%**	194%	Not achieved
Capital adequacy (current regime)	75 times cover	112 times cover	Achieved *
Liquidity ratio	1-2 times cover	13 times cover	Achieved
Return on investment (3-year) ***	CPI plus 5%	CPI PLUS 1.2%	Not achieved

*Calculated based on gross total expenses and gross premium

**Combined operational ratio = Net claims + net commission + operating Expense/ net written premium

***CPI is taken as an average of 3 years

Table 35: Land Bank Life Insurance Company and Land Bank Insurance key performance areas

Key Performance Area	Measure	Status	Performance
Data management	Comprehensive data management strategic plan	Strategy approved and in the process of being implemented	Achieved
Accessible distribution channels	15 independent intermediaries in place to sell for LBIC	More than 15 intermediaries in place	Achieved
Appointments in vacant positions	Appointment of 1 Executive Head: Finance	Strategic review indicates that business does not yet justify appointment	Not applicable
Implementing Treating Customers Fairly Framework	Implement monitoring plan to assess whether the businesses meet the Treating Customers Fairly outcomes	The framework was approved and survey conducted	Achieved
Statutory and regulatory compliance	Train staff in disciplines of FICA, ethics, new regulations and legislation	FICA training was completed. The ethics training was presented to the majority of staff in March, with the remainder trained in April 2017.	Not achieved
	Train staff in operational, fraud and strategic risk management	Completed	Achieved
Relevant strategic and operational risks	Draft risk appetite framework	LBIC and LBLIC risk appetite frameworks drafted	Achieved
	Develop risk management reporting tool	Risk report is submitted quarterly to LBIC and LBLIC Audit and Risk Committee	Achieved
	Ongoing risk assessments and reviews	Risk assessments and reviews are conducted on an ongoing basis and report is submitted quarterly to LBIC and LBLIC Audit and Risk Committee	Achieved

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FINANCIAL STATEMENTS

Consolidated and separate annual financial statements
for the year ended 31 March 2017

INDEX

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholder:

These audited Group annual financial statements were prepared by Land Bank Financial Reporting, under the direction and supervision of the CFO, Mr B van Rooy CA(SA).

LAND BANK

SHAREHOLDER
National Treasury

PUBLIC ENTITY
Governed by the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002) and is a schedule 2 Public Entity in terms of the PFMA.

COUNTRY OF INCORPORATION
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Land Bank provides retail and wholesale finance to emerging, commercial farmers and Agri-Businesses. In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries. Land Bank Life Insurance Company (LBLIC) offers credit life insurance products and Land Bank Insurance Company (LBIC) offers short-term insurance products. LBLIC and LBIC are incorporated in terms of the Companies Act of South Africa, 2008 (Act No. 71 of 2008). All three active entities within this Group are schedule 2 Public Entities in terms of the PFMA.

HEAD OFFICE PHYSICAL ADDRESS
Block D Eco Glades 2
Witch Hazel Avenue
Ecopark
Centurion
0046

POSTAL ADDRESS
P. O. Box 375
Tshwane
0001

BANKERS
First National Bank, division of FirstRand Limited
ABSA Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

AUDITOR
The Auditor-General of South Africa

COMPANY SECRETARY
Acting: Konehali Gugushe (appointed 3 July 2017); Andile Yabo (appointed 1 June 2016; resigned 28 June 2017);
Nazir Ebrahim (retired 31 May 2016)

LAND BANK GROUP SUBSIDIARIES

	Company registration number
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	1954/003095/06
Land Bank Insurance Company (SOC) Limited (LBIC)	2012/115426/30
Land Bank Insurance Services (SOC) Limited (LBIS) [1]	2012/060770/30

All of the above entities are incorporated in South Africa

HOLDING COMPANY
Land and Agricultural Development Bank of South Africa (the Land Bank)

COUNTRY OF INCORPORATION
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Land Bank Life Insurance Company (LBLIC) and Land Bank Insurance Company (LBIC) operate in the insurance sector. LBLIC offers credit life insurance products and LBIC offers short-term insurance products to the wider agricultural sector. LBLIC and LBIC are incorporated in terms of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and are schedule 2 Public Entities in terms of the PFMA.

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Block D Eco Glades 2
Witch Hazel Avenue
Ecopark
Centurion
0046

POSTAL ADDRESS
P. O. Box 375
Tshwane
0001

BANKERS
LBLIC: ABSA Bank Limited
LBIC: RMB Private Bank, division of FirstRand Limited

AUDITOR
The Auditor-General of South Africa

COMPANY SECRETARY
Acting: Konehali Gugushe (appointed 3 July 2017); Andile Yabo (appointed 1 June 2016; resigned 28 June 2017);
Nazir Ebrahim (retired 31 May 2016)

PUBLIC OFFICER
Langa Mnyandu

[1] Dormant entity

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa (Land Bank) and its subsidiaries (the Group) set out on pages 105 to 240, comprising the consolidated and separating the statement of financial position as at 31 March 2017, the consolidated and separate statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly in all material respects, the consolidated and separate financial position of the Group as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, (1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the consolidated and separate financial statements section of my report.

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

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

Key audit matters

6. Key audit matters are those which, in my professional judgement, were most significant in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and, in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment of loans and advances	
Loans and advances, which represent 93.5% of total assets and the associated impairment provisions in note 10.1, are significant in the context of the consolidated and separate financial statements. The estimation of credit losses is inherently uncertain and is subject to significant judgement. Furthermore, models used to determine credit impairments are complex, and certain inputs used are not fully observable. The assessment process requires detailed knowledge of the borrower, and credit officers need to use judgement to determine whether a loss event has occurred and the amount of the resulting loss. Lending to commercial development banking represents only 16,8% of total loans and advances. These loans and advances are typically lower in value and are assessed collectively by grouping into homogenous portfolios for monitoring and impairment assessment. Lending to corporate banking represents 83,2% of total loans. The impairment process relies on models to determine the losses incurred across both the portfolios. Given the combination of inherent subjectivity in the valuation, and the material nature of the balance, I considered the valuation of loan loss provisions to be a key audit matter in the audit of the financial statements.	I assessed the independency, objectivity and competency of the experts used by management in the assessment of the impairment of provision. In reviewing the work of the expert, amongst other procedures, I assessed: • significant assumptions applied and the methods used, the relevance and reasonableness of those assumptions and methods used in the circumstances; • the use of source data that is significant to the expert's work, the relevance, completeness, and accuracy of the source data; • whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimates; • whether the methods for making the accounting estimates are appropriate and have been applied consistently and whether changes, if any, in accounting estimates or in the method for making them from the prior period are appropriate in the circumstances. I found managements estimates to be within a reasonable range to my expectation and in accordance with IFRS 9 principles.

Key audit matter	How the matter was addressed in the audit
Valuation of financial instruments at amortised cost	
Due to the magnitude of the financial instrument liabilities of R36 919 million and the complexities concerning their valuation, as disclosed in note 19, I considered this item to be significant to the audit.	My audit procedures included considering the appropriateness of the measurement basis used in terms of the requirements of IFRS 9: Financial instruments. These procedures included the following: • assessing contracts entered into with the counterparty to confirm the appropriate accounting treatment thereof; • testing the calculation of interest using the effective interest rate to confirm that the amortised method was appropriate and in accordance with the applicable standards; • confirming a sample of repayments to supporting documents and considered whether the right amounts were deducted from the balance of the loans; • confirming outstanding balances externally. Based on the procedures performed, I consider the valuation of the financial instruments at amortised cost to be appropriate.

Responsibilities of accounting authority

7. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and for such internal control as the accounting authority regards necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

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

10. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

11. In accordance with the Public Audit Act of South Africa, (25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

12. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

13. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2017:

Land Bank

Objectives	Pages in the annual performance report
Developmental effectiveness	89
Financial sustainability	89
Environmental sustainability	89-90

Land Bank Life Insurance Company SOC Limited

Objectives	Pages in annual performance report
Financial stability and sustainability	91
Customer centricity	91
Governance, risk management and compliance	91

Land Bank Insurance Company SOC Limited

Objectives	Pages in annual performance report
Financial stability and sustainability	91
Customer centricity	91
Governance, risk management and compliance	91

14. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

Land Bank

- Development effectiveness
- Financial sustainability
- Environmental sustainability.

Land Bank Life Insurance Company SOC Limited

- Financial stability and sustainability
- Customer centricity
- Governance, risk management and compliance.

Land Bank Insurance Company SOC Limited

- Financial stability and sustainability
- Customer centricity
- Governance, risk management and compliance.

Other matter

16. I draw attention to the matter below:

Achievement of planned targets

17. Refer to the annual performance report on pages 88 to 91 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets for the insurance companies. This information should be considered in the context of the opinions expressed on the usefulness and reliability of the reported performance information in paragraph 13 of this report.

Report on audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the Group with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

19. The material finding in respect of the compliance criteria for the applicable subject matters is as follows:

Procurement and contract management

20. The preferential point system was not applied in all procurement of goods and services between R30 000 and R500 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000: Preferential Procurement Regulations, 2011.

Other information

21. The Land Bank and its subsidiaries' accounting authorities are responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.

- Non-compliance with legislation could not be prevented due to inadequate review and monitoring of compliance with supply chain management legislation relevant to the Group.
- The Bank has not implemented effective human resource management practices to ensure that adequate and sufficiently skilled resources are in place and adequate vetting processes are conducted.

Other reports

25. I draw attention to the following engagements that I conducted which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

28. As requested by the Bank, an engagement was conducted during the year under review on compliance with the National Credit Act of South Africa, 2005 (Act No. 34 of 2005). This report covered the period 1 April 2015 to 31 March 2016 and was issued on 29 July 2016.

29. As requested by the Bank, engagements were conducted during the year under review on compliance with the Securities Services Act, 2004 (Act No. 36 of 2004). The report covered the period 1 April 2016 to 31 January 2017 and was issued on 14 March 2017.

30. As requested by the Land Bank Life Insurance Company SOC Limited, an engagement was conducted during the year regarding the review of statutory returns, as required by section 19(7) of Long-term Insurance Act 52 of 1998 to be submitted to the registrar of the long-term insurance. This report covered the period 1 April 2015 to 31 March 2016 and was issued on 29 July 2016.

31. As requested by the Land Bank Life Insurance Company SOC Limited, an engagement was conducted during the year regarding the review of The Quantitative Reporting Template, as required by section 19(7) of the Long-term Insurance Act, (No. 52 of 1998) to be submitted to the Registrar of the long-term insurance. This report covered the period 1 April 2015 to 31 March 2016 and was issued on 2 December 2016.

32. As requested by the Land Bank Insurance Company SOC Limited, an engagement was conducted during the year regarding the review of statutory returns, as required by section 19(7) of Short-term Insurance Act 53a of 1998 to be submitted to the Registrar of the short-term insurance. This report covered the period 1 April 2015 to 31 March 2016 and was issued on 29 July 2016.

33. As requested by the Land Bank Insurance SOC Limited, an engagement was conducted during the year regarding the review of the Quantitative Reporting Template, as required by section 19(7) of the Short-term Insurance Act 52 of 1998 to be submitted to the Registrar of the short-term insurance. This report covered the period 1 April 2015 to 31 March 2016 and was issued on 2 December 2016.

Auditor General

Pretoria
7 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors, use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Land Bank and its subsidiaries ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the entities to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

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

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements satisfy the financial reporting standards as to form and content and present fairly the consolidated and separate statement of financial position, results of operations and business of the Group, and explain the transactions and financial position of the business of the Group at the end of the financial year. The consolidated and separate annual financial statements are based upon appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee and various other risk-monitoring committees. Management enables the directors to meet these responsibilities.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the Group will not be a going concern in the foreseeable future. The financial statements support the viability of the Group.

The consolidated and separate annual financial statements have been audited by the independent auditing firm, The Auditor-General of South Africa, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the board of directors and committees of the Board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' audit report is presented from page 98.

The consolidated financial statements have been prepared in accordance with IFRS (with consent from the National Treasury for all Schedule 2 public entities) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies.

The consolidated and separate annual financial statements as set out on pages 105 to 240 were approved by the Board on 7 July 2017 and were signed on their behalf by:

MA Moloto
Chairperson of the Board
7 July 2017

B van Rooy
Chief Financial Officer
7 July 2017

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	Group 2017 R`000	Group 2016 R`000	Bank 2017 R`000	Bank 2016 R`000
Assets					
Cash and cash equivalents	4	**1 520 331**	2 507 463	**1 211 305**	2 120 577
Trade and other receivables	5	**385 043**	174 419	**138 949**	331 008
Short-term insurance assets	6	**178 527**	206 916	**-**	-
Repurchase agreements	7	**15 149**	14 706	**15 149**	14 706
Investments	8	**1 860 074**	1 691 704	**983 184**	557 836
Market making assets	9	**9 617**	-	**9 617**	-
Loans and advances	10	**40 975 554**	36 353 418	**40 975 554**	36 353 418
Assets of disposal group classified as held-for-sale	11	**197 139**	149 620	**197 139**	149 620
Long term insurance asset	18.5	**12 098**	661	**-**	-
Non-current assets held-for-sale	12	**47 993**	47 622	**47 993**	47 622
Investment property	13	**167 800**	106 740	**167 800**	106 740
Property, plant and equipment	14	**45 236**	83 955	**45 053**	83 844
Intangible assets	15	**27 275**	34 131	**27 275**	34 131
Total assets		**45 441 836**	41 371 355	**43 819 018**	39 799 502
Equity and liabilities					
Equity					
Distributable reserves	16	**6 317 349**	5 963 340	**5 227 078**	4 923 745
Other reserves	16	**137 495**	135 072	**137 495**	135 072
Total		**6 454 844**	6 098 412	**5 364 573**	5 058 817
Liabilities					
Trade and other payables	17	**379 782**	383 547	**163 998**	188 180
Market making liabilities	9	**5 533**	-	**5 533**	-
Short-term insurance liabilities	6	**260 264**	299 009	**-**	-
Long-term policyholders' liabilities	18	**54 762**	35 787	**-**	-
Funding liabilities	19	**36 918 757**	33 156 039	**36 918 757**	33 156 039
Provisions	20	**108 831**	206 917	**107 094**	204 822
Post-retirement obligation	21	**338 210**	323 552	**338 210**	323 552
Liabilities of disposal group classified as held-for-sale	22	**920 853**	868 092	**920 853**	868 092
Total equity and liabilities		**45 441 836**	41 371 355	**43 819 018**	39 799 502

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group 2017 R`000	Group 2016 * R`000	Bank 2017 R`000	Bank 2016 * R`000
Continuing operations					
Net interest income		**1 273 717**	1 153 480	**1 256 911**	1 134 545
Interest income	23	**4 256 564**	3 562 685	**4 234 811**	3 543 750
Interest expense	24	**(2 982 847)**	(2 409 205)	**(2 977 900)**	(2 409 205)
Net impairment charges, claims and recoveries	10.6	**(81 543)**	(74 225)	**(81 543)**	(74 225)
Total income from lending activities		**1 192 174**	1 079 255	**1 175 368**	1 060 320
Non-interest expense	25	**(270 240)**	(241 020)	**(269 071)**	(240 647)
Non-interest income	26	**62 900**	51 617	**60 613**	48 673
Operating income from banking activities		**984 834**	889 852	**966 910**	868 346
Net insurance premium income	27.1	**135 720**	115 874	**-**	-
Net insurance claims	27.3	**(114 548)**	(90 167)	**-**	-
Other costs from insurance activities	27.4	**(25 675)**	(20 039)	**-**	-
Investment income and fees	28	**71 946**	56 810	**11 468**	10 126
Interest in post-retirement obligation		**(29 775)**	(23 202)	**(29 775)**	(23 202)
Fair value gains	29	**7 865**	36 052	**5 877**	4 358
Operating income		**1 030 367**	965 180	**954 480**	859 628
Operating expenses	30	**(595 160)**	(695 533)	**(569 948)**	(677 946)
Net operating income		**435 207**	269 647	**384 532**	181 682
Non-trading and capital items	31	**5 888**	2 223	**5 888**	2 223
Net profit before indirect taxation		**441 095**	271 870	**390 420**	183 905
Indirect taxation	32	**(68 863)**	(54 304)	**(68 863)**	(54 304)
Net profit from continuing operations		**372 232**	217 566	**321 557**	129 601
Share of profit/(loss) in investments accounted for using the equity method	33	**-**	-	**-**	-
Net loss from discontinued operations	22	**(5 242)**	(35 607)	**(5 242)**	(35 607)
Profit for the year		**366 990**	181 959	**316 315**	93 994
Other comprehensive income					
Items that will be reclassified into profit or loss					
Net losses on financial assets designated at fair value through other comprehensive income		**440**	(10 999)	**440**	(10 999)
Items that will not be reclassified subsequently to profit or loss					
Actuarial loss on the post-retirement obligation		**(12 981)**	(17 481)	**(12 981)**	(17 481)
Revaluation of land and buildings		**1 983**	6 295	**1 983**	6 295
Total other comprehensive income		**(10 558)**	(22 185)	**(10 558)**	(22 185)
Total comprehensive income for the year		**356 432**	159 774	**305 757**	71 809

* FY2016 amounts have been reclassified to split out the PRMA liability interest expense. Refer to note 48.

	Capital fund	Insurance reserve	MTM reserve	Revaluation reserve	General reserve	Discontinued operation	Total
Group	R`000	R`000	R`000	R`000	R`000	R`000	R`000
Balance at 1 April 2015 as previously reported	4 397 655	1 301 660	6 847	127 927	2 466 537	(682 865)	7 617 761
Impact as a result of adoption of new accounting standards - IFRS 9	-	-	-	-	(1 679 124)	-	(1 679 124)
Balance at 1 April 2015 as adjusted	**4 397 655**	**1 301 660**	**6 847**	**127 927**	**787 413**	**(682 865)**	**5 938 637**
Other comprehensive income for the year	-	87 965	(5 999)	6 297	(22 481)	-	65 782
Profit for the year	-	-	-	-	129 600	(35 607)	93 993
Balance at 31 March 2016	**4 397 655**	**1 389 625**	**848**	**134 224**	**894 532**	**(718 472)**	**6 098 412**
Profit for the year	-	50 675	-	-	321 557	(5 242)	366 990
Other comprehensive income for the year	-	-	440	1 983	(12 981)	-	(10 558)
Balance at 31 March 2017	**4 397 655**	**1 440 300**	**1 288**	**136 207**	**1 203 108**	**(723 714)**	**6 454 844**

Bank	Capital fund R`000	MTM reserve R`000	Revaluation reserve R`000	General reserve R`000	Discontinued operation R`000	Total R`000
Balance at 1 April 2015 as previously reported	4 397 655	6 847	127 928	2 816 566	(682 865)	6 666 131
Impact as a result of adoption of new accounting standards - IFRS 9	-	-	-	(1 679 124)	-	(1 679 124)
Balance at 1 April 2015 as adjusted	**4 397 655**	**6 847**	**127 928**	**1 137 442**	**(682 865)**	**4 987 007**
Other comprehensive income for the year	-	(5 999)	6 296	(22 481)	-	(22 184)
Profit/ (loss) for the year	-	-	-	129 600	(35 607)	93 993
Balance at 31 March 2016	**4 397 655**	**848**	**134 224**	**1 244 561**	**(718 472)**	**5 058 816**
Other comprehensive income for the year	-	440	1 983	(12 981)	-	(10 558)
Profit / (loss) for the year	-	-	-	321 557	(5 242)	316 315
Balance at 31 March 2017	**4 397 655**	**1 288**	**136 207**	**1 553 137**	**(723 714)**	**5 364 573**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Net profit from continuing operations		**372 232**	217 566	**321 557**	129 601
Net loss from discontinued operations		**(5 242)**	(35 607)	**(5 242)**	(35 607)
		366 990	181 959	**316 315**	93 994
Adjustments to reconcile profit to net cash flows:					
Non-cash items:		**2 845 176**	2 371 088	**2 894 029**	2 446 034
Interest expense	24	**2 982 847**	2 409 205	**2 977 900**	2 409 205
Interest in post-retirement obligation	21	**29 775**	23 202	**29 775**	23 202
Fair value movement (financial instruments)	29	**678**	439	**678**	439
Fair value movement (investments)	29	**(8 543)**	(36 490)	**(6 555)**	(4 797)
Dividend income	28	**(29 658)**	(25 164)	**(8 023)**	(6 463)
Interest income	28	**(50 006)**	(42 217)	**(5 350)**	(5 580)
Fund management fees	28	**7 718**	10 571	**-**	-
Depreciation and impairment of property and equipment	30	**5 006**	6 662	**4 973**	6 628
Amortisation and impairment of intangibles	30	**6 598**	6 325	**6 598**	6 325
Fair value adjustments (investment properties)	31	**(8 879)**	(1 253)	**(8 879)**	(1 253)
Fair value movement in policyholders' liabilities	18.2	**7 086**	2 682	**-**	-
Fair value adjustment on non-current assets held-for-sale	31	**(190)**	-	**(190)**	-
Movement in provisions	20	**(98 086)**	9 014	**(97 728)**	10 216
Movement in post-retirement medical aid liability	21	**1 677**	8 291	**1 677**	8 291
Loss on disposal of property and equipment	30	**326**	103	**326**	103
Loss on disposal/ write off of intangible asset	30	**2 112**	-	**2 112**	-
(Profit)/ loss on disposal of properties in possession	30	**485**	(951)	**485**	(951)
Gain on recognition of investment in subsidiary		**393**	-	**393**	-
Foreign exchange gain	30	**(35)**	(20)	**(35)**	(20)
Impairment relating to loan commitments and guarantees	10.5	**(4 028)**	791	**(4 028)**	791
Impairment of other assets	30	**(100)**	(102)	**(100)**	(102)
Working capital adjustments:		**(223 363)**	(242 297)	**(100 444)**	(396 978)
Decrease / (increase) in trade and other receivables	5	**(210 624)**	(335)	**(9 278)**	20 249
Decrease in inventory		**-**	240	**-**	240
Decrease in trade and other payables	17	**(3 765)**	(264 174)	**(91 166)**	(417 467)
Increase in short-term and long-term insurance liability	6	**(25 926)**	216 563	**-**	-
Decrease / (increase) in short-term and long-term insurance assets	6	**16 952**	(194 591)	**-**	-
Cash flow from operating activities		**2 988 803**	2 310 750	**3 109 900**	2 143 050

Cash flows from operations		**(7 907 226)**	(3 752 584)	**(7 902 279)**	(3 752 584)
Interest paid	24	**(2 982 847)**	(2 409 205)	**(2 977 900)**	(2 409 205)
Interest in post-retirement obligation	21	**(29 775)**	(23 202)	**(29 775)**	(23 202)
Increase in funding to clients	10	**(4 894 604)**	(1 320 177)	**(4 894 604)**	(1 320 177)
Cash flow from investing activities		**116 423**	(8 112)	**148 236**	8 958
Proceeds from disposal of property and equipment	14	**545**	275	**470**	275
Purchase of property and equipment	14	**(17 275)**	(3 050)	**(17 280)**	(3 050)
Additions to intangible assets	15	**(1 855)**	(3 294)	**(1 855)**	(3 294)
Proceeds from sale of non-current assets held-for-sale	12.3	**2 460**	1 331	**2 460**	1 331
Proceeds from sale of financial instruments	7 & 8	**184 558**	(2 357)	**15 114**	14 713
Repayment of intercompany loan receivable	5	**-**	-	**201 337**	-
Purchase of financial instruments	7 & 8	**(52 010)**	(1 017)	**(52 010)**	(1 017)
Cash flow from financing activities		**3 815 479**	2 351 737	**3 735 479**	2 351 737
Increase in funding	19	**3 815 479**	2 351 737	**3 815 479**	2 351 737
Investment in subsidiary	8.5	**-**	-	**(80 000)**	-
Capital injection from shareholder					
Net decrease in cash and cash equivalents		**(986 521)**	901 791	**(908 664)**	751 161
Cash and cash equivalents at beginning of year	4	**2 507 463**	1 605 673	**2 120 580**	1 369 418
Cash and cash equivalents at end of year		**1 520 331**	2 507 463	**1 211 305**	2 120 580

SEGMENT REPORTING (GEOGRAPHIC SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2017

Group - 2017

Statement of profit or loss and other comprehensive income

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense)	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Actuarial losses on the post-retirement obligation	Revaluation of land and buildings and fair value gains on financial assets	Total comprehensive income
	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000	R`000
Northern region	3 323 949	(2 210 975)	1 112 974	52 568	(194 892)	-	23 330	(263 714)	(10 776)	(303 915)	415 575	(42 755)	2 423	375 242
Southern region	910 862	(766 925)	143 937	(134 111)	(13 567)	-	(97)	(12 125)	(796)	(47 485)	(64 244)	-	-	(64 244)
Insurance operations	21 753	(4 947)	16 806	-	1 119	(4 503)	62 466	(7 096)	(98)	(18 018)	50 676	-	-	50 676
Continuing operations	**4 256 564**	**(2 982 847)**	**1 273 717**	**(81 543)**	**(207 340)**	**(4 503)**	**85 699**	**(282 935)**	**(11 670)**	**(369 418)**	**402 007**	**(42 756)**	**2 423**	**361 674**
Discontinued operation - LDFU	-	(51 047)	(51 047)	47 519	-	(1 714)	-	-	-	-	(5 242)	-	-	(5 242)
	4 256 564	**(3 033 894)**	**1 222 670**	**(34 024)**	**(207 340)**	**(6 217)**	**85 699**	**(282 935)**	**(11 670)**	**(369 418)**	**396 765**	**(42 756)**	**2 423**	**356 432**

Statement of financial position

Assets	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working capital (incl. loans and advances) R'000	Other assets R'000	Total assets R'000
Northern region	1 288 375	42 279 776	-	43 568 151
Southern region	7 698	46 032	-	53 730
Insurance operations	877 071	555 120	190 625	1 622 816
Continuing operations	**2 173 144**	**42 880 928**	**190 625**	**45 244 697**
Discontinued operation - LDFU	-	197 139	-	197 139
	2 173 144	**43 078 067**	**190 625**	**45 441 836**

Liabilities	Working capital (incl. funding)	Other liabilities	Total liabilities
Northern region	36 803 627	466 014	37 269 641
Southern region	279 130	(15 177)	263 953
Insurance operations	215 783	316 762	532 545
Continuing operations	**37 298 540**	**767 599**	**38 066 139**
Discontinued operation - LDFU	920 853	-	920 853
	38 219 393	**767 599**	**38 986 992**

SEGMENT REPORTING (GEOGRAPHIC SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2017

Group - 2016

Statement of profit or loss and other comprehensive income

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense)	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Actuarial losses on the post-retirement obligation	Revaluation of land and buildings and fair value gains on financial assets	Total com-prehensive income
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern region	2 711 014	(1 801 762)	909 252	59 796	(175 607)	-	16 828	(374 127)	(12 112)	(250 590)	173 440	(40 683)	(4 704)	128 053
Southern region	832 736	(607 443)	225 293	(134 021)	(16 370)	-	(120)	(34 663)	(840)	(59 918)	(20 639)	-	-	(20 639)
Insurance operations	18 935	-	18 935	-	2 574	5 668	78 377	(9 867)	(34)	(7 686)	87 967	-	-	87 967
Continuing operations	**3 562 685**	**(2 409 205)**	**1 153 480**	**(74 225)**	**(189 403)**	**5 668**	**95 085**	**(418 657)**	**(12 986)**	**(318 194)**	**240 768**	**(40 683)**	**(4 704)**	**195 381**
Discontinued operation - LDFU	-	(43 334)	(43 334)	7 727	-	-	-	-	-	-	(35 607)	-	-	(35 607)
	3 562 685	**(2 452 539)**	**1 110 146**	**(66 498)**	**(189 403)**	**5 668**	**95 085**	**(418 657)**	**(12 986)**	**(318 194)**	**205 161**	**(40 683)**	**(4 704)**	**159 774**

Statement of financial position

Assets	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working capital (incl. loans and advances) R'000	Other assets R'000	Total assets R'000
Northern region	628 053	29 755 817	-	30 383 870
Southern region	2 022	8 774 810	-	8 776 832
Insurance operations	1 334 009	519 447	207 577	2 061 033
Continuing operations	**1 964 084**	**39 050 074**	**207 577**	**41 221 735**
Discontinued operation - LDFU	-	149 620	-	149 620
	1 964 084	**39 199 694**	**207 577**	**41 371 355**

Liabilities	Working capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Northern region	24 414 696	534 592	24 949 288
Southern region	8 929 533	(6 215)	8 923 318
Insurance operations	195 352	336 892	532 244
Continuing operations	**33 539 581**	**865 269**	**34 404 850**
Discontinued operation - LDFU	868 093	-	868 093
	34 407 674	**865 269**	**35 272 943**

Additions to non-current assets	2017	2016
Northern region	4 016	4 016
Southern region	1 958	1 958
LBLIC	-	-
Continuing operations	**5 974**	**5 974**
Discontinued operation - LDFU	-	-
	5 974	**5 974**

All revenue per geographical segment is attributable to the Republic of South Africa.
All non-current assets are located in the Republic of South Africa.

SEGMENT REPORTING (BUSINESS SEGMENTS)

FOR THE YEAR ENDED 31 MARCH 2017

Group - 2017

Statement of profit or loss and other comprehensive income

	Commercial Development Banking	Corporate Banking	Group Capital and inter-segment eliminations [1]	Total Bank (excluding LDFU)	Insurance operations [2]	Total Group (excluding LDFU)	Discontinued operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	198 271	1 058 640	-	1 256 911	16 806	1 273 717	(51 047)	1 222 670
Interest income	651 985	3 582 826	-	4 234 811	21 753	4 256 564	-	4 256 564
Interest expense	(453 714)	(2 524 186)	-	(2 977 900)	(4 947)	(2 982 847)	(51 047)	(3 033 894)
Impairment releases/(charges) on loans and advances	(24 530)	(57 014)	-	(81 543)	-	(81 543)	47 519	(34 024)
Total income/(loss) from lending activities	**173 741**	**1 001 626**	**-**	**1 175 368**	**16 806**	**1 192 174**	**(3 528)**	**1 188 646**
Non-interest income/(expense)	14 480	(244 440)	21 502	(208 459)	1 119	(207 340)	-	(207 340)
Operating income/(loss) from banking activities	**188 221**	**757 186**	**21 502**	**966 909**	**17 925**	**984 834**	**(3 528)**	**981 306**
Operating profit from insurance activities	-	-	-	-	(4 504)	(4 503)	-	(4 503)
Investment income	-	-	11 468	11 468	60 477	71 946	-	71 946
Interest in post-retirement obligation	-	-	(29 775)	(29 775)	-	(29 775)	-	(29 775)
Fair value loss	-	-	5 877	5 877	1 988	7 865	-	7 865
Operating income/(loss)	**188 221**	**757 186**	**9 072**	**954 479**	**75 886**	**1 030 367**	**(3 528)**	**1 026 839**
Operating expenses	(20 835)	(4 127)	(182 780)	(207 742)	(7 096)	(214 838)	(1 714)	(216 552)
Staff costs	(70 023)	(11 393)	(269 218)	(350 634)	(18 018)	(368 652)	-	(368 652)
Depreciation and amortisation	(1 537)	(84)	(9 951)	(11 572)	(98)	(11 670)	-	(11 670)
Net operating (loss)/income	**95 826**	**741 582**	**(452 877)**	**384 531**	**50 674**	**435 207**	**(5 242)**	**429 965**
Non-trading and capital items	(285)	(405)	6 578	5 888	-	5 888	-	5 888
Net profit/(loss) before indirect taxation	**95 541**	**741 177**	**(446 299)**	**390 419**	**50 674**	**441 095**	**(5 242)**	**435 853**
Indirect taxation	-	-	(68 863)	(68 863)	-	(68 863)	-	(68 863)
Net profit/(loss)	**95 541**	**741 177**	**(515 162)**	**321 556**	**50 674**	**372 232**	**(5 242)**	**366 990**

	Commercial Development Banking	Corporate Banking	Group Capital and inter-segment eliminations [1]	Total Bank (excluding LDFU)	Insurance operations [2]	Total Group (excluding LDFU)	Discontinued operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other comprehensive income								
Actuarial losses on the post-retirement obligation	-	-	(12 981)	(12 981)	-	(12 981)	-	(12 981)
Revaluation of land and buildings	-	-	1 983	1 983	-	1 983	-	1 983
Losses on financial assets at fair value through other comprehensive income	-	-	440	440	-	440	-	440
Total comprehensive income/(loss) for the year	**95 541**	**741 177**	**(525 720)**	**310 998**	**50 676**	**361 674**	**(5 242)**	**356 432**
Interest income								
External customers	651 985	3 582 826	-	4 234 811	21 753	4 256 564	-	4 256 564
Non-interest income/(expense)								
External customers	14 480	(244 440)	21 502	(208 459)	1 119	(207 340)	-	(207 340)

SEGMENT REPORTING (BUSINESS SEGMENTS) {CONTINUED}

FOR THE YEAR ENDED 31 MARCH 2017

Statement of financial position

	Commercial Development Banking [2]	Corporate Banking [2]	Group Capital and inter-segment eliminations [1]	Total Bank (excluding LDFU)	Insurance operations [3]	Total Group (excluding LDFU)	Discontinued operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Assets								
Segment assets	**6 710 776**	**34 320 301**	**2 590 800**	**43 621 879**	**1 622 818**	**45 244 697**	**197 139**	**45 441 836**
Working capital (incl. net loans and advances)	6 678 565	34 320 161	1 327 080	42 325 808	555 120	42 880 928	197 139	43 078 067
Investments	-	-	1 007 950	1 007 950	876 890	1 884 840	-	1 884 840
Investment properties	30 444	-	137 356	167 800	-	167 800	-	167 800
Property and equipment	1 768	140	43 145	45 053	183	45 236	-	45 236
Non-current assets held-for-sale	-	-	47 993	47 993	-	47 993	-	47 993
Intangible assets	-	-	27 275	27 275	-	27 275	-	27 275
Insurance assets	-	-	-	-	190 625	190 625	-	190 625
Liabilities								
Segment liabilities	**6 814 831**	**33 893 952**	**(3 175 190)**	**37 533 593**	**532 546**	**38 066 139**	**920 853**	**38 986 992**
Working capital (incl. funding liabilities)	6 881 229	33 893 040	(3 685 980)	37 088 289	215 783	37 304 072	920 853	38 224 925
Provisions	(66 398)	912	172 580	107 094	1 737	108 831	-	108 831
Post-retirement obligation	-	-	338 210	338 210	-	338 210	-	338 210
Insurance liabilities	-	-	-	-	315 026	315 026	-	315 026

[1] Includes reconciliation to Group results in terms of IFRS 8.

[2] During the year under review the Bank undertook an organisational review in which the previously reported segment "Business & Corporate Banking" was rebranded to "Corporate Banking", while the previously reported "Retail Commercial Banking" and "Retail Emerging Markets" were rolled up into a new segment "Commercial Development Banking."

[3] The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance).

Group - 2016

Statement of profit or loss and other comprehensive income

	Commercial Development Banking[2]	Corporate Banking[2]	Group Capital and inter-segment eliminations [1]	Total Bank (excluding LDFU)	Insurance operations[3]	Total Group (excluding LDFU)	Discontinued operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	191 341	**943 204**	**-**	**1 134 545**	**18 935**	**1 153 480**	**(43 334)**	**1 110 146**
Interest income	548 890	2 994 860	-	3 543 750	18 935	3 562 685	-	3 562 685
Interest expense	(357 549)	(2 051 656)	-	(2 409 205)	-	(2 409 205)	(43 334)	(2 452 539)
Impairment releases/(charges) on loans and advances	40 994	(115 219)	-	(74 225)	-	(74 225)	7 727	(66 498)
Total income/(loss) from lending activities	**232 335**	**827 985**	**-**	**1 060 320**	**18 935**	**1 079 255**	**(35 607)**	**1 043 648**
Non-interest income/(expense)	15 199	(222 454)	15 281	(191 974)	2 571	(189 403)	-	(189 403)
Operating income/(loss) from banking activities	**247 534**	**605 531**	**15 281**	**868 346**	**21 506**	**889 852**	**(35 607)**	**854 245**
Operating profit from insurance activities	-	-	-	-	5 668	5 668	-	5 668
Investment income	-	-	14 923	14 923	78 378	93 301	-	93 300
Interest on post-retirement obligation	-	-	(23 202)	(23 202)	-	(23 202)	-	(23 202)
Fair value loss	-	-	(439)	(439)	-	(439)	-	(439)
Operating income/(loss)	**247 534**	**605 531**	**6 563**	**859 628**	**105 552**	**965 181**	**(35 607)**	**929 573**
Operating expenses	(70 663)	(9 455)	(274 368)	(354 486)	(9 867)	(364 353)	-	(364 353)
Staff costs	(110 800)	(16 389)	(183 318)	(310 507)	(7 686)	(318 193)	-	(318 193)
Depreciation and amortisation	(1 903)	(117)	(10 933)	(12 953)	(34)	(12 987)	-	(12 987)
Net operating (loss)/income	**64 168**	**579 570**	**(462 056)**	**181 682**	**87 965**	**269 647**	**(35 607)**	**234 040**

SEGMENT REPORTING (BUSINESS SEGMENTS) {CONTINUED}

FOR THE YEAR ENDED 31 MARCH 2017

	Commercial Development Banking[2]	Corporate Banking[2]	Group Capital and inter-segment eliminations [1]	Total Bank (excluding LDFU)	Insurance operations[3]	Total Group (excluding LDFU)	Discontinued operations LDFU	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Non-trading and capital items	(143)	(4)	2 370	2 223	-	2 223	-	2 223
Net profit/(loss) before indirect taxation	64 025	579 566	(459 686)	183 905	87 967	271 870	(35 607)	236 263
Indirect taxation	-	-	(54 305)	(54 305)	-	(54 304)	-	(54 304)
Net profit/(loss)	**64 025**	**579 565**	**(513 990)**	**129 601**	**87 967**	**217 566**	**(35 607)**	**181 959**
Other comprehensive income								
Actuarial losses on the post-retirement obligation	-	-	(17 481)	(17 481)	-	(17 481)	-	(17 481)
Revaluation of land and buildings	-	-	6 295	6 295	-	6 295	-	6 295
Losses on financial assets at fair value through other comprehensive income	-	(10 999)	-	(10 999)	-	(10 999)	-	(10 999)
Total comprehensive income/ (loss) for the year	**64 025**	**568 567**	**(525 176)**	**107 416**	**87 967**	**195 381**	**(35 607)**	**159 774**
Interest income								
External customers	548 890	2 994 860	-	3 543 750	18 935	3 562 685	-	3 562 685
Non-interest income/ (expense)								
External customers	15 199	(222 454)	15 281	(191 974)	2 571	(189 403)	-	(189 403)

FOR THE YEAR ENDED 31 MARCH 2017

Statement of financial position

	Commercial Development Banking [2]	Corporate Banking [2]	Group Capital and Inter-segment eliminations [1]	Total Bank (Excluding LDFU)	Insurance Operations [3]	Total Group (Excluding LDFU)	Discontinued Operations LDFU	Total Group
Assets								
Segment assets	**4 044 542**	**32 355 058**	**2 761 103**	**39 160 703**	**2 061 033**	**41 221 736**	**149 620**	**41 371 356**
Working capital (incl. net loans and advances)	4 016 876	32 354 060	2 159 625	38 530 561	519 447	39 050 008	149 620	39 199 628
Investments	-	849	356 957	357 806	1 333 898	1 691 704	-	1 691 704
Investment properties	24 725	-	82 015	106 740	-	106 740	-	106 740
Property and equipment	2 941	149	80 754	83 844	111	83 955	-	83 955
Non-current assets held-for-sale	-	-	47 621	47 621	-	47 621	-	47 621
Intangible assets	-	-	34 131	34 131	-	34 131	-	34 131
Insurance assets	-	-	-	-	207 577	207 577	-	207 577
Liabilities								
Segment liabilities	**4 052 299**	**32 223 151**	**(2 402 838)**	**33 872 612**	**532 244**	**34 404 856**	**868 093**	**35 272 949**
Working capital (incl. funding liabilities)	3 945 740	32 219 053	(2 820 559)	33 344 234	195 352	33 539 586	868 093	34 407 679
Provisions	106 559	4 098	94 169	204 826	2 095	206 921	-	206 921
Post-retirement obligation	-	-	323 552	323 552	-	323 552	-	323 552
Insurance liabilities	-	-	-	-	334 797	334 797	-	334 797

[1] Includes reconciliation to Group results in terms of IFRS 8.

[2] During the year under review the Bank undertook an organisational review in which the previously reported segment "Business & Corporate Banking" was rebranded to "Corporate Banking", while the previously reported "Retail Commercial Banking" and "Retail Emerging Markets" were rolled up into a new segment "Commercial Development Banking."

[3] The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance).

The Group reports in five distinct segments, grouped according to the nature of products and services provided by the respective business units and divisions. The five segments are:

- Commercial Development Banking, which consists of 9 Regional Offices and 16 satellite branches spread across the country, provides finance to emerging and commercial farmers.
- Corporate Banking, which consists of two offices, provides finance to the corporate agri-related businesses.
- LDFU, which was established to provide finance for the development of land. The activities of the division were discontinued in 2008.
- Group capital which consists of treasury, finance and other central functions.
- Insurance operations consisting of LBLIC and LBIC which provides Life and Agricultural short-term Insurance respectively.

Reporting to the Board is based on segments which engage in business activities that generate revenues and incur expenditure. None of the operating segments meet the criteria for aggregation.

Quantitative thresholds

The Group reports separate information about an operating segment that meets any of the following quantitative thresholds:

- Its reported revenue, from both external clients and other segments, is 10% or more of the combined revenue of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more of the greater of:
  (i) the combined reported profit of all operating segments that did not report a loss, and
  (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

The Group's reportable operating segments are strategic business units that offer products to various classes of clients. These are managed separately since each segment requires different marketing and technical strategies to service a client base with unique needs.

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies. Cost of funding is allocated based on the monthly average cost of funding for Land Bank and the segment's loan book net of non-performing loan balances at year end.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Except for cost of funding, other operating costs incurred for central functions managed at Group Capital are not allocated to the operating segments.

The Group evaluates performance on the basis of profit or loss from reportable operating segments, excluding non-recurring gains and losses.

1. General information

The consolidated and separate annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), which includes all applicable IFRSs, International Accounting Standards (IASs) and Interpretations issued by the IFRS Interpretations Committee. A summary of significant accounting policies is set out in note 3.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS (with consent from the National Treasury to all Schedule 2 public entities) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Group and Bank financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Functional and presentation currency

The consolidated and separate financial statements are presented in South African Rand, which is the Group's functional currency. All financial information presented in Rand are rounded to the nearest thousand (R'000), unless otherwise stated.

2.2 Distinction between current and non-current

The Group presents the assets and liabilities in decreasing order of liquidity as it provides information that is more reliable and relevant than a current/non-current presentation because the Group does not supply goods or services within a clearly identifiable operating cycle.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

Adoption of new and revised pronouncements

In the current year, the Group has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2016.

Annual Improvements now effective for the first time

IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

At the date of authorisation of these financial statements for the year ended 31 March 2017, the following IFRSs were adopted:

IFRS / IFRIC	Details	Effect
IFRS 14 Regulatory Deferral Accounts	The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities.	As Land Bank is not a first time adopter of IFRS, this standard does not have an impact on the financial statements.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	This amendment is a limited-scope amendment to IAS 16 and IAS 38 to clarify the use of a revenue-based depreciation or amortisation method.	This amendment is not relevant to the Group as the Group does not use this method of depreciation or amortisation.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: 1) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations. 2) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.	The Group has not sold/contributed any assets to it's associate and the Group does not have any joint ventures, and as a result the amendment has no impact on the Group annual financial statements.
Investments in associates and joint ventures (amendments to IAS 28 Investments in Associates and Joint Ventures)	This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	The Group already applies the equity method for investments in associates and joint ventures in accordance with the amendments in IAS 28 and as a result the amendment had no impact on the Group annual financial statements.
Amendments to IAS 27 allow use of equity method for separate financial statements	The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.	The Group already applies the equity method for investments in associates and joint ventures in accordance with the amendments in IAS 27 and as a result the amendment had no impact on the Group annual financial statements.
Disclosure Initiative (Amendments to IAS 1)	There is an emphasis on materiality. Specific single disclosures that are not material do not have to be presented.	The Group has considered these changes, and they are immaterial in nature.

New standards and interpretations not yet adopted

The Group has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the financial year beginning 1 April 2016 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the Group). The Board anticipates that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

IFRS / IFRIC	Title and details	Effective
IFRS 4 - Insurance Contracts	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Two amendments to IFRS 4 to address the interaction between IFRS 4 and IFRS 9:	Annual periods commencing on or after 1 January 2018
IFRS 16 - Leases	New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. - IFRS 16 contains expanded disclosure requirements for lessees. - IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. - IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes the following Standards and Interpretations: a) IAS 17 Leases; b) IFRIC 4 Determining whether an Arrangement contains a Lease; c) SIC - 15 Operating Leases—Incentives; and d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	Annual periods commencing on or after 1 January 2019
IAS 7 Statement of Cash Flows	Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).	Annual periods commencing on or after 1 January 2017
IAS 40 Investment Property	Transfers of investment property: clarification of the requirements on transfers to, or from, investment property.	Annual periods commencing on or after 1 January 2018

3.2 Business combinations

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. The consolidated financial statements comprise the financial statements of Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which is currently dormant) as at 31 March 2017.

The financial statements of LBLIC and LBIC are prepared for the same reporting year as Land Bank, using consistent accounting policies. Furthermore, the annual financial statements have been prepared in accordance with the requirements of both the Short- and Long-term Insurance acts respectively.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the statement of comprehensive income.

3.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and Value Added Taxation (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as at amortised cost, or as at fair value through profit or loss financial investments, interest income or expense is recognised in the statement of profit or loss and other comprehensive income using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the 'Net interest income' in the statement of profit or loss and other comprehensive income.

Other income

i) Fee and commission income

Fees and other income and expenses which are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, is recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Raising/ structuring fees are recognised immediately as the costs are incurred as they relate to the execution of a significant act.

ii) Dividend income

Dividends are recognised in the period when the shareholders' right to receive payment is established.
Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method.

iii) Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding dividend and interest income. These surpluses are recognised in the statement of profit or loss and other comprehensive income on the date of sale or upon valuation to fair value.

iv) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is recorded in the statement of profit or loss and other comprehensive income in 'Non-interest income'.

v) Realised gains and losses

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate and is recorded in the statement of profit or loss and other comprehensive income.

vi) Unrealised gains and losses

Unrealised gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year and is recognised in the statement of profit or loss and other comprehensive income.

vii) Insurance premium income

Refer to note 3.25

3.4 Expenses

i) Administration costs

Administration costs on short-term insurance business consist of directly attributable costs payable to the underwriter and are deferred over the period in which the related premiums are earned.

Administration costs that are directly attributable to long-term recurring premium insurance policy contracts are recognised directly to the statement of profit or loss and other comprehensive income.

ii) Commission

Commission is payable to sales staff on long-term and short-term insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. The portion of the commission that is directly attributable to the acquisition of long-term recurring premium insurance policy contracts is recognised directly to the statement of profit or loss and other comprehensive income. Acquisition costs for short-term insurance business is deferred over the period in which the related premiums are earned.

3.5 Fruitless and wasteful expenditure

"Fruitless and wasteful expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised. "Fruitless and wasteful expenditure" is recognised as an asset in the statement of financial position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the statement of profit or loss and other comprehensive income.

3.6 Irregular expenditure

"Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

When discovered, irregular expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of profit or loss and other comprehensive income. Irregular expenditure approved with funding, is recognised in the statement of profit or loss and other comprehensive income when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding, it is recognised as expenditure, subject to availability of savings in the statement of profit or loss and other comprehensive income on the date of approval.

3.7 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease after taking into account any fixed escalation clauses. Contingent rents are charged as an expense in the periods in which they are incurred.

Leases where the Group is the lessor and retains substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Bank leases out its investment properties as operating leases, thus generating rental income. The rental income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term of the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.8 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

i) Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Retirement fund

The Land Bank Retirement Fund which functions as a defined contribution plan and which is subject to the provisions of the Pension Fund Act, 1956 (Act No.24 of 1956) came into operation on 1 November 1994. Defined obligations such as disability and death in service were completely phased out during the 2007 financial year. The Fund is now accounted for as a defined contribution plan as it no longer has any obligation towards members for defined benefits. Contributions are recognised as an expense and as a liability to the extent that they are unpaid.

ii) Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if a plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on government bonds that have terms to maturity approximating to the terms of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the statement of financial position and in the statement of changes in equity. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is disclosed separately on the face of the Statement of Comprehensive income.

Medical aid fund

The Bank provides a post-retirement medical aid benefit to all employees who were either employees or pensioners of the Bank at 1 December 2005. The fund functions as a defined benefit scheme. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. It is the Group's policy to pay the medical fund subscription fees on behalf of all pensioners in full and to fund the total obligation as and when it arises.

Actuarial valuations of the Bank's liability are conducted on an annual basis by an independent qualified actuary on the Projected Unit Credit method. The liability recognised in the statement of financial position in respect of defined benefit medical plans is the present value of the defined benefit obligation at the statement of financial position date. The benefit obligation at the statement of financial position date is not reflected net of assets since these assets are not held in a legally separate entity that is not available to the Bank's own creditors. The past service costs and interest costs are accounted for in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of profit or loss and other comprehensive income in full.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the Group has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short term bonuses in the Group as the Group has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.9 Income taxation

Land Bank is exempt from income tax in terms of sections 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

The direct subsidiaries of the Land Bank are also exempt from income tax in terms of sections 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

As part of the restructuring of the operations, the tax status of the Land Bank Insurance Company (SOC) Limited and Land Bank Life Insurance Company (SOC) Limited are currently under review with SARS. Please refer to the notes of the annual financial statements for additional disclosure regarding the possible contingent liability raised in this regard.

3.10 Property and equipment

Land and buildings comprise owner occupied property. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as Revaluation Reserves in the Statement of Changes in Equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against Revaluation Reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the property and equipment to their residual values at the end of their useful lives. Items of property and equipment are depreciated from the date that they are installed and available for use. Land is not depreciated as it is deemed to have an indefinite life. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

The major categories of property and equipment are depreciated at the following rates:

Building	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	33.3% per annum
Leasehold improvements	Period the lease period
Furniture and fittings	20% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The carrying amounts of the company's tangible and intangible assets are reviewed at each year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the greater of its fair value less cost to sell and its value in use.

3.11 Investment property

Investment properties (properties that are not owner-occupied), are properties which are held to earn rental income and / or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss and other comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Owner occupied property is classified as investment property where the tenant occupies a significant portion of the lettable space of the property.

3.12 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets that are acquired and have finite useful lives are initially recognised at cost with subsequent measurement at cost less any accumulated amortisation and any impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

3.12.1 Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software license fees are paid for in advance, recognised as a prepayment and expensed to the statement of profit or loss and other comprehensive income over the period of the license agreement. Should the license agreement extend beyond 12 months, the software license would be capitalised as an intangible asset and amortised on a straight-line basis over the period of the license agreement.

3.12.2 Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

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

Tier 1 asset	Software relating to core business applications for which any change to a different application suite would require a significant investment in resources and time.	10 years
Tier 2 asset	Software that is directly integrated with the core financial systems and additional developments and modules may have been added.	5 years
Other	Commodity software	3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.13 Impairment of non-financial assets

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non- financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

3.14 Financial assets

a) Recognition and initial measurement

i) Date of recognition

All financial assets and liabilities are initially recognised on the settlement date, i.e., the date that the Group becomes a party to the contractual provision of the instrument. This includes "regular way trades": purchases or sales of financial assets that require the delivery of assets within the time frame generally established by regulation or convention in the market place.

ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

iii) Financial assets or financial liabilities held–for–trading

Land Bank enters into repurchase agreements to manage liquidity. Land Bank also buys and sells government bonds for risk management puposes. These instruments are classified as held-for-trading. Financial assets or financial liabilities held–for–trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Operating income'. Interest and dividend income or expense is recorded in 'Operating income' according to the terms of the contract, or when the right to the payment has been established.

iv) Financial assets and financial liabilities designated at fair value through profit or loss

Certain investments in equity instruments, commodity ETFs and collective investment schemes are designated at fair value through profit or loss at initial recognition, as these instruments meet the designation criteria as determined by management. Designation is determined on an instrument by instrument basis in line with the following criteria:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Fair value gains/ (losses)' in the statement of profit or loss and other comprehensive income. Interest that is earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Investment income' when the right to the payment has been established.

The fair values of listed investments are based on current stock exchange bid prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unlisted, the Group's asset managers establish a fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/ discount to net asset value and price earnings techniques. The main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

v) Financial assets designated at fair value through other comprehensive income

Certain investments in equity instruments are designated at fair value through other comprehensive income at initial recognition, as these instruments are not held for operational purposes, and therefore their fair value movements should not be included in the operational profit of the Group.

Financial assets at fair value through other comprehensive income are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Fair value gains/ (losses)' in the statement of other comprehensive income. Dividend income is recorded in 'Investment income' when the right to the payment has been established.

The fair values of listed investments are based on current stock exchange bid prices at the close of business on the statement of financial position date. If the market for a financial asset is not active or if it is unlisted, the Group's asset managers establish a fair value by using valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/ discount to net asset value and price earnings techniques. The main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

vi) Due from Banks and loans and advances to customers

'Due from Banks' and 'Loans and advances to customers', include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss; and
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from Banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for ECL. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from ECL are recognised in the statement of profit or loss and other comprehensive income.

vii) Cash held under investments

The Cash held under investments is cash given to the Asset Managers (external party) to invest on the Group's behalf. At various stages as the markets move, the Asset Managers may buy and sell shares and bonds, and would invariably have cash on hand at certain points in time. This cash is held in the possession of the Asset Managers and is intended to be used for the purpose of purchasing new financial instruments. The cash is not necessarily available to be used as working capital by the Group and therefore is not disclosed as "Cash and cash equivalents".

Financial assets
Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss (designated, held-for-trading or mandatorily measured as such), amortised cost, or fair value through other comprehensive income (in terms of the Group's business model and contractual cash flows or designated as such), as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value and, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, and quoted and unquoted financial instruments.

Financial liabilities
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, and financial guarantee contracts.

b) Subsequent measurement

Financial liabilities
Subsequent to initial recognition, the Group classifies financial instruments as 'designated at fair value through profit or loss', 'amortised cost' and 'other financial liabilities'.
Financial assets designated at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

For Financial liabilities at fair value through profit or loss, gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial assets
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. This category includes investments in debentures, market-making assets. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the future. Derivatives not designated as hedges are also classified as held for trading.

Amortised cost
The Group has classified loans, trade receivables and cash at bank as amortised cost. Amortised cost instruments are instruments with a business model to only collect contractual cash flows consisting of payments solely related to principal and interest on the principal amount outstanding at specified dates. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. A provision for impairment of loans and receivables is established using the expected credit loss approach on date of initial recognition. A provision is raised using either a 12-month expected credit loss or lifetime expected credit loss approach.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in "Net interest income" in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in "Net impairment charges, claims and recoveries".

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would otherwise not consider. These loans are not considered to be past due after renegotiations but are treated as current loans after the loan has performed for a specified period. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

The length of specified period, normally 6 months, depends on whether the loan has a monthly or annual repayment profile.

Financial liabilities

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS9.

Loans and Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the finance costs in the statement of profit or loss and other comprehensive income.

c) Derecognition
A financial instrument or a portion of a financial instrument will be derecognised and a gain or loss recognised when the Group's contractual rights expire, financial assets are transferred or financial liabilities are extinguished. On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year.

Upon derecognition of equity instruments designated at fair value through other comprehensive income, the cumulative fair value gains/(losses) recognised in other comprehensive income is not subsequently recycled to profit or loss.

Financial assets
A financial asset is derecognised when:
- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(i) The Group has transferred substantially all the risks and rewards of the asset, or
(ii) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

d) Impairment of financial instruments

Impairment of financial assets
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

The amount of Expected Credit Loss (ECL) is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the group and all the cash flows that the group expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

For unlisted investments carried at fair value through other comprehensive income, the impairment is written off in other comprehensive income to the extent that there is sufficient fair value surplus reserves (Mark-to-market Reserve) in equity for that investment.

Assets carried at amortised cost

The Group's accounting policy for impairment of financial assets changed significantly having early adopted IFRS 9 in the prior year, and the expected credit loss model is now applied. The IFRS 9 impairment requirements are based on an expected credit loss model replacing the incurred loss methodology model under IAS 39.

Key principles of the Group's accounting policy for impairment of financial assets are listed below.

The Group assesses at initial recognition of financial assets whether to use a 12-month expected loss approach or a lifetime expected loss approach in order to calculate its impairment provision.

A 12-month expected loss approach is used for the following instruments:
- Purchased or newly originated financial assets that are not credit impaired.

A lifetime expected loss approach is used for the following instruments:
- Purchased or newly originated credit impaired financial assets.

Although some financial assets within the Group's portfolio might meet the definition of low credit risk, the Group opted not to apply this in application of its ECL methodology as given the nature of the Group's business it is deemed not to be prudent not to consider whether a significant increase in credit risk exists.

For subsequent measurement, the group applies a three-stage approach to the measuring expected credit loss (ECL) on debt instruments accounted for at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

1. Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that there are not credit impaired upon origination, the portion of the lifetime ECL associate with the probability of default events occurring within the next 12 months is recognised.

2. Stage 2: Lifetime ECL - not credit impaired

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

3. Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provisions for doubtful debt) rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. The Land Bank's portfolio main risk drivers are weather conditions, which are not predictable on a long-term time horizon, changes in the 12-month PD are considered the best indicator for significant increase in credit risk over the expected life of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the group expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

The Bank considers its historical loss experience and adjusts this for current observable data. In additional, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macro-economic factors that which include but are not limited to the World Food Index as well as the

Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indicies, including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

Overall, the impairment under IFRS 9 results in earlier recognition of credit losses compared to under IAS 39.

e) Day 1 profit

Where the transaction price in a non-active market is different from other observable current market transactions in the same instrument or based on a valuation technique whose variables include data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the statement of profit or loss and other comprehensive income under fair value gains and losses. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

f) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.15 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risk and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate (EIR). When the counter party has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to financial assets at fair value though profit or loss pledged as collateral, as appropriate. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position.

The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities at fair value through profit and loss and measured at fair value with any gains or losses included in net trading income.

3.16 Cash and cash equivalents

Cash comprises cash on hand and at bank, and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.17 Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the following receivables:

- Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any; and
- Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

At each reporting date, the Group assesses whether there is any objective evidence that a receivable or Group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

3.18 Funds administered on behalf of related parties

The Group manages funds on behalf of related parties. These amounts are disclosed at amortised cost. The net position in terms of legal right to offset of these funds administered on behalf of related parties are separately disclosed in the notes to the annual financial statements. These funds are not carried on the statement of financial position of the Group.

3.19 Trade and other payables

Trade and other payables, including accruals, are recognised when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Group. Trade and other payables are carried at amortised cost.

3.20 Funding liabilities

Funding liabilities were previously carried at amortised cost with certain liabilities being carried at fair value, with the fair value movements being accounted for in profit or loss throughout the year. Upon adoption of IFRS 9 in the previous financial period, the Bank elected to carry all of its funding liabilities at amortised cost. The arranging fees that are paid upon acquisition of the liability, are deferred to the income statement over the term of the loan facility. The prepaid arranging fee is carried as part of the funding liabilities.

3.21 Capital and reserves

a) General reserve

The General reserve comprises of accumulated retained earnings.

b) Capital fund

The Capital fund consists of an initial loan by government which was converted to equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury.

c) Insurance reserve

The Insurance reserve is a component of Group retained earnings and represents the accumulated surplus of LBLIC and LBIC from insurance activities.

d) Mark-to-Market reserve

The Mark-to-Market reserve relates to the fair value adjustment on the listed and unlisted investments. The reserve surplus on an investment is transferred to the General reserve on disposal of the Investment.

e) Revaluation reserve

The Revaluation reserve represents the net surplus arising on the revaluation of owner occupied properties. The revaluation surplus on a property is transferred to the General reserve only once that property is disposed of.

3.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision is made for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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

3.23 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the statement of financial position date. Foreign exchange differences arising on the settlement of monetary items or translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recorded in profit and loss in the period in which they arise.

Non-monetary items that are measured in terms of historical-cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.24 Related parties

The Group operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Group. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Group.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Group.

Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of IAS 24 and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.25 Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group's statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group's statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

3.26 Insurance contracts

Contracts under which the Group accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance contracts are classified into two main categories, depending on the type of insurance risks, namely short-term or long-term.

a) Short-term insurance

Short-term insurance provides benefits under crop and agri-assets policies.

Recognition and measurement

Premiums

Gross written premiums exclude value added tax. Earned premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Provision for unearned premiums

The provision for unearned premiums represents the portion of the current year's premiums written that relate to risk periods extending into the following year. The Unearned Premium Provision (UPP) is established to recognise the unexpired risk for which premiums have already been written. The UPP is set with reference to the remaining days of each the contracts as at the valuation. This method is in line with the requirements of the Short-term Insurance Act.

For the crop portfolio in the current reporting period, the UPP calculation is based on the incidence of risk over the term of the policy. The risk incidence pattern was set with reference to recent historic claims experience provided by the underwriting manager. In the prior reporting period, UPP for "Hail Winter" and "Multi Peril Winter" was calculated straight line on the remaining days basis over the term of the policy. There was no UPP on winter crops, either on a claims occuring basis or remaining days basis, as at 31 March.

Commission

Commission is payable to sales staff on short-term insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. Acquisition costs for short-term insurance business is deferred over the period in which the related premiums are earned.

Fee income

The reinsurance broker pays the brokerage they earn on reinsurance premiums to the company in exchange for a flat brokerage fee earned over the period of the treaties. This fee income is earned quarterly with the settlement of the accounts to reinsurers.

Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims handling fees and related administration costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

Provision for notified claims (outstanding claims)
Provision is made on a prudent basis for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and assessor's fees are charged to profit and loss as incurred based on the estimated liability for compensation owed to policy holders. Contracted external assessors assess the claims individually. The claims provision includes an estimated portion of the direct expenses of the claims and assessment charges. Claims provisions are not discounted.

Provision for claims incurred but not reported (IBNR)
Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Group at that date. The provision is calculated based on the requirements of the Short-term Insurance Act of 1998.

Deferred acquisition costs (DAC)
Commission and administration fees that vary with and are related to securing new contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

The DAC asset is tested for impairment annually and written down when it is not expected to be fully recovered from future income.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are dependent on the gross outstanding claims, IBNR and UPR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the same method applied to calculate the unearned premium reserve.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders and are included at amortised cost.

b) Long-term insurance
These contracts provide long-term life insurance benefits with fixed terms to cover natural persons who are indebted to the Group under mortgage loans, production loans and short-term loans.

Recognition and measurement

Premiums
Premiums are recognised as revenue when they become payable by the contract holder, viz at policy inception. Premiums are shown before deduction of commission.

Fees and commission earned
Insurance contract policy holders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which related services are performed. If the fees are for services provided for future periods, then they are deferred and recognised over those future periods.

Underwriting benefits
Life insurance policy claims received up to the last day of each financial period and IBNR claims are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims. Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Liability adequacy test
At each statement of financial position date, the Group performs a liquidity adequacy test to assess whether its recognised insurance liabilities are adequate in terms of the Financial Soundness Valuation (FSV) basis as described in SAP 104. The FSV basis meets the minimum requirements of the liquidity adequacy test. If this assessment shows that the carrying amount of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the statement of comprehensive income.

Reinsurance contracts held

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled to under these contracts are recognised as assets.

The Group assesses its long-term reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of profit or loss and other comprehensive income. Reinsurance liabilities are premium payable for reinsurance contracts and are recognised as expenses when incurred.

Long-term insurance liability

In terms of IFRS 4 - Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The company used the FSV method, as described in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (Actuarial Society), to determine the actuarial value of the policyholders' liabilities. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the Long-term Insurance Act of 1998; and
- Actuarial guidance also provides for the use of discretionary margins where deemed appropriate.

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed-interest securities on the valuation date, with adjustments for the other asset classes, taking a long-term view. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. It is assumed that the Group will retain its tax-exempt status for the foreseeable future;
- "Per policy" expenses are based on the latest actual expenses and escalated at the estimated annual expense inflation rate. In addition, expense overruns in the medium term were reserved for separately;
- Assumptions with regard to future mortality rates are consistent with the Group's recent experience or expected future experience if this would result in a higher liability. In particular, mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS; and
- Persistency assumptions with regard to lapse rates are consistent with the Group's recent experience or expected future experience if this would result in a higher liability.

Acquisition costs

Referral fees are payable to Land Bank branches on long-term insurance business and commission was paid to brokers on the short-term insurance business. Referral fees and commission is accounted for on all in-force policies in the financial period during which it is incurred. The portion of the referral fees that is directly attributable to the acquisition of long-term recurring premium insurance policy contracts is recognised directly to the statement of profit or loss and other comprehensive income. Acquisition costs for short-term insurance business are deferred over the period in which the related premiums are earned.

3.27 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarised below:

a) Impairment losses on loans and advances

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. The amount of Expected Credit Loss (ECL) is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

The Group considers its historical loss experience and adjusts this for current observable data. In additional, the Group uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduced the use of macro-economic factors, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-economic factors, including any forecasts of future economic conditions are reviewed regularly as to reduce any differences between loss estimates and actual loss experience.

Please refer to note 10.6 for impairment balances on loans and advances.

i) LDFU loan impairments
It was concluded in the 2008 reporting period that these loans do not form part of the mandate of the Group and, as such, a moratorium was placed on further approvals and the operations discontinued.

No further disbursements were made since the last disbursement in October 2007. All the loans have since been regarded as non-performing. Refer to the notes to the annual financial statements for information regarding this discontinued operation.

During 2016 and 2017 the Group contracted independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. An independent valuation is used, unless there is an unconditional offer of sale on the security held.

ii) Provision for onerous contracts - LDFU loans
An independent legal opinion was obtained to determine the likelihood of onerous contract obligations in respect of LDFU loans. According to the opinion the LDFU loans were outside the mandate of the Group in terms of the Land Bank Act. Due to the moratorium placed on further approvals/disbursements, the Group did not fully disburse all loans approved.

The Group performed an assessment to ascertain whether or not provision is required for onerous contracts arising out of the LDFU loans in terms of IAS37 – Provisions, Contingent Liabilities and Contingent Assets for the undisbursed loan commitments. As set out in note 35 the quantification of possible claims, if any, is not possible and as such no provision had been raised.

b) Fair value of financial instruments
The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are independently validated and periodically reviewed by qualified. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

c) Insurance
i) Unlisted investments
The valuation of unlisted shares, as applied by the company's asset managers, comply with International Private Equity and Venture Capital Valuation guidelines. Various valuation techniques are used to arrive at the fair value of investments, including:

- Price of recent investment;
- Earnings multiple;
- Net assets;
- Discounted cash flows;
- Industry benchmarks; and
- Available market prices.

The appropriateness of valuations is reviewed annually by the Insurance company's Investment and Actuarial Committee.

ii) Policy liabilities in respect of long-term insurance contracts

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption;
- Prescribed margins are then applied; and
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return
Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and charges for investment guarantees are taken into account.

Decrements
Assumptions with regard to future mortality and lapse rates are consistent with the experience for the five years up to the current financial year end. Mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS.

Policy expenses

"Per policy" expenses are based on the latest actual expenses and escalated at the estimated annual expense inflation rate. In addition, expense overruns in the medium term were reserved for separately.

iii) Policy liabilities in respect of short-term insurance contracts

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the Group, principally in respect of the insurance liabilities of the Group.

Insurance liabilities include the provisions for unearned premiums, unexpired risk, outstanding claims and incurred but not reported (IBNR) claims. Unearned premiums represent the amount of income set aside by the Group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the statement of financial position date. At each statement of financial position date an assessment is made of whether the provisions for unearned premiums are adequate. When it is anticipated that unearned premiums will be insufficient to cover anticipated costs and fees, unexpired risk is also set aside.

Outstanding claims represent the Group's estimate of the cost of settlement of claims that have occurred by the statement of financial position date, but that have not yet been finally settled. In addition to the inherent uncertainty of having to provide for future events, there is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the statement of financial position date.

Process to determine significant assumptions

Insurance risks are unpredictable and the Group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Using historical data, the insurance companies aim to establish provisions that have an above average likelihood of being adequate to settle all contractual insurance obligations.

- Outstanding claims

Claim provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. Each notified claim is assessed on a separate case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases. The Group's estimates for outstanding claims are continually reviewed and updated as future developments take place and better information becomes available regarding the current circumstances. The ultimate cost of the claim may therefore vary from this initial estimate. Adjustments resulting through this review are reflected in the statement of profit or loss and other comprehensive income as and when identified.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made as well as the size of the claim, and whether there will be a stop loss recovery based on the overall loss ratio of the portfolio.

- Claims incurred but not reported (IBNR)

The policyholders' liabilities include a provision for the expected cost of IBNR claims. This relates to claims expected to be made by policyholders in respect of events that occurred before the financial year end but that have not yet been reported to the Group by year end. The IBNR is not discounted due to the short-term nature of IBNR claims on crop policies.

For short-term business, the incurred but not reported reserve (IBNR) is based on the minimum requirements of the Short-term Insurance Act, as required by the FSB Board Notice 169 issued on 28 October 2011 and effective for the year ends after January 1, 2012. In line with this computation, premiums in different classes of business for the last six financial years are multiplied by an industry wide historical claims development factors introduced separately and the outcomes are added up. The Group underwrites crop insurance under the property class as well as agri-asset reinsurance inwards cover under the motor and property classes. A separate calculation is carried out to calculate the reinsurance portion of the IBNR reserve.

The calculation of insurance liabilities is an inherently uncertain process. The company seeks to provide adequate levels of insurance provisions by taking into account all know facts and experience from a variety of sources as well as statutory requirements.

- Premium provisions - short-term

The Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires according to the remaining days method for the asset policies. In the current reporting period, for the new crop policies written through the underwriting management agreement, the unearned premium for crop insurance is calculated according to the claims occurring patterns based on an historic claims analysis of claims incurred. Crops written through the reinsurance agreement are released according to the remaining days method over the period of the reinsurance treaty. In the prior reporting period the unearned premium for winter crops was calculated straght line using a remaining days method. The winter premiums were earned by 31 March using both methods.

At each statement of financial position date an assessment is made of whether the provisions for unearned premium are adequate. If the premium level is deemed to be insufficient based on information available at the statement of financial position date, to cover the anticipated claims and operating expenses, a separate provision is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk and performed annually.

The provision for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised based on the relevant reinsurance contract. Deferred acquisition costs and reinsurance commission revenue is recognised on the 365th basis over the term of the policy.

d) Basis of allocation of segment revenue, assets and liabilities

Funding liabilities are allocated to segments as a percentage of the loans portfolio in that segment.

e) Depreciation rates, methods and residual values

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

f) Post employment medical benefits

The cost of defined benefit post employment medical benefits as well as the present value of the post retirement medical aid obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and medical cost trends. All assumptions are reviewed at each reporting date.

g) Management expense provisions and accruals

At each statement of financial position date, the Group might be exposed to various liabilities of uncertain timing or amount. Such liabilities are provided for if a present obligation has arisen, payment is probable and the amount can be reliably estimated. Management uses its discretion to estimate the expenditure required to settle the present obligation as at year end, i.e. the amount that the Group would rationally pay to settle the obligation.

3.28 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of profit or loss and other comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit/ (loss) after taxes. Property and equipment and intangible assets once classified as held-for-sale are not depreciated/ amortised.

a) Properties in possession

Unsold properties in possession are recognised once ownership has been legally transferred to the Group and the underlying debtor is then derecognised. These properties are included under non-current assets held-for-sale at the outstanding loan balance, which are then valued at the lower of the carrying amount and the fair value less costs to sell. The fair value is determined using a market-based valuation performed by a sworn appraiser at the statement of financial position date. Realisable value is determined using market-based valuations performed by a sworn appraiser at the statement of financial position date. Maintenance costs are expensed in the period incurred.

b) Disposal of properties in possession

It is the Group's policy to dispose of repossessed properties in an orderly fashion on a willing buyer and willing seller basis. The property to be sold is advertised in the market. Upon receipt of offers to purchase, the offers are evaluated and an offer that makes the most economic sense is accepted.

4. Cash and cash equivalents

	Group		Bank	
	2017	2016	2017	2016
Favourable cash balances	R'000	R'000	R'000	R'000
Bank balances - commercial	**1 496 412**	1 830 607	**1 187 426**	1 443 763
Bank balances - short term deposits	**23 919**	676 856	**23 879**	676 817
	1 520 331	2 507 463	**1 211 305**	2 120 580

Cash at banks are primarily held to mitigate the Group's refinancing/liquidity risk. Refer to note 41 for the credit risk ratings of the bank counterparties.

At 31 March 2017, the amount of undrawn borrowing facilities amounted to R250 million (FY2016: R500 million).

Cash at commercial banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Refer to note 47 for significant funding initiatives post year end.

5. Trade and other receivables

	Group 2017	Group 2016	Bank 2017	Bank 2016
Trade receivables	**316 197**	130 415	**6 643**	5 194
Accrued investment income	**6 643**	5 194	**6 643**	5 194
Premium receivable	**208 985**	99 490	**-**	-
Reinsurance receivable [4]	**100 569**	25 731	**-**	-
Other receivables	**68 846**	44 004	**132 306**	325 814
Intercompany loans - LBLIC [1]	**-**	-	**82 308**	283 645
Intercompany loans - LBIC [1]	**-**	-	**-**	1 451
Prepaid expenses	**10 666**	10 640	**10 666**	10 640
Loans to current employees [2]	**1 164**	682	**1 164**	682
Loans to former employees [2]	**267**	147	**267**	147
- Gross	**501**	481	**501**	481
- Impairments	**(234)**	(334)	**(234)**	(334)
Fruitless and wasteful and irregular expenditure receivable	**767**	6	**767**	6
Sundry receivables [3]	**55 982**	32 529	**37 134**	29 243
	385 043	174 419	**138 949**	331 008

5.1 Classification of trade and other receivables

Items included in trade and other receivables are classified as financial instruments carried at amortised cost.

	Group 2017	Group 2016	Bank 2017	Bank 2016
Prepaid expenses	**10 666**	10 640	**10 666**	10 640
Trade and other receivables net of non-financial instruments (refer to note 39)	**374 377**	163 779	**128 283**	320 368

Group receivables amounting to R7.4 million (FY2016: R12.8 million) are expected to be recovered after more than 12 months.
The carrying amount of trade and other receivables approximates their fair value. There are no other customer who represent more than 5% of trade receivables.

5.2 Trade and other receivables past due but not impaired

	Less than 1 year	More than 1 year less than 2 years	More than 2 years	Total
	R'000	R'000	R'000	R'000
2017				
Group				
Loans to current employees				
Gross loan amount	22	22	1 120	1 164
Portion of gross loan amount past due but not impaired	-	-	-	-
Loans to former employees				
Gross loan amount	16	16	469	501
Portion of gross loan amount past due but not impaired	-	-	-	-
2016				
Group				
Loans to current employees				
Gross loan amount	29	29	624	682
Portion of gross loan amount past due but not impaired	-	-	-	-
Loans to former employees				
Gross loan amount	16	16	449	481
Portion of gross loan amount past due but not impaired	-	-	-	-

[1] Refer to note 38.2.2 for the detail on the intercompany loan.

[2] Loans to employees consists of home loans which are receivable between 18 years to 20 years with an average remaining period of 19 years. The interest rate on the employee home loans is fixed at 3% per annum and the fair value of the loans is R0.5 million (FY2016: R1.1 million). The practice to grant home loans to employees was discontinued during 1998.

During FY 2017, the Land Bank Retirement Fund approached the Land Bank as participating employer to purchase the pension fund backed housing loans in order for the LBRF to be compliant with legislation as they would move the administration of the fund assets to a more effective administration platform.

As the Fund and participating employer had taken a decision to migrate the fund into an umbrella fund within Alexander Forbes the loans in the fund had to be settled before transfer happened.

The fund issued housing loans to members of the fund in terms of Section 19(5) of the Pension Fund Act (PFA) and the rules of the fund. The repayment terms for the loans are 30 years or until retirement whichever comes first.

The Fund ceased granting loans at the commencement of the National Credit Act (Act 34 of 2005).

[3] The sundry receivables consist of the following:
- Amounts receivable from clients for due diligence performed;
- Amounts receivable from service providers; and
- Other sundry debtors which are non-interest bearing with no fixed terms of repayment.

[4] Refer to note 45.1 for the details on fruitless and wasteful expenditure receivable.

6. Short-term insurance assets and liabilities

	Group 2017 R'000	Group 2016 R'000
Short-term insurance liabilities	**260 264**	299 009
Technical provision	**226 483**	271 996
Outstanding claims	**109 722**	170 743
Incurred but not reported claims	**27 252**	22 464
Provision for unearned premiums	**89 509**	78 789
Unearned commission income	**33 781**	27 013
***Less*: Short-term insurance assets**	**(178 527)**	(206 916)
Reinsurers' share of technical provisions	**(138 676)**	(169 944)
Outstanding claims	**(55 160)**	(97 671)
Incurred but not reported claims	**(19 112)**	(13 760)
Provision for unearned premiums	**(64 404)**	(58 513)
Deferred acquisition costs	**(39 851)**	(36 972)
Net short-term insurance technical provisions	**81 737**	92 093

In the current reporting period, management has decided to calculate the summer crop UPP on the claims occurring basis for the published accounts, based on historical claims occurrence tables, which are reviewed annually. For the FSB statutory reports, the approved straight line basis over the term of the policy is used. The winter crop premium is fully earned by 31 March. Below are the reserves calculated according to the statutory basis.

	Statutory basis Group 2017 R'000	Statutory basis Group 2017 R'000
Short-term insurance liabilities	**421 483**	407 782
Technical provision	**387 702**	380 769
Provision for unearned premiums	**246 692**	194 595
Outstanding claims	**109 673**	170 635
Incurred but not reported claims	**31 337**	15 539
Unearned commission income	**33 781**	27 013
Short-term insurance assets	**(293 945)**	(288 422)
Reinsurers' share of technical provisions	**(254 094)**	(251 450)
Reinsurance on provision for unearned premiums	**(177 020)**	(144 955)
Reinsurance on outstanding claims	**(55 160)**	(97 671)
Reinsurance on Incurred but not reported claims	**(21 914)**	(8 824)
Deferred acquisition costs	**(39 851)**	(36 972)
Net short-term insurance technical provisions: statutory basis	**127 538**	119 360

Unearned Premium Reserve movement

	Gross R `000	Reinsurance R `000	Net R `000
Balance at 31 March 2015	34 402		34 402
Provision earned	(34 402)	-	(34 402)
New provision raised	78 789	(58 513)	20 276
Balance at 31 March 2016	78 789	(58 513)	20 276
Provision earned	(78 789)	58 513	(20 276)
Provision increased	89 509	(64 404)	25 105
Balance at 31 March 2017	**89 509**	**(64 404)**	**25 105**

Deferral Acquisition Costs

	Gross R `000	Reinsurance R `000	Net R `000
Balance at 31 March 2015	6 934	-	6 934
Provision earned	(6 934)	-	(6 934)
New provision raised	36 972	(27 013)	9 959
Balance at 31 March 2016	36 972	(27 013)	9 959
Provision earned	(36 972)	27 013	(9 959)
Provision increased	41 193	(33 781)	7 412
Balance at 31 March 2017	**41 193**	**(33 781)**	**7 412**

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross claims incurred **Accident year**	2015 R'000	2016 R'000	2017 R'000
At end of accident year	107 158	250 079	361 203
One year later	12 638	25 909	
Two years later	(2 384)		
Current estimate of gross cumulative claims incurred	**117 412**	**275 988**	**361 203**

Net claims incurred Accident year	2015 R'000	2016 R'000	2017 R'000
At end of accident year	107 158	75 583	106 019
One year later	12 638	8 914	
Two years later	(2 384)		
Current estimate of net cumulative claims incurred	**117 412**	**84 497**	**106 019**

Gross claims paid Accident year	**2015** **R'000**	**2016** **R'000**	**2017** **R'000**
At end of accident year	(59 328)	(90 399)	(256 237)
One year later	(27 034)	(185 634)	
Two years later	-		
Current estimate of gross cumulative claims paid	**(86 362)**	**(276 033)**	**(256 237)**

Net claims paid Accident year	**2015** **R'000**	**2016** **R'000**	**2017** **R'000**
At end of accident year	(59 328)	(27 254)	(74 967)
One year later	(27 034)	(57 173)	
Two years later	-		
Current estimate of net cumulative claims paid	**(86 362)**	**(84 427)**	**(74 967)**

Outstanding claims movement	**Gross** **R `000**	**Reinsurance** **R `000**	**Net** **R `000**
Balance at 31 March 2015	41 623	-	41 623
Claims paid against provision	(27 034)	-	(27 034)
New provision raised	156 046	(97 671)	58 375
Balance at 31 March 2016	**170 635**	**(97 671)**	**72 964**
Provision utilised	(140 735)	97 671	(43 064)
Provision increased	79 773	(55 160)	24 613
Balance at 31 March 2017	**109 673**	**42 511**	**54 513**

Incurred but not reported movement	**Gross** **R `000**	**Reinsurance** **R `000**	**Net** **R `000**
Balance at 31 March 2015	6 207	-	6 207
Claims paid against provision	(3 242)	-	(3 242)
New provision raised	19 530	(13 678)	5 852
Balance at 31 March 2016	**22 495**	**(13 678)**	**8 817**
Claim paid against provision	(21 190)	14 833	(6 357)
Provision utilised	(1 273)	(1 155)	(2 428)
Provision increased	27 252	(19 079)	8 173
Balance at 31 March 2017	**27 284**	**(19 079)**	**8 205**

	Group		Bank	
	2017	2016	2017	2016
7. Repurchase agreements	R'000	R'000	R'000	R'000
Republic of South Africa bonds				
- R186	**5 533**	5 471	**5 533**	5 471
- R208	**9 616**	9 235	**9 616**	9 235
	15 149	14 706	**15 149**	14 706

The Group enters into sale and repurchase agreements to cover any short positions that the Group may experience from time to time. Interest relating to these instruments is disclosed in note 23.
None of these assets had been past due or impaired at the end of the reporting period.

8. Investments

	Group 2017	Group 2016	Bank 2017	Bank 2016
Investment in subsidiary - LBLIC	**-**	-	**30**	30
Investment in subsidiary - LBIC	**-**	-	**350 000**	200 000
Unlisted investments	**76 288**	849	**76 288**	849
Assets earmarked for medical aid liabilities	**359 866**	356 957	**359 866**	356 957
Investment in listed shares	**197 000**	-	**197 000**	-
Investments held by subsidiaries	**1 226 920**	1 333 898	**-**	-
	1 860 074	1 691 704	**983 184**	557 836

None of these assets had been past due or impaired at the end of the reporting period.

Analysis of investments

8.1 Assets earmarked for medical aid liabilities

These are investments held with Coronation Asset Managers.

	Group 2017	Group 2016	Bank 2017	Bank 2016
Listed investments	**345 518**	328 122	**345 518**	328 122
Local equity	**242 749**	230 734	**242 749**	230 734
Local bonds	**53 187**	33 594	**53 187**	33 594
Foreign equity	**49 582**	63 794	**49 582**	63 794
Commodities	**2 514**	3 563	**2 514**	3 563
Local ETF	**2 514**	3 563	**2 514**	3 563
Cash	**11 834**	25 272	**11 834**	25 272
Local	**11 834**	25 272	**11 834**	25 272
	359 866	356 957	**359 866**	356 957

The funds are entrusted to portfolio managers for investment purposes. The funds are earmarked to fund the future medical aid contributions of retired employees. The investments are classified as designated at fair value trough profit or loss and are measured and disclosed at fair value. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 42.1 for more information on the related risks and mitigation strategies.

	Bank 2017 %	Bank 2016 %
Assets earmarked for medical aid liabilities are invested as follows:		
Local equities		
Financial (excl. real estate)	**19%**	14%
Listed real estate	**0%**	24%
Basic materials	**21%**	17%
Industrials	**3%**	2%
Consumer goods	**21%**	19%
Healthcare	**3%**	1%
Consumer services	**26%**	17%
Telecommunications	**7%**	5%
Other securities	**0%**	1%

Refer to the note 21 for the post-retirement obligation disclosure.

8.2 Investment in associate

	Group 2017 R `000	Group 2016 R `000	Bank 2017 R `000	Bank 2016 R `000
Ordinary shares in Renaissance Brands (Pty) Ltd	-	-	-	-

Renaissance Brands Holding (Pty) Ltd
Land Bank acquired a 49.9% equity share in one of its corporate clients, Renaissance Brands Holding (Pty) Ltd (RBL), for a nominal amount of R499. The investment relates to a debt restructuring agreement entered into between the Bank and RBL. The effective date of the restructuring agreement was 17 February 2014 when approval was received from the Minister of Finance.

The investment did not constitute control however a significant influence was deemed to be held. As a result, RBL was accounted for as an associate.

During the 2014 financial year, the investment was impaired to Rnil.

On 6 March 2017 Land Bank disposed of its 49.9% share in RBL in exchange for listed shares in Rhodes Food Group Holdings Limited. The sales transaction resulted in the disposal of preference shares held by Land Bank, and the full settlement of all Land Bank debt.

8.3 Unlisted investments

	Group 2017 R `000	Group 2016 R `000	Bank 2017 R `000	Bank 2016 R `000
Fair value				
Ordinary shares in Free State Maize (Pty) Ltd	**-**	-	**-**	-
Ordinary shares in Capespan Capital (Pty) Ltd	**1 288**	849	**1 288**	849
Ordinary shares in Acorn Agri (Pty) Ltd	**75 000**	-	**75 000**	-
	76 288	849	**76 288**	849

Land Bank elected to apply its irrevocable right to designate these equity instruments at fair value through other comprehensive income.

Free State Maize (Pty) Ltd
The Free State Maize (Pty) Ltd investment was fully impaired as at 31 March 2016 as the entity was under business rescue, and on 19 April 2016, Land Bank was granted a liquidation order against Free State Maize (Pty) Ltd.

Capespan Capital (Pty) Ltd
Land Bank acquired a 19% ordinary share in one of its corporate clients, Capespan Capital (Pty) Ltd, for a nominal amount of R19. The investment relates to a debt agreement entered into between the Bank and Capespan Capital (Pty) Ltd. The effective date of the agreement was 18 July 2013.

This investment does not constitute control, nor significant influence. The investment is not held-for-trading and is therefore carried at fair value through other comprehensive income.

Capespan Capital (Pty) Ltd was valued as at 31 March 2017. The valuation was based on the Net Asset Value (NAV) of the company. The NAV of the business amounts to R6.78 million (FY2016: R4.47 million), which results in an investment value of R1.29 million (FY2016: R0.85 million) for the Bank.

Land Bank has credit risk exposure to Capespan Capital (Pty) Ltd to the extent of R117.9 million (FY2016: R68.3 million). Total impairment of R874 000 (FY2016: R194 000) is held against the credit exposure of the Group.

Acorn Agri (Pty) Ltd
Land Bank acquired 47 159 495 ordinary shares in Acorn Agri (Pty) Ltd in a conversion transaction of preference share investment in Afrifresh Group (Pty) Ltd. The Land Bank acquired preference shares in Afrifresh Group (Pty) Ltd during the current year in a debt to preference share conversion agreement entered into between the Bank and Afrifresh Group (Pty) Ltd. The effective date of the Acorn Agri (Pty) Ltd agreement was 23 March 2017.

At the time of acquisition, the acquired shares represented approximately 5.4% of the equity in Acorn Agri (Pty) Ltd. This investment does not constitute control, nor significant influence. The investment is not held-for-trading and is therefore carried at fair value through other comprehensive income.

Acorn Agri (Pty) Ltd was valued in March 2017. The valuation was based on a discounted cash flow method. The total value of the Acorn Agri business amounted to R1.4 billion, which results in an investment value of R75 million for the Bank.

	Group		Bank	
Listed investments	**2017**	**2016**	**2017**	**2016**
	R `000	**R `000**	**R `000**	**R `000**
Rhodes Food Group Holdings Limited	**197 000**	-	**197 000**	-

On 23 March 2017, Land Bank acquired 7.7m shares in Rhodes Food Group Holdings Limited in an exchange transaction with Renaissance Brands (Pty) Ltd. Refer to note 8.2 for further details of the transaction.

This investment does not constitute control, nor significant influence. The investment is not held-for-trading, nor for investment income purposes, and is therefore carried at fair value through other comprehensive income.

	Group		Bank	
8.4 Investment in LBLIC (100%)	**Group 2017**	**Group 2016**	**Bank 2017**	**Bank 2016**
	R `000	**R `000**	**R `000**	**R `000**
LBLIC shares (15 000 ordinary shares at par value of R2 each)	**30**	30	**30**	30
Actuarial valuation (LBLIC)	**1 121 530**	1 069 676	**1 121 530**	1 069 676

Up until 31 March 2014, Land Bank indirectly held these shares through its 100% holding of Land Bank Insurance Services (SOC) Limited (LBIS) which was the sole beneficial shareholder of LBLIC.

With effect from 1 April 2014, Land Bank acquired all the LBLIC shares from LBIS at R nil. LBLIC is therefore a direct subsidiary of Land Bank.

The company provides life insurance cover to clients of Land Bank under mortgage loans as well as short-term crop insurance. The company's actuarial value of the surplus as at 31 March 2017 amounted to R1.12 billion (FY2016: R1.07 billion). In terms of the shareholder's agreement, Land Bank guarantees the solvency of LBLIC. Land Bank, as a holding company, does not expect to be called upon to perform under this guarantee. The shares are accounted for at cost in terms of IFRS.

	Group		Bank	
	2017	2016	2017	2016
8.5 Investment in LBIC (100%)	R `000	R `000	R `000	
LBIC shares (1 250 (FY2016: 1 100) ordinary shares at no par value)	**350 000**	200 000	**350 000**	200 000

Up until 31 March 2014, Land Bank indirectly held these shares through its 100% holding of Land Bank Insurance Services (SOC) Limited (LBIS) which was the sole beneficial shareholder of LBIC.

With effect from 1 April 2014, Land Bank acquired all the LBIC shares from LBIS at Rnil. LBIC is therefore a direct subsidiary of the Land Bank.

LBIC has been dormant until FY2015. LBIC now houses the short-term insurance activities of the Group, such as short-term asset and crop insurance.

The shares are accounted for at cost in terms of IFRS.

During the current reporting period, the Land Bank contributed R150 million capital as part of the shareholder's support towards the operations of LBIC. R80 million was paid in cash on 31 March 2017, and the remaining R70 million was paid on 4 April 2017. The contribution was converted into 150 no par value shares in LBIC in March 2017, therefore increasing the issued shares of LBIC from 1 100 to 1 250.

Investment in LBIS (100%) - dormant	Group		Bank	
	2017	2016	2017	2016
LBIS shares (1 000 ordinary shares at no par value)	-	-	-	-

In May 2014, the Minister approved that LBIS be dissolved and that the two insurance companies be held directly by the Land Bank.

Land Bank Insurance Services (SOC) Limited (LBIS), which is currently dormant, was the ultimate holding company of LBIC and LBLIC until 31 March 2014. LBIS is now a fellow subsidiary of LBLIC and LBIC.

The shares are accounted for at cost in terms of IFRS.

8.6 Investments held by subsidiaries

These are investments held by subsidiaries with the following Asset Managers:

- Coronation Fund Managers Limited
- Momentum Asset Management
- Argon Asset Management
- Investec Asset Management
- Old Mutual Investment Group (South Africa) (Pty) Ltd

	Group	
	2017	2016
	R'000	R'000
Equities	**412 151**	474 424
Commodities	**35 568**	33 064
Collective investment schemes	**370 893**	354 568
Bonds	**247 763**	259 810
Cash deposits and similar securities	**146 564**	178 045
Investment policy	**13 980**	33 986
	1 226 920	1 333 897

Designated at fair value through profit or loss

8.6.1 Equities

	Group 2017 R'000	Group 2016 R'000
Equities comprise:		
Ordinary shares listed on the JSE [1]	**396 489**	450 769
Preference shares listed on the JSE [1]	**15 662**	23 655
	412 151	474 424

Equities are classified as designated as at fair value through profit or loss.

8.6.2 Commodities

	Group 2017 R'000	Group 2016 R'000
ETFs - at market value - Local [1]	**30 498**	33 064
ETFs - at market value - Foreign	**5 070**	-
	35 568	33 064

Commodity ETFs are classified as designated as at fair value through profit or loss.

8.6.3 Collective investment schemes (CIS)

	Group 2017 R'000	Group 2016 R'000
Equity - foreign unit trusts	**173 388**	164 638
Balanced fund - foreign	**39 080**	41 292
Currency derivatives	**(146)**	-
Listed property	**69 959**	44 742
Money market - local	**88 612**	103 896
	370 893	354 568

CIS are classified as designated as at fair value through profit or loss.

[1] Investments at market prices per the JSE.

8.6.4 Investments in interest bearing assets

	Group 2017 R'000	Group 2016 R'000
Bonds	**247 763**	259 810
Government	**145 160**	117 669
Parastatal and municipal	**11 073**	12 396
Corporate	**91 530**	129 745
Cash, deposits and similar securities	**146 564**	178 045
Deposits with banks - local	**66 991**	113 996
Deposits with banks - foreign	**-**	10 775
Money market instruments	**79 573**	53 274
	394 327	437 855
Classification of investments in interest bearing assets		
Amortised cost instruments	**66 991**	124 771
Designated as at fair value through profit or loss	**327 336**	313 084

8.6.5 Investment policy

	Group 2017 R'000	Group 2016 R'000
Equity	**12 988**	27 801
Cash	**405**	2 049
Property	**587**	4 136
	13 980	33 986

The Investment Policy is classified as designated as at fair value through profit or loss.

Investments in foreign equities were made utilising pooled funds. The risk is managed by the LBLIC Investment and Actuarial Committee.

Register of investments
A register containing details of all investments is available for inspection at the registered office of LBLIC.

9. Market making assets

Market making is the practice of quoting bid and offer prices to the market on a regular basis. This encourages buying and selling of Land Bank bonds and creates market liquidity in Land Bank bonds.

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Government bonds				
At fair value				
Asset				
- R 208	**9 617**	-	**9 617**	-
Liability				
- R186	**(5 533)**	-	**(5 533)**	-
Contractual amount received/(payable) on maturity				
Asset				
- R 208	**10 000**	-	**10 000**	-
Liability				
- R186	**(5 000)**	-	**(5 000)**	-

Contractual amount receivable represents the face value of amounts that Land Bank has purchased in the capital market.

As these financial assets and liabilities are held-for-trading, they are classified as financial assets/liabilities at fair value through profit and loss.

10. Loans and advances

Group and Bank	Gross loans R'000	Suspended interest and fees [1] R'000	Impairments R'000	Net loans R'000
10.1 Gross loans per business segment				
2017				
Corporate Banking	36 074 488	(15 225)	(1 746 438)	34 312 825
Commercial Development Banking	7 269 652	(54 257)	(546 604)	6 668 791
Loan commitments and guarantees	-	-	(6 062)	6 062
	43 344 140	**(69 482)**	**(2 299 104)**	**40 975 554**
2016				
Corporate Banking	32 752 883	(30 694)	(2 068 988)	30 653 201
Commercial Development Banking	6 266 437	(27 394)	(528 736)	5 710 307
Loan commitments and guarantees	-	-	(10 090)	10 090
	39 019 320	(58 088)	(2 607 814)	36 353 418

[1] The Group continues to accrue interest on a gross basis for accounts classified as Stage 1: Performing loans and Stage 2: Under-performing loans on a gross basis. Interest in relation to accounts classified as Stage 3: Non-performing is accured on a net basis.

Loan type	Nature of interest rate	Average term of repayment	Average interest rate 2017	Average interest rate 2016
Short term loans	Variable	1 year	**12.27%**	10.14%
Medium term loans	Variable	1 to 5 years	**11.19%**	11.42%
Long term loans	Variable/ Fixed	> 5 years	**11.03%**	11.00%

10.2 Loans by maturity profile [1]

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
< 3 months	**7 685 650**	6 209 050	**7 685 650**	6 209 050
3 - 6 months	**4 793 132**	4 606 878	**4 793 132**	4 606 878
6 - 9 months	**3 533 562**	1 506 583	**3 533 562**	1 506 583
9 - 12 months	**1 004 508**	545 831	**1 004 508**	545 831
1 - 5 years	**4 351 860**	9 082 557	**4 351 860**	9 082 557
> 5 years	**21 655 326**	16 873 417	**21 655 326**	16 873 417
Total	**43 024 038**	38 824 315	**43 024 038**	38 824 315

[1] This maturity profile excludes the insolvent loan balances.

10.3 Loans by credit quality

	Performing loans [1] R'000	Under performing loans [2] R'000	Non performing loans [3] R'000	Total R'000
2017				
Corporate Banking	30 308 812	3 753 784	2 011 892	36 074 488
Commercial Development Banking	5 974 873	243 697	1 051 082	7 269 652
Gross loans and advances	**36 283 685**	**3 997 481**	**3 062 974**	**43 344 140**
Expected Credit Loss (ECL)	(214 352)	(1 360 601)	(787 571)	(2 362 524)
Net loans and advances	**36 069 333**	**2 636 880**	**2 275 403**	**40 981 616**
Guarantees				660 322
Loan commitments				990 451
Gross loan commitments and guarantees				**1 650 773**
Provision for doubtful debts				(6 062)
Net loan commitments and guarantees				**1 644 711**
2016				
Corporate Banking	25 608 143	4 689 553	2 455 187	32 752 883
Commercial Development Banking	4 860 247	419 453	986 737	6 266 437
Gross loans and advances	**30 468 390**	**5 109 006**	**3 441 924**	**39 019 320**
Suspended interest and fees	-	-	(58 088)	(58 088)
Provision for doubtful debts	(172 224)	(1 483 100)	(942 399)	(2 597 724)
Net loans and advances	**30 296 166**	**3 625 906**	**2 441 436**	**36 363 508**
Guarantees				735 437
Loan commitments				222 353
Gross loan commitments and guarantees				**957 790**
Provision for doubtful debts				(10 090)
Net loan commitments and guarantees				**947 700**

Included in the ECL is an amount of R69.5 million (FY2016: R58 million) relating to interest in suspense.

[1] Performing loans: A significant increase in credit risk could not be recorded. These loans are of an acceptable credit quality. Repayment is expected in compliance with the credit agreement.
[2] Underperforming loans: Loans are exposed to a significant increase in credit risk as identified based on probability of defaults (PDs) and warning signals that materialises between origination and reporting. As a minimum, loans that are in arrears for 30 days and more are classified as underperforming loans.
[3] Non-performing loans: Loans that have failed to meet the terms and conditions of the credit agreement and there are further indicators of the unlikeliness to repay the loan. Loans that are as a minimum 90 days in arrears, are classified as non-performing.

Group and Bank

10.4 Loans and advances past due not impaired

	2017 R'000	2016 R'000
0 to 30 days past due	**331 469**	348 123
31 to 90 days past due	**548 644**	540 907
90+ days past due	**2 421 325**	2 310 418
Total loans and advances past due but not impaired	**3 301 438**	3 199 448

Gross past due loans not impaired are covered in full by underlying collateral.
Refer to note 10.7 for details on the collateral.

10.5 Expected Credit Loss provision: reconciliation of movement per business unit

Group and Bank	Corporate Banking R'000	Commercial Development Banking R'000	Loan commitments and guarantees R'000	Totals R'000
2017				
Balance at the beginning of the year [1]	**2 068 987**	**528 734**	**10 089**	**2 607 810**
Movement for the year				
Credit losses written off:	**(379 606)**	**(43 543)**	**-**	**(423 149)**
- Statement of financial position write off (utilisation)	**(374 399)**	**(30 557)**	**-**	**(404 956)**
- Statement of comprehensive income write off	**(5 207)**	**(12 986)**	**-**	**(18 193)**
Net impairment raised/ (released) to the statement of comprehensive income	**57 057**	**61 413**	**(4 028)**	**(114 442)**
Balance at the end of the year [1]	**1 746 438**	**546 604**	**6 061**	**2 299 103**
2016				
Balance at the beginning of the year - restated	2 166 277	454 886	10 880	2 632 043
Movement for the year				
Credit losses written off:	(85 665)	(70 021)	-	(155 686)
- Statement of financial position write off (utilisation)	(73 076)	(63 010)	-	(136 086)
- Statement of comprehensive income write off	(12 589)	(7 011)	-	(19 600)
Net impairment raised/ (released) to the statement of comprehensive income	(11 625)	143 869	(791)	131 453
Balance at the end of the year	**2 068 987**	**528 734**	**10 089**	**2 607 810**

[1] Excludes suspended interest

10.6 Impairment releases/ (charges), claims and recoveries	Corporate Banking R'000	Commercial Development Banking R'000	Loan commitments and guarantees R'000	Total R'000
2017				
Net impairments raised/ (released) to the statement of comprehensive income	**57 057**	**61 413**	**(4 028)**	**114 442**
Recoveries in respect of amounts previously written off	**(586)**	**(8 222)**	**-**	**(8 808)**
Claims provision	**-**	**(24 091)**	**-**	**(24 091)**
	56 471	**29 100**	**(4 028)**	**81 543**
2016				
Net impairments raised/ (released) to the statement of comprehensive income including IFRS 9 recycle	125 285	31 450	(791)	155 944
Recoveries in respect of amounts previously written off	(12 141)	(3 649)	-	(15 790)
Claims provision	-	(65 930)	-	(65 930)
	113 144	(38 129)	(791)	74 224

10.7 Collateral held as security

The Group holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collaterals are determined with reference to the realisable value of security under forced-sale conditions.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the Group does not occupy repossessed properties for business. The repossessed properties are accounted for as non-current assets held-for-sale in terms of IFRS 5. The carrying amount of collateral taken in possession during the year is R3.1 million (FY2016: R0.6 million).

The Group has the following assets held as security against its loan portfolio:

Nature of assets	Estimated value %	Bank 2017 R'000	Bank** 2016 R'000
Biological assets	10% - 100%	**4 114 449**	4 769 582
Commodities	50% - 90%	**5 455 222**	3 008 637
Debtors	30% - 70%	**3 960 152**	4 736 847
Deposits	90% - 100%	**117 786**	143 304
Guarantee	95% - 100%	**82 498**	2 958 655
Land and buildings*	10% - 75%	**20 198 741**	15 743 136
Office equipment and computers	10%	**12 342**	15 106
Plant and equipment	30% - 50%	**1 479 806**	1 465 347
Shares and investments	30% - 100%	**3 097 159**	1 105 729
Specialised infrastructure	50%	**107 281**	163 005
Stock	10% -70%	**2 968 104**	2 571 279
Subleases	75%	**-**	118 916
Trademarks	50%	**18 983**	1 026 412
Vehicles	30% - 50%	**405 269**	1 035 034
Suretyship	10%	**39 953**	3 816
Cessions held over unpaid shares	30%	**879 201**	1 129 197
Other	10%	**2 892 595**	2 633 706
Total		**45 829 541**	42 627 708

* The Land and buildings is disclosed net of the collateral agreement limits.
** Refer to note 48 for comparatives.
Please refer to note 10.4 for loans that are past due but not impaired due to sufficient collateral held.

Concentration of credit risk

By the very nature of the Bank's business it is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties/ group of connected parties mainly within the Corporate Banking loan portfolio. Notwithstanding these risks, there is strategic benefit to the Bank by holding such exposures as the traditional large agri-businesses are often better positioned than financiers to mitigate risk in the agricultural value chain. Furthermore, large agri-businesses are characterised by a spread in geographical locations, product/commodity diversification, vertical or horizontal integration in their respective value chains and diverse client risk profiles which mitigates the concentration risk for the Bank.

The current Group policy on credit concentration risk requires that the full Board of Directors approves any exposure in excess of 25% (50% for certain strategic clients who meets specific credit criteria) of the Bank's own equity[1] to any counterparty or group of connected parties. Furthermore, all acquired loan books managed through Service Level Agreements have credit concentration risk limits imposed by the Bank to mitigate concentration risk.

As at year-end there was one counterparty (FY2016: one) with individual exposure of more than 25% of the Bank's own equity. This counterparty is also a strategic partner and falls below the 50% threshold. The total exposure of this counterparty at year-end amounted to R3.22 billion (FY2016: R3.22 billion). The exposure was approved by the Credit and Investment Committee and the Land Bank Board. The counterparty is abiding to its loan repayment terms and conditions.

1 Own equity is defined as equity plus unutilised government guarantees

11. Assets of disposal group classified as held-for-sale

Group and Bank 11.1 Analysis of loans per category	Gross loans R'000	Total impairment R'000	Net loans R'000
2017			
Land for development (LDFU)	**630 605**	**(433 466)**	**197 139**
2016			
Land for development (LDFU)	630 605	(480 985)	149 620

11.2 Loans by credit quality	Non performing loans R'000	Total R'000
2017		
Land for development	630 605	630 605
Gross loans and advances	**630 605**	**630 605**
Provision for doubtful debts	(433 466)	(433 466)
Net loans and advances	**197 139**	**197 139**
2016		
Land for development	630 605	630 605
Gross loans and advances	**630 605**	**630 605**
Provision for doubtful debts	(480 985)	(480 985)
Net loans and advances	**149 620**	**149 620**

11.3 Loans and advances past due not impaired	2017 R'000	2016 R'000
0 to 30 days past due	-	-
31 to 90 days past due	-	-
90+ days past due	**157 030**	142 077
Total loans and advances past due but not impaired	**157 030**	142 077

11.4 Provision for impairment: reconciliation of movement per business unit

Balance at the beginning of the year	**480 985**	360 547
Impact as a result of adoption of new accounting standards	-	128 165
Restated in terms of new accounting standards	**480 985**	488 712
Movement for the year:		
Net impairment (released)/ raised to the statement of comprehensive income	**(47 519)**	(7 727)
Balance at the end of the year	**433 466**	480 985

	2017 R'000	2016 R'000
11.5 Impairment (charges)/ releases, claims and recoveries		
Net impairments (released)/ raised to the statement of comprehensive income	**(47 519)**	(7 727)

11.6 Collateral held as security

	2017 R'000	2016 R'000
Land and buildings	**219 840**	199 350

The properties were valued by independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans do not exceed the net realisable values. The total market value of the collateral held for this portfolio amounts to R465.8 million (forced sale value amounts to R219.8 million).

	Group		Bank	
	2017	2016	2017	2016
12. Non-current assets held-for-sale	R'000	R'000	R'000	R'000
Land and buildings	-	-	-	-
Properties in possession	**47 993**	47 622	**47 993**	47 622
	47 993	47 622	**47 993**	47 622

Analysis of non-current assets held-for-sale

12.1 Land and buildings

	Group 2017	Group 2016	Bank 2017	Bank 2016
Opening balance	-	5 700	-	5 700
Less: disposals	-	(5 700)	-	(5 700)
Closing balance	-	-	-	-

The Pietermaritzburg building (Erf 2413) was sold during February 2016 for R7.3 million.

	Group		Bank	
	2017	2016	2017	2016
12.2 Properties in possession	R'000	R'000	R'000	R'000
Opening balance	**47 622**	47 392	**47 622**	47 392
Plus: additions	**3 126**	610	**3 126**	610
Less: disposals	**(2 945)**	(380)	**(2 945)**	(380)
Fair value adjustment	-	-	-	-
Reversal of prior year impairment losses	**190**	-	**190**	-
Closing balance	**47 993**	47 622	**47 993**	47 622

These represent the properties bought in by the Group due to clients defaulting on their loan payments. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans. In view of the current volatile market conditions and low property valuations, the properties in possession will only be disposed of as and when conditions render it economically viable. The Group exclusively hold these properties with a view to dispose of them:

- BP 2102 located in East London
- BP 2107 located in North West
- BP 2110 located in Pietermaritzburg
- BP 2112 located in Pretoria
- BP 2114 located in Nelspruit
- BP 2115 located in Polokwane

12.3 The following disposals took place and profits/(losses) recognised are:

31 March 2017	Carrying amount R'000	Selling price R'000	VAT R'000	Profit/(loss) after tax R'000
Properties in possession:				
BP 2009 located in Potchefstroom - donated to DRDLR	1 000	-	-	(1000)
BP 2111 located in Gauteng	808	1 482	182	492
BP 2113 located in Pretoria	610	610	-	-
BP 2039 located in Tzaneen	527	627	77	23
	2 945	2 719	259	(485)
31 March 2016				
Property in possession: BP 2109 located in Hartbeespoort	381	716	88	247
Land and buildings: Erf 2413 Pietermaritzburg	5 700	7 300	896	704
	6 081	8 016	984	951

Refer to note 44 for the methods used to determine the fair values for these assets.

13. Investment property	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Opening balances	**106 740**	99 800	**106 740**	99 800
Transfer from property and equipment [1]	**52 181**	5 687	**52 181**	5 687
Fair value adjustments	**8 879**	1 253	**8 879**	1 253
Closing balance	**167 800**	106 740	**167 800**	106 740
Investment property comprises the following:				
Office buildings	**167 800**	106 740	**167 800**	106 740
Rental income derived from investment properties	**15 063**	15 050	**15 063**	15 050
Direct operating expenses generating rental income	**(741)**	(41)	**(741)**	(41)
Net profit arising from investment properties carried at fair value	**14 322**	15 009	**14 322**	15 009

A register containing details of the investment properties and fair value adjustments is available for inspection at the Group's registered office.

There are no restrictions on the title of the property and no property has been pledged as security.

The fair value of investment property was determined by using the opportunity cash flow method (OCF). This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy, market capitalisation rate and net present value of the OCF.

Please refer to note 44 for the fair value hierarchy and methods used to determine the fair value of these assets.

[1] Relates to the following buildings that were reclassified from property and equipment to investment property:

	Building		Land	
31 March 2017	**Cost**	**Accumulated depreciation**	**Cost**	**Total**
Reclassified on 1 April 2016 as a result of the organisational review:				
Beaufort West	1 292	-	1 908	3 200
Calvinia	2 012	-	288	2 300
Cradock	6 498	-	202	6 700
Ermelo	2 820	-	430	3 250
Kroonstad	3 800	-	400	4 200
Lichtenburg	3 500	-	400	3 900
Vryheid	5 097	-	2 703	7 800
Reclassified on 1 November 2016				
Rustenburg	10 306	(187)	4 594	14 713
George	4 467	(81)	1 733	6 119
	39 792	(268)	12 658	52 182
31 March 2016				
Reclassified on 22 January 2016:				
Bethlehem	4 967	(113)	833	5 687

14. Property and equipment	Land R'000	Buildings R'000	Computer equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Total R'000
2017							
Group							
Open market value/cost at 1 April 2016	16 145	59 503	28 422	23 773	522	12 892	141 257
Additions	-	-	13 997	839	-	2 439	17 275
Disposals	-	-	(4 508)	(4 792)	-	-	(9 300)
Reclassification to investment property [2]	(12 657)	(39 792)	-	-	-	-	(52 449)
Revaluation [1]	234	1 816	-	-	-	-	2 050
Open market value/cost at 31 March 2017	**3 722**	**21 527**	**37 911**	**19 820**	**522**	**15 331**	**98 833**
Accumulated depreciation and impairment losses at 1 April 2016	-	-	(24 954)	(19 859)	(400)	(12 089)	(57 302)
Depreciation	-	(1 577)	(3 500)	(723)	(6)	(495)	(6 301)
Depreciation write-back as a result of the revaluation	-	1 309	-	-	-	-	1 309
Depreciation effect of the reclassification to investment property [2]	-	268	-	-	-	-	268
Disposals	-	-	4 279	4 150	-	-	8 429
Accumulated depreciation and impairment losses at 31 March 2017	**-**	**-**	**(24 175)**	**(16 432)**	**(406)**	**(12 584)**	**(53 597)**
Net carrying value at 31 March 2017	**3 722**	**21 527**	**13 736**	**3 388**	**116**	**2 747**	**45 236**

	Land	Buildings	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2016							
Group							
Open market value/cost at 1 April 2015	17 501	59 297	31 982	26 055	922	12 396	148 153
Additions	-	-	2 089	490	-	496	3 075
Disposals	-	-	(5 649)	(2 772)	(400)	-	(8 821)
Reclassification to investment property [2]	(832)	(4 968)	-	-	-	-	(5 800)
Revaluation [1]	(524)	5 174	-	-	-	-	4 650
Open market value/cost at 31 March 2016	**16 145**	**59 503**	**28 422**	**23 773**	**522**	**12 892**	**141 257**
Accumulated depreciation and impairment losses at 1 April 2015	-	-	(26 912)	(21 339)	(685)	(11 887)	(60 823)
Depreciation	-	(1 759)	(3 681)	(1 010)	(29)	(202)	(6 681)
Depreciation write-back as a result of the revaluation	-	1 646	-	-	-	-	1 646
Depreciation effect of the reclassification to investment property [2]	-	113	-	-	-	-	113
Disposals	-	-	5 639	2 490	314	-	8 443
Accumulated depreciation and impairment losses at 31 March 2016	**-**	**-**	**(24 954)**	**(19 859)**	**(400)**	**(12 089)**	**(57 302)**
Net carrying value at 31 March 2016	**16 145**	**59 503**	**3 468**	**3 914**	**122**	**803**	**83 955**

	Land	Buildings	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2017							
Bank							
Open market value/cost at 1 April 2016	16 145	59 503	28 194	23 403	522	12 892	140 659
Additions	-	-	13 997	844	-	2 439	17 280
Disposals	-	-	(4 263)	(4 727)	-	-	(8 990)
Reclassification to investment property [2]	(12 657)	(39 792)	-	-	-	-	(52 449)
Revaluation [1]	234	1 816	-	-	-	-	2 050
Transfer to subsidiary	-	-	(191)	(12)	-	-	(203)
Open market value/cost at 31 March 2017	**3 722**	**21 527**	**37 737**	**19 508**	**522**	**15 331**	**98 347**
Accumulated depreciation and impairment losses at 1 April 2016	-	-	(24 788)	(19 538)	(400)	(12 089)	(56 815)
Depreciation	-	(1 577)	(3 467)	(722)	(6)	(495)	(6 267)
Depreciation write-back as a result of the revaluation	-	1 309	-	-	-	-	1 309
Depreciation effect of the transfer to subsidiary	-	-	19	(2)	-	-	17
Depreciation effect of the reclassification to investment property [2]	-	268	-	-	-	-	268
Disposals	-	-	4 104	4 090	-	-	8 194
Accumulated depreciation and impairment losses at 31 March 2017	**-**	**-**	**(24 132)**	**(16 172)**	**(406)**	**(12 584)**	**(53 294)**
Net carrying value at 31 March 2017	**3 722**	**21 527**	**13 605**	**3 336**	**116**	**2 747**	**45 053**

	Land	Buildings	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2016							
Bank							
Open market value/cost at 1 April 2015	17 501	59 297	31 738	25 711	922	12 396	147 565
Additions	-	-	2 089	465	-	496	3 050
Disposals	-	-	(5 599)	(2 771)	(400)	-	(8 770)
Reclassification to investment property [2]	(832)	(4 968)	-	-	-	-	(5 800)
Revaluation [1]	(524)	5 174	-	-	-	-	4 650
Transfer to subsidiary	-	-	(34)	(2)	-	-	(36)
Open market value/cost at 31 March 2016	**16 145**	**59 503**	**28 194**	**23 403**	**522**	**12 892**	**140 659**
Accumulated depreciation and impairment losses at 1 April 2015	-	-	(26 721)	(21 061)	(685)	(11 887)	(60 354)
Depreciation	-	(1 759)	(3 649)	(951)	(29)	(202)	(6 590)
Depreciation write-back as a result of the revaluation	-	1 646	-	-	-	-	1 646
Depreciation effect of the transfer to subsidiary	-	-	5	2	-	-	7
Depreciation effect of the reclassification to investment property [2]	-	113	-	-	-	-	113
Disposals	-	-	5 577	2 472	314	-	8 363
Accumulated depreciation and impairment losses at 31 March 2016	**-**	**-**	**(24 788)**	**(19 538)**	**(400)**	**(12 089)**	**(56 815)**
Net carrying value at 31 March 2016	**16 145**	**59 503**	**3 406**	**3 865**	**122**	**803**	**83 844**

[1] Refer to note 44.4 for the methods used to determine the fair values for these assets.
[2] Refer to note 13 for the details of the properties reclassified as investment properties.

The land and buildings were valued by independent property valuators as at year end. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report.

There are no restrictions on the title of the property and no property has been pledged as security. The Group does not have any contractual commitments for the acquisition of property.

IFRS requires that the carrying values of land and buildings if they had to be carried using the historical cost method should be disclosed. As a result of the buildings being purchased many years ago, the latest being 1998, it is not possible for the Bank to determine and disclose the carrying values of each property and in addition to this the values at which the properties were purchased are negligible in comparison to the current carrying values disclosed using the revaluation method.

A register containing details of the owner-occupied properties and the revaluation thereof is available for inspection at the Group's registered office.

The opening accumulated depreciation on 1 April 2016 was written back to the carrying amount of buildings when revalued in terms of the net replacement value method.

	Group		Bank	
	2017	2016	2017	2016
15. Intangible assets	R'000	R'000	R'000	R'000
Computer software				
Net carrying value	**27 275**	34 131	**27 275**	34 131
Cost at the beginning of the year	**90 552**	87 258	**90 552**	87 258
Accumulated amortisation	**(54 699)**	(56 421)	**(54 699)**	(56 421)
Additions/ new development - current year	**1 855**	3 294	**1 855**	3 294
Disposal/ write-off	**(10 433)**	-	**(10 433)**	-
Reconciliation of movement during the year				
Carrying value at the beginning of the year	**34 131**	37 162	**34 131**	37 162
Additions/new developments	**1 855**	3 294	**1 855**	3 294
Amortisation	**(6 599)**	(6 325)	**(6 599)**	(6 325)
Disposal/write-off	**(2 112)**	-	**(2 112)**	-
Net carrying value at the end of the year	**27 275**	34 131	**27 275**	34 131

Included in the cost of intangible assets are computer software that has been fully amortised however still in use with a historical cost of R13.5 million (FY2016: R18.3 million). The Group will reassess the useful lives of all the intangible assets during the FY2018 together with the review of the accounting policy in order to reflect the most correct estimated useful lives of all intangible assets.

16. Other reserves

	Group 2017	Group 2016	Bank 2017	Bank 2016
Distributable reserves from continuing operations				
Capital fund	**4 397 655**	4 397 655	**4 397 655**	4 397 655
General reserve	**1 203 108**	894 532	**1 553 137**	1 244 562
Insurance reserve	**1 440 300**	1 389 625	-	-
Total distributable reserves	**7 041 063**	6 681 812	**5 950 792**	5 642 217
Less: Distributable reserves relating to the discontinued operation in note 22.	**(723 714)**	(718 472)	**(723 714)**	(718 472)
	6 317 349	5 963 340	**5 227 078**	4 923 745
Distributable reserves from continuing operations				
Other reserves	**137 495**	135 072	**137 495**	135 072
Mark-to-market reserve	**1 288**	848	**1 288**	848
Revaluation of property	**136 207**	134 224	**136 207**	134 224
	6 454 844	6 098 412	**5 364 573**	5 058 817

16.1 Description of equity components

General reserve

The General reserve comprises of accumulated retained earnings.

Capital fund

The Capital fund consists of an initial loan by government which was converted to permanent equity in 2006 as part of the government commitment to support the Bank as well as further contributions from the National Treasury in FY2015.

Insurance reserve

The Insurance reserve is a component of Group retained earnings and represents the accumulated surplus of LBLIC and LBIC from insurance activities.

Mark-to-market reserve

The Mark-to-market reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank. Refer to notes 8.3.

Revaluation reserve

The Revaluation reserve represents the net surplus arising on the revaluation of land and buildings.

17. Trade and other payables

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Accrued expenses	**38 445**	69 586	**30 374**	62 460
Intercompany loans - LBIC [1]	**-**	-	**66 981**	-
Amounts due to intermediaries	**35 772**	17 822		
Amounts due to reinsurers	**234 810**	170 335		
Trade payables	**19 819**	39 766	**19 819**	39 766
Deferred Income	**1 027**	943	**1 027**	943
Loan costs and fees received in advance	**41 200**	40 233	**41 200**	40 233
Other	**6 702**	44 778	**4 559**	44 778
Premiums received in advance	**104**	84		
Amounts due to SASRIA	**1 865**	-	**-**	-
Client deposits for approved loans	**38**	-	**38**	-
	379 782	383 547	**163 998**	188 180

The trade and other payables are classified as other financial liabilities and are carried at amortised cost. Trade and other payables are generally paid as follows:

- Accrued expenses: one month;
- Loan costs and fees received in advance: one to three months;
- Client deposits for approved loans: one to three months; and
- Other: one month.

[1] Refer to note 38.2.2 for the detail on the intercompany loan.

As noted in the maturity analysis, Group payables amounting to R118.6 million (FY2016: R44.6 million) are expected to be settled after more than 12 months.

18. Long-term policyholders' liabilities

	Group	
	2017	2016
	R'000	R'000
Policyholders' liabilities under insurance contracts	**50 469**	34 429
Notified claims	**676**	528
Claims (incurred but not reported)	**3 617**	830
	54 762	35 787

	Group 2017 R'000	Group 2016 R'000
18.1 Policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims		
Present value of policy liabilities	**33 219**	33 243
Plus: present value of future expenses	**17 265**	22 335
Less: present value of future premiums	**(23 295)**	(27 615)
Liability excluding AIDS reserve	**27 189**	27 963
Plus: AIDS reserve	**894**	1 211
Less: reinsurance reserve	**(8 954)**	-
Plus: expense overrun reserve	**22 386**	5 255
Total policyholders' liability excluding IBNR and notified claims	**41 515**	34 429
18.2 Movement in the long-term policyholders' liability		
Balance at the beginning of the year	**34 429**	31 747
Movement in the long-term policyholders' liability	**7 086**	2 682
Balance at the end of the year	**41 515**	34 429

18.3 Movement in the IBNR	Gross R'000	Ceded R'000	Net R'000
2017			
Balance at the beginning of the year	**830**	**(415)**	**415**
Movement in the IBNR	**2 787**	**(2 448)**	**339**
Balance at the end of the year	**3 617**	**(2 863)**	**754**
2016			
Balance at the beginning of the year	1 350	(675)	675
Movement in the IBNR	(520)	260	(260)
Balance at the end of the year	830	(415)	415

18.4 Movement in notified (outstanding) claims	Gross R'000	Ceded R'000	Net R'000
2017			
Balance at the beginning of the year	**528**	**(246)**	**282**
Movement in the IBNR	**148**	**(35)**	**113**
Balance at the end of the year	**676**	**(281)**	**395**
2016			
Balance at the beginning of the year	-	-	-
Movement in the IBNR	528	(246)	282
Balance at the end of the year	528	(246)	282

18.5 Total long-term insurance liabilities

	Gross R'000	Ceded R'000	Net R'000
2017			
Long-term policyholders' liability	**50 469**	**(8 954)**	**41 515**
Notified claims	**676**	**(281)**	**395**
IBNR	**3 617**	**(2 863)**	**754**
Total long-term insurance liabilities	**54 762**	**(12 098)**	**42 664**
2016			
Long-term policyholders' liability	34 429	-	34 429
Notified claims	528	(246)	282
IBNR	830	(415)	415
Total long-term insurance liabilities	35 787	(661)	35 126

19. Funding liabilities

	Group		Bank	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
At amortised cost	**37 839 610**	34 024 131	**37 839 610**	34 024 131
Less: Funding relating to the discontinued operation (note 22)	**(920 853)**	(868 092)	**(920 853)**	(868 092)
Funding of continuing operations	**36 918 757**	33 156 039	**36 918 757**	33 156 039

Refer to note 42 for full disclosure on the maturity of the funding liabilities.

The carrying value of funding liabilities comprise of amounts measured at amortised cost.

19.1 Analysis of funding

2017	Opening balance	Re-alignment of amortised cost [1]	New issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value [2]
Group and Bank	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Commercial funding									
Commercial paper	**20 287 727**	**471 838**	**978 006**	**(1 096 277)**	**4 294**	**(430 428)**	**-**	**20 215 160**	**20 367 546**
Bills	758 995	8 505	2 500	-	-	(13 568)	-	756 432	757 409
Call bonds	732 769	(3 719)	-	(74 420)	4 294	-	-	658 924	658 815
Floating rate notes - 1 year	3 704 439	33 393	-	(1 021 857)	-	(28 898)	-	2 687 077	2 695 388
Floating rate notes - 1 to 5 years	2 649 405	21 729	289 666	-	-	(34 130)	-	2 926 670	3 030 328
Promissory notes	12 442 119	411 930	685 840	-	-	(353 832)	-	13 186 057	13 225 606
Deposits	**856 037**	**-**	**15 031**	**(134 668)**	**5**	**-**	**-**	**736 405**	**736 405**
Agri-related business deposits	365 744	-	-	(134 668)	-	-	-	231 076	231 076
Department of Agriculture, Forestry and Fisheries Funds	4 600	-	-	-	-	-	-	4 600	4 600
Employee deposits	21	-	-	-	5	-	-	26	26
Forced stock sale deposits	485 637	-	15 028	-	-	-	-	500 665	500 665
Small institutional deposits	35	-	3	-	-	-	-	38	38
Facilities	**1 507 142**	**(5 484)**	**1 400 000**	**-**	**3 093**	**-**	**(5 164)**	**2 899 587**	**2 903 093**
Committed	1 007 142	(5 484)	1 400 000	-	3 093	-	(5 164)	2 399 587	2 403 093
Uncommitted	500 000	-	-	-	-	-	-	500 000	500 000

	Opening balance	Re-alignment of amortised cost [1]	New issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value [2]
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
DMTN issuances	**5 340 068**	**(53 068)**	**2 920 800**	**(2 633 000)**	**57 672**	**12 151**	**(873)**	**5 643 750**	**5 627 002**
Floating rate notes - LBK03	1 020 570	(20 570)	-	(1 000 000)	-	-	-	-	-
Floating rate notes - LBK05	754 610	(2 610)	-	-	5 838	(74)	-	757 764	753 097
Floating rate notes - LBK06	1 141 056	(8 056)	-	(1 133 000)	-	-	-	-	-
Floating rate notes - LBK07	388 429	(1 429)	-	-	1 466	139	-	388 605	388 218
Floating rate notes - LBK08	331 214	(6 214)	-	-	5 033	-	-	330 033	332 583
Fixed rate notes - LBK11	500 536	(10 536)	-	-	16 014	-	-	506 014	502 349
Fixed rate notes - LBK12U	201 775	(1 775)	-	-	1 756	-	-	201 756	201 349
Floating rate notes - LBK13	501 753	(1 753)	-	(500 000)	-	-	-	-	-
Floating rate notes - LBK14U	500 125	(125)	-	-	125	-	(873)	499 252	501 051
Floating rate notes - LBK15	-	-	1 375 000	-	22 623	12 086	-	1 409 709	1 397 760
Floating rate notes - LBK16	-	-	189 800	-	1 552	-	-	191 352	191 365
Floating rate notes - LBK17	-	-	523 000	-	1 323	-	-	524 323	524 310
Floating rate notes - LBK18	-	-	233 000	-	650	-	-	233 650	233 643
Floating rate notes - LBK19	-	-	600 000	-	1 292	-	-	601 292	601 277
Term loans - amortising	**1 570 614**	**8 946**	**-**	**(65 760)**	**419**	**-**	**(8 011)**	**1 506 208**	**1 445 131**
7 year syndicated loan (Government guaranteed)	1 070 447	9 113	-	(65 760)	291	-	(8 011)	1 006 080	942 628
5 year syndicated loan	500 167	(167)	-	-	128	-	-	500 128	502 503
Term loans - bullet Term	**3 381 326**	**17 674**	**500 000**	**-**	**8 488**	**-**	**(14 354)**	**3 893 134**	**3 921 522**
3 year syndicated loans	1 787 916	7 084	-	-	447	-	(4 444)	1 791 003	1 800 670
6 year syndicated loan (Government guaranteed)	1 593 410	10 590			448		(9 090)	1 595 358	1 613 259
Nedbank term loan	-	-	500 000	-	7 593	-	(820)	506 773	507 593

	Opening balance	Re-alignment of amortised cost [1]	New Issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value [2]
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Step rate notes									
Step rate notes	-	-	1 811 000	-	25 741	-	-	1 836 741	1 813 436
Total commercial funding	**32 942 914**	**439 906**	**7 624 837**	**(3 929 705)**	**99 712**	**(418 277)**	**(28 402)**	**36 730 985**	**36 814 135**
Development funding									
Term loans - amortising									
15 year term loan with AfDB	1 004 135	(4 135)	-	(45 455)	11 899	-	-	966 444	912 812
Total development funding	**1 004 135**	**(4 135)**	**-**	**(45 455)**	**11 899**	**-**	**-**	**966 444**	**912 812**
Disaster relief funding									
Drought relief									
10 year term loan with IDC	77 083	-	64 467	-	631	-	-	142 181	142 181
Total disaster relief	**77 083**	**-**	**64 467**	**-**	**631**	**-**	**-**	**142 181**	**142 181**
Total funding liabilities	**34 024 132**	**435 771**	**7 689 304**	**(3 975 160)**	**112 242**	**(418 277)**	**(28 402)**	**37 839 610**	**37 869 128**

[1] Realignment of amortised cost includes reversals of prior year, year end accruals in relation to accrued interest, premium/discounts and prepaid arranging fees.

[2] The fair value amounts are at the All-in price.

2016 Group and Bank	Opening balance R'000	New Issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value [1] R'000
Commercial funding								
Commercial paper	**22 107 231**	**644 722**	**(1 992 388)**	**3 719**	**(475 557)**	**-**	**20 287 727**	**20 453 440**
Bills	543 494	224 006	-	-	(8 505)	-	758 995	772 969
Call bonds	1 039 050	-	(310 000)	3 719	-	-	732 769	732 769
Floating rate notes - 1 year	3 380 688	357 144	-	-	(33 393)	-	3 704 439	3 725 252
Floating rate notes - 1 to 5 years	4 353 522	-	(1 682 388)	-	(21 729)	-	2 649 405	2 709 500
Promissory notes	12 790 477	63 572	-	-	(411 930)	-	12 442 119	12 512 950
Deposits	**826 527**	**156 517**	**(127 007)**	**-**	**-**	**-**	**856 037**	**856 037**
Agri-related business deposits	489 364	-	(123 620)	-	-	-	365 744	365 744
Department of Agriculture, Forestry and Fisheries Funds	4 600	-	-	-	-	-	4 600	4 600
Employee deposits	3 408	-	(3 387)	-	-	-	21	21
Forced stock sale deposits	329 122	156 515	-	-	-	-	485 637	485 637
Small institutional deposits	33	2	-	-	-	-	35	35
Facilities	**2 300 000**	**-**	**(798 342)**	**5 484**	**-**	**-**	**1 507 142**	**1 507 142**
Committed	1 800 000	-	(798 342)	5 484	-	-	1 007 142	1 007 142
Uncommitted	500 000	-	-	-	-	-	500 000	500 000

	Opening balance	New Issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value [1]
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
DMTN issuances	**4 283 006**	**1 000 000**	**-**	**57 456**	**(394)**	**-**	**5 340 068**	**5 265 011**
Floating rate notes - LBK03	1 001 584	-	-	18 986	-	-	1 020 570	1 001 630
Floating rate notes - LBK05	748 952	-	-	5 758	(100)	-	754 610	749 443
Floating rate notes - LBK06	1 134 679	-	-	6 377	-	-	1 141 056	1 133 677
Floating rate notes - LBK07	387 308	-	-	1 415	(294)	-	388 429	387 038
Floating rate notes - LBK08	326 230	-	-	4 984	-	-	331 214	324 974
Fixed rate notes - LBK11	484 393	-	-	16 143	-	-	500 536	473 290
Fixed rate notes - LBK12U	199 860	-	-	1 915	-	-	201 775	195 134
Floating rate notes - LBK13	-	500 000	-	1 753	-	-	501 753	499 825
Floating rate notes - LBK14U	-	500 000	-	125	-	-	500 125	500 000
Term loans - amortising	**500 041**	**1 096 000**	**(16 440)**	**434**	**-**	**(9 421)**	**1 570 614**	**1 561 550**
7 year syndicated loan (Government guaranteed)	-	1 096 000	(16 440)	308	-	(9 421)	1 070 447	1 061 319
5 year syndicated loan	500 041	-	-	126	-	-	500 167	500 231
Term loans - bullet term	**1 020 083**	**2 379 000**	**-**	**1 670**	**-**	**(19 427)**	**3 381 326**	**3 396 403**
3 year syndicated loans	1 020 083	775 000	-	1 227	-	(8 394)	1 787 916	1 796 435
6 year syndicated loan (Government guaranteed)	-	1 604 000	-	443	-	(11 033)	1 593 410	1 599 968
Total commercial funding	**31 036 888**	**5 276 239**	**(2 934 177)**	**68 763**	**(475 951)**	**(28 848)**	**32 942 914**	**33 039 583**

	Opening balance	New Issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value [1]
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Development funding								
Term loans - amortising								
15 year term loan with AfDB	500 168	500 000	-	3 967	-	-	1 004 135	988 611
Total development funding	**500 168**	**500 000**	**-**	**3 967**	**-**	**-**	**1 004 135**	**988 611**
Disaster relief funding								
Drought relief								
10 year term loan with IDC	87 500	-	(10 417)	-	-	-	77 083	77 083
Total disaster relief	**87 500**	**-**	**(10 417)**	**-**	**-**	**-**	**77 083**	**77 083**
Total funding liabilities	**31 624 556**	**5 776 239**	**(2 944 594)**	**72 730**	**(475 951)**	**(28 848)**	**34 024 132**	**34 105 277**

[1] The fair value amounts are at the All-in price.

Commercial funding

The R20 billion Domestic Medium Term Note Programme

To enhance transparency, investor protection mechanisms and investor confidence, Land Bank's existing R20 billion DMTN Programme was reviewed and amended during the year with JSE approval granted on 13 March 2017. Enhancements to the programme include:

* Information undertakings regarding matters of governance
* Information undertakings regarding changes in board members/ Board committees and Executive Management
* Mandatory redemption events in relation to:
  - Change in control specific w.r.t. Land Bank's Executive Authority
  - Change in the Land Bank's business (linked to a change in the Land Bank Act.)
  - Breach of anti corruption laws or corporate governance (linked to material adverse change)
  - Disposal of all or greater part of the business
  - Breach of environmental matters
* Inclusion of Notes that may qualify as "Regulatory Capital" following Land Bank's recent adoption of a Basel like Capital Adequacy Ratio

Reconciliation of notes in issue			2017 R'000	2016 R'000
Opening balance			**5 287 000**	4 787 000
Notes issued:	**Issue date**	**Maturity date**		
LBK14U	31 March 2016	31 March 2018	**-**	500 000
LBK15	12 October 2016	12 October 2021	**425 000**	-
LBK15 1st Tap	9 February 2017	12 October 2021	**575 000**	-
LBK15 2nd Tap	15 February 2017	12 October 2021	**375 000**	-
LBK16	30 November 2016	30 November 2019	**189 800**	-
LBK17	22 March 2017	22 March 2020	**523 000**	-
LBK18*	22 March 2017	22 March 2022	**233 000**	-
LBK19**	23 March 2017	23 March 2018	**600 000**	-
Notes redeemed:				
LBK03	26 September 2013	1 October 2016	**(1 000 000)**	-
LBK06	6 March 2014	6 March 2017	**(1 133 000)**	-
LBK13	17 March 2016	17 March 2017	**(500 000)**	-
Closing balance			**5 574 800**	5 287 000

* Subsequent to year-end Land Bank tapped LBK18 for R500 million (18 April 2017).
** Subsequent to year-end Land Bank tapped LBK19 for R155 million (13 April 2017).

Step rate notes

During the year under review Land Bank developed a step rate note, which secures long dated funding for the Bank but provides investors a put option every 3 months (notes are automatically reinvested if put option is not exercised). Interest rates under these notes increase quarterly if the put potion is not exercised.

Reconciliation of notes in issue			2017 R'000
Opening balance			-
Notes issued:	**Issue date**	**Maturity date**	
SRN 1, tranche 1	19 October 2016	19 October 2019	**465 000**
SRN 1, tranche 2	28 October 2016	28 November 2019	**465 000**
SRN 1, tranche 3	25 November 2016	25 November 2019	**116 000**
SRN 2, tranche 1	1 November 2016	1 November 2019	**200 000**
SRN 3, tranche 1	8 November 2016	8 November 2019	**565 000**
Notes redeemed:			
No notes have been redeemed during the year, pursuant to the put option.			-
Closing balance			**1 811 000**

Development funding

Land Bank has the following development funding lines available:

- R1.0 billion loan with the African Development Bank. The purpose of the loan is to on-lend to the Land Bank's commercial and development clients whom meet qualifying usage criteria. To date R540 million has been utilised with a further R460 million available for qualifying projects.
- R5.0billion funding line with the Public Investment Corporation. This facility is earmarked to support transformation within the agricultural sector.

Refer to note 47 for further Development funding initiatives post year end.

Disaster relief

The Land Bank has secured a R400 million facility with the Industrial Development Corporation for the sole purpose of providing concessionary loans to drought affected customers and is applicable to declared disaster areas as per the Government Gazette.

The loan may be used for:

- Production rehabilitation
- Working capital and operational expenses required minimising further losses to current farming operations
- Re-stocking of live stock
- Preparing for future seasons necessary to continue the farmers' normal sustainable farming operations
- Enabling carry-over debt and consolidation of debt.

Loans under this arrangement would only be extended where there is a viable business case with repayment ability, as well as sufficient collateral to cover the potential losses to the Bank.

	2017 * Spread to 3 month Jibar	2016 * Spread to 3 month Jibar
Weighted average interest cost of commercial funding (NACM)		
Short-term: ≤ 1 year	**0.68%**	0.60%
Medium-term: > 1 year ≤ 5 years	**1.62%**	1.45%
Long-term: > 5 years	**2.79%**	2.98%
Total Cost of Funding	**1.15%**	0.89%
Weighted average interest cost of development funding (NACM)		
Long-term: > 5 years	**0.36%**	0.33%
Weighted average interest cost of natural disaster relief funding (NACM)		
Long-term: > 5 years	**0.15%**	-

* Weighted average Jibar

20. Provisions

	Opening balance R'000	Additional provision raised R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
Group					
2017					
Staff incentives	23 605	29 469	(23 605)	-	29 469
Leave pay	20 428	8 736	(6 747)	(13 683)	8 734
Labour disputes	1 174	3 730	(282)	(892)	3 730
Administration and penalty fees	26 895	3 600	(5 280)	(25 215)	-
Legal fees	43 624	20 755	(6 257)	(17 277)	40 845
Restructuring	68 000	-	(68 000)	-	-
Other	23 191	24 714	(21 852)	-	26 053
	206 917	**91 004**	**(132 023)**	**(57 067)**	**108 831**
2016					
Staff incentives	42 758	23 605	(35 095)	(7 663)	23 605
Leave pay	16 514	19 889	(4 138)	(11 837)	20 428
Labour disputes	3 327	1 282	(421)	(3 014)	1 174
Administration and penalty fees	96 174	10 878	(6 593)	(73 564)	26 895
Legal fees	38 480	8 666	(3 522)	-	43 624
Restructuring	-	68 000	-	-	68 000
Other	650	40 988	(18 447)	-	23 191
	197 903	**173 308**	**(68 216)**	**(96 078)**	**206 917**

	Opening balance R'000	Additional provision raised R'000	Provision utilised R'000	Reversal of provision R'000	Closing balance R'000
Bank					
2017					
Staff incentives	22 536	28 135	(22 536)	-	28 135
Leave pay	19 402	8 332	(6 358)	(13 044)	8 332
Labour disputes	1 174	3 730	(282)	(892)	3 730
Administration and penalty fees	26 895	3 600	(5 280)	(25 215)	-
Legal fees	43 624	20 755	(6 257)	(17 277)	40 845
Restructuring	68 000	-	(68 000)	-	-
Other	23 191	24 713	(21 852)	-	26 052
	204 822	**89 265**	**(130 565)**	**(56 428)**	**107 094**
2016					
Staff incentives	40 000	22 536	(34 550)	(5 450)	22 536
Leave pay	15 974	19 403	(4 138)	(11 837)	19 402
Labour disputes	3 327	1 282	(421)	(3 014)	1 174
Administration and penalty fees	96 174	10 878	(6 593)	(73 564)	26 895
Legal fees	38 480	8 666	(3 522)	-	43 624
Restructuring	-	68 000	-	-	68 000
Other	650	40 988	(18 447)	-	23 191
	194 605	**171 753**	**(67 671)**	**(93 865)**	**204 822**

20.1 Staff incentives

The provision for discretionary performance bonuses is payable to employees and is determined by taking into account both the performance of the Bank as well as the performance of individual employees.

20.2 Leave pay

Accumulated leave is payable to employees upon termination of services. Provision for leave pay is calculated on the leave days outstanding at the end of the year multiplied by the cost to company of the employees in terms of employment contracts.

20.3 Labour disputes

Provision raised in respect of certain labour related disputes regarding legacy matters which are likely to result in probable settlements by the Group. This provision only includes the compensation portion of the disputes; the legal related costs are included under the legal costs category. These legal costs are expected to be paid out within the next 12 months.

20.4 Administration and penalty fees

During 2002 the Land Bank Act was amended, which allowed the Bank to charge administration and penalty fees on clients' accounts. Subsequent to this amendment, the Bank had, without amending the existing client loan agreements at the time, levied such charges on all client accounts and not only loan agreements entered into after the amendment of the Act. Notwithstanding the amendment in the Act, these charges levied on the client accounts were in contravention of the loan agreements and any claims arising in this regard are being regarded as valid. Full provision for administration and penalty fees, including interest there-on, was raised for such fees in prior periods. No provision was henceforth raised for such fees as this matter has now been concluded.

Refer to note 35.2 for detail.

20.5 Legal fees

Provision raised for the estimated legal costs in respect of specific legal cases currently in progress at year end. The legal firms bill monthly and therefore payment is made against this provision monthly.

20.6 Restructuring

The Minister of Finance granted approval for a R4 billion Government Guarantee to be made available to Land Bank on 24 March 2015. This Guarantee was approved on condition of inter alia the following:

- That Land Bank finalises the organisational review within 8 months following approval of this guarantee, and
- That Land Bank implements key recommendations from the organisational review by the end of the 2017 financial year.

Land Bank appointed McKinsey and Company to assist with the finalisation of the organisational review and following a diagnostics phase, an organisational review implementation plan was submitted to the Board and approved on 31 August 2015.

Land Bank commenced with the implementation activities immediately after securing Board approval and expenditure amounting to R72 million was incurred during FY2016. The Bank furthermore raised a restructuring provision at FY2016 year end amounting to R68 million based on the requirements of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). This provision was fully utilised in FY2017.

20.7 Other

Other provisions include the guarantee fee payable to the National Treasury which amounted to R18 million (FY2016: R55 000), payable quarterly, as well as a Rnil (FY2016: R22 million) general provision raised for professional fees required for enhancing the Bank's credit processes informed by the organisational review.

21. Post-retirement obligation

21.1 Medical benefit plan

The defined benefit obligation plan is unfunded. However, the Group does have an investment earmarked specifically for this obligation (refer to note 8.1). The estimated medical aid contributions for the next year effective 1 April 2017 amounts to R23.2 million (FY2016: R18.7 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

Movement in the present value of the benefit obligations:	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Defined benefit obligation 1 April	**323 552**	297 780	**323 552**	297 780
Current service cost	**3 792**	4 204	**3 792**	4 204
Interest cost	**29 775**	23 202	**29 775**	23 202
Recognised actuarial (gains)/losses	**12 981**	17 481	**12 981**	17 481
Curtailment	**(10 669)**	(3 050)	**(10 669)**	(3 050)
Employer contribution	**(21 221)**	(16 065)	**(21 221)**	(16 065)
Defined benefit obligation 31 March	**338 210**	323 552	**338 210**	323 552

Total expenses resulting from the Group's defined benefit plans can be analysed as follows:

Components of net periodic medical benefit cost:				
Current service cost	**(3 792)**	(4 204)	**(3 792)**	(4 204)
Interest costs	**(29 775)**	(23 202)	**(29 775)**	(23 202)
Total included in interest and staff costs	**(33 567)**	(27 406)	**(33 567)**	(27 406)
Recognised actuarial (losses)	**(12 981)**	(17 481)	**(12 981)**	(17 481)
Curtailment	**10 669**	3 050	**10 669**	3 050
Total expenses recognised in profit or loss	**(35 879)**	(41 837)	**(35 879)**	(41 837)

21.2 Maturity profile of members

	Membership Profile 2017			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents *
Actives	131	48.84	23.69	1.87
Pensioners	379	69.56	-	0.65
	510	**64.24**	**23.69**	**0.97**

	Membership Profile 2016			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents *
Actives	224	50.24	25.39	1.81
Pensioners	340	70.93	-	0.65
	564	62.71	25.39	1.11

The actuarial valuation report complies with the requirements of Advisory Practice Note (APN) 301 of the Actuarial Society of South Africa in all respects that are deemed to be in the context of the exercise undertaken.

The number of members reduced due to the impact of the organisational review.

* The average number of dependants only reflects dependants who are receiving a medical scheme contribution subsidy.

22. Disposal group classified as held-for-sale (discontinued operation)

During FY2007, the Land for Development Finance Unit (LDFU) entered into loans that were deemed to be outside the mandate of the Group in terms of the Land Bank Act. An independent forensic investigation concluded in September 2007 indicated alleged irregularities in the origination, management and administration of these loans. During October 2007, a moratorium was placed on the approval of any new loans and pay-outs on existing loans.

During July 2008, as part of the formalisation of the turnaround strategy, a decision was made to discontinue the LDFU operation and to dispose of the loan portfolio. The discontinuance decision formed part of the stabilisation phase of the turnaround strategy and has been encapsulated in the then corporate plan approved by the Board of Directors.

As at 31 March 2009, the LDFU operations is a separate reportable operating segment of the Group and it was classified as a disposal group held-for-sale and as a discontinued operation. The disposal of some of the properties have taken place since the discontinuance decision, however, in view of the current market conditions, properties in this portfolio will only be disposed of as and when conditions render it economically viable.

The results of LDFU for the year are presented below:		Group		Bank	
		2016	2017	2016	2017
	Notes	R'000	R'000	R'000	R'000
Net interest expense		**(51 047)**	(43 334)	**(51 047)**	(43 334)
Interest expense	24	**(51 047)**	(43 334)	**(51 047)**	(43 334)
Impairment charge on loans and advances	10.6	**47 519**	7 727	**47 519**	7 727
Operating expenses	30	**(1 714)**	-	**(1 714)**	-
Net loss from discontinued operations		**(5 242)**	(35 607)	**(5 242)**	(35 607)

The major classes of assets and liabilities of the LDFU classified as held-for-sale as at year end are as follows:

	Notes	Group 2016 R'000	Group 2017 R'000	Bank 2016 R'000	Bank 2017 R'000
Assets					
Loans and advances classified as assets held-for-sale	11	**197 139**	149 620	**197 139**	149 620
Liabilities					
Liabilities directly associated with assets classified as held-for-sale	19	**(920 853)**	(868 092)	**(920 853)**	(868 092)
Net liabilities directly associated with disposal group		**(723 714)**	(718 472)	**(723 714)**	(718 472)
Equity and reserves of disposal group classified as held-for-sale		**(723 714)**	(718 472)	**(723 714)**	(718 472)

The net cash flows incurred by the LDFU are as follows:

	Group 2016 R'000	Group 2017 R'000	Bank 2016 R'000	Bank 2017 R'000
Cash flows from operating activities				
Operating expenses	**(1 714)**	-	**(1 714)**	-
Cash flow from financing activities				
Interest income	-	-	-	-
Interest expense	**(51 047)**	(43 334)	**(51 047)**	(43 334)
Net cash outflow	**(52 761)**	(43 334)	**(52 761)**	(43 334)

		Group		Bank	
		2016	2017	2016	2017
23.	**Interest income**	**R'000**	**R'000**	**R'000**	**R'000**
	Measured at amortised cost				
	Interest from loans and advances	**4 087 424**	3 448 220	**4 087 424**	3 448 220
	Interest on short-term deposits	**62 339**	54 198	**62 339**	54 198
	Interest from banks	**102 943**	60 267	**83 773**	41 332
	Interest hedging	**1 275**	-	**1 275**	-
	Interest on trade receivables	**2 583**	-	**-**	-
		4 256 564	3 562 685	**4 234 811**	3 543 750
	Funding instruments	**2 785 808**	2 225 417	**2 785 808**	2 225 417
	Commercial banks	**62 765**	68 353	**62 765**	68 353
	Deposits and credit balances	**111 452**	97 453	**111 452**	97 453
	Government guarantee fee	**17 875**	17 983	**17 875**	17 983
	Other interest expense [2]	**4 947**	-	**-**	-
		2 982 847	2 409 206	**2 977 900**	2 409 206

[1] Refer to note 48 for the reclassification of the interest on the post-retirement obligation.
[2] Crop policyholders have an option to defer payment of premium to the end of the crop season. The interest accrued under these arrangements is ceded to the reinsurers in line with the quota share treaty ceding ratios.

		Group 2016	Group 2017	Bank 2016	Bank 2017
24.1	**Interest expense incurred per class of funding**				
	Designated at fair value through profit or loss				
	Interest on debentures	**56**	140	**56**	141
	Interest paid on treasury loan	**-**	4 637	**-**	4 637
	Interest hedging	**-**	(1 200)	**-**	(1 200)
		56	3 577	**56**	3 578
	Financial liabilities at amortised cost				
	Interest paid on deposits	**111 452**	97 452	**111 452**	97 453
	Interest paid - commercial paper	**1 657 175**	1 583 648	**1 657 175**	1 583 648
	Interest paid on development funding - AfDB	**82 636**	43 436	**82 636**	43 436
	Interest paid on disaster relief facilities - IDC EFRP	**2 544**	-	**2 544**	-
	Interest paid - DMTN issuances	**463 353**	346 584	**463 353**	346 583
	Interest paid on step rate notes	**65 367**	-	**65 367**	-
	Interest paid on term loans - Bullet term	**326 216**	166 595	**326 216**	166 595
	Interest paid on term loans - amortising	**156 413**	75 282	**156 413**	75 282
	Interest paid on treasury overdraft	**83 095**	49 628	**83 095**	49 628
	Fees paid on government guarantees	**17 875**	17 983	**17 875**	17 983
	Interest on credit balances	**4 947**	-	**-**	-
	Interest paid - commercial banks	**62 765**	68 354	**62 765**	68 353
		3 033 838	2 448 962	**3 028 891**	2 448 961
	Total interest expense	**3 033 894**	2 452 539	**3 028 947**	2 452 539
	Less: interest expense relating to the discontinued operation	**(51 047)**	(43 334)	**(51 047)**	(43 334)
		2 982 847	2 409 205	**2 977 900**	2 409 205

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
25. Non-interest expense				
Account administration fee expense [1]	**(269 071)**	(235 301)	**(269 071)**	(235 301)
Sundry expense [2]	**(1 169)**	(5 719)	**-**	(5 346)
	(270 240)	(241 020)	**(269 071)**	(240 647)

[1] Account administration fees relate to management fees paid to intermediaries in terms of service level agreements relating to the Bank's acquisition loan books. Net interest income (interest income less interest expense) earned from, and impairments incurred on these books are included under note 23 note 24 and note 10.5 respectively.

The full amount of R269.1 million (FY2016: R235.3 million) relates to fee expenses of financial instruments not measured at fair value through profit or loss and the Bank did not incur any fees and commission expenses due to trust and fiduciary activities resulting from the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

[2] R372 000 of the sundry expense in FY2016 Group relates to crop insurance write-offs.

26. Non-interest Income

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Fee and commission income	**35 058**	32 176	**36 201**	32 893
Account administration fee income	**33 968**	30 979	**33 968**	30 979
Fund administration fees	**1 090**	1 097	**1 090**	1 097
Administration fee from LBLIC	**-**	-	**1 080**	717
Referral fee	**-**	100	**63**	100
Other	**27 842**	19 441	**24 412**	15 780
Income from properties in possession	**3**	12	**3**	12
Investment property rentals	**15 063**	15 050	**15 063**	15 050
Sundry income	**12 776**	4 379	**9 346**	718
	62 900	51 617	**60 613**	48 673

27. Operating profit from insurance activities

	Group 2017 R'000	Group 2016 R'000
27.1 Net premium income	**135 720**	115 874
Gross written premium	**537 849**	366 788
Long-term insurance contracts	**11 652**	5 312
Short-term insurance contracts	**526 197**	361 476
Gross written premium	**536 917**	405 863
Change in the unearned premium reserve	**(10 720)**	(44 387)
Less: reinsurance premium	**(402 129)**	(250 914)
Long-term insurance contracts	**(6 463)**	(2 890)
Short-term insurance contracts	**(395 666)**	(248 024)
Reinsurance premium written	**(401 557)**	(301 326)
Change in the unearned premium reserve	**5 891**	53 302

27.2 Net movement in the unearned premium reserve

	Group 2017 R'000	Group 2016 R'000
Published basis		
Premium income	**10 720**	44 387
Reinsurance premium paid	**(5 891)**	(53 302)
	4 829	(8 915)
Statutory basis		
Premium income	**52 097**	160 193
Reinsurance premium paid	**(32 065)**	(139 744)
	20 032	20 449
27.3 Net insurance claims	**(114 548)**	(90 167)
Long-term insurance contract claims	**(1 471)**	(1 945)
Gross claims paid	**(3 382)**	(3 467)
Movement in the expected cost of outstanding claims	**(148)**	(528)
Reinsurance recoveries	**2 024**	1 804
Movement in the expected reinsurance ceded cost of outstanding claims	**35**	246
Short-term insurance contract claims	**(113 077)**	(88 222)
Gross claims paid	**(441 871)**	(117 434)
Incurred but not reported claims	**(4 790)**	(16 271)
Movement in the expected cost of outstanding claims	**60 962**	(129 012)
Reinsurance recoveries	**309 731**	63 146
Reinsurance: Incurred but not reported claims	**5 402**	13 678
Movement in the expected reinsurance ceded cost of outstanding claims	**(42 511)**	97 671
27.4 Other costs from insurance activities		
Movement in policyholders' liability	**(7 423)**	(2 422)
Net commission and administration fees	**(18 252)**	(17 617)
	(25 675)	(20 039)

28. Investment income and fees

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
An analysis of revenue is as follows:				
Investment income from financial assets classified as at fair value through profit or loss:	**79 664**	67 381	**13 373**	12 043
Dividend income	**29 658**	25 164	**8 023**	6 463
Interest income	**50 006**	42 217	**5 350**	5 580
Investment management and performance fees	**(7 718)**	(10 571)	**(1 905)**	(1 917)
	71 946	56 810	**11 468**	10 126

29. Fair value gains

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Held-for-trading	**(678)**	(439)	**(678)**	(439)
Market making assets	**(494)**	(443)	**(494)**	(443)
Instruments in (Repos)	**(184)**	4	**(184)**	4
Investment income	**8 543**	36 491	**6 555**	4 797
Realised gains	**50 198**	78 950	**18 562**	20 202
Unrealised fair value losses	**(41 655)**	(42 459)	**(12 007)**	(15 405)
	7 865	36 052	**5 877**	4 358

30. Operating expenses

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Depreciation	**5 006**	6 662	**4 973**	6 628
Amortisation - computer software	**6 598**	6 325	**6 598**	6 325
Audit fees	**15 525**	8 884	**13 731**	7 271
- External [1]	**8 882**	6 565	**7 088**	4 952
- Internal	**6 643**	2 319	**6 643**	2 319
Directors' emoluments	**18 979**	16 283	**14 578**	12 374
- Executive	**12 780**	10 189	**9 697**	7 695
- Non-executive	**6 199**	6 094	**4 881**	4 679
Leases	**28 794**	29 271	**28 794**	29 271
- Actual payment	**29 155**	28 266	**29 155**	28 266
- Effect of straight-lining	**(361)**	1 005	**(361)**	1 005
Legal fees	**13 242**	14 227	**12 674**	14 227
Management fees	**755**	652	**755**	652
Professional fees	**34 365**	39 147	**30 756**	36 969
Staff costs	**345 905**	341 706	**332 232**	334 044
- Salaries and contributions	**344 136**	337 133	**331 946**	329 651
- Other	**1 769**	4 573	**286**	4 393
Cost of restructuring	**31 120**	140 398	**31 120**	140 398
- Legal fees	**-**	18 609	**-**	18 609
- Professional fees	**10 380**	21 446	**10 380**	21 446
- Staff cost	**9 596**	98 382	**9 596**	98 382
- Other operating expenses	**11 144**	1 961	**11 144**	1 961
Other operating expenses	**94 871**	91 978	**93 737**	89 788
- Computer and data costs	**22 259**	18 230	**22 259**	18 230
- Repairs and maintenance	**5 464**	7 386	**5 464**	7 386
- Rates and taxes	**7 465**	7 246	**7 465**	7 246
- Travel and accommodation	**7 788**	8 060	**7 188**	7 443
- Corporate social investment	**7 813**	892	**7 813**	892
- Other [2]	**44 082**	50 164	**43 548**	48 591
	595 160	695 533	**569 948**	677 947

[1] Included in these fees are non-audit services amounting to R92 000 (FY2016: R71 000)

[2] This includes sundry operating expenses such as security, cleaning and marketing amongst others.

	Group		Bank	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
31. Non-trading and capital items				
Fair value gain on investment properties (note 13)	**8 879**	1 253	**8 879**	1 253
Foreign exchange gain	**35**	20	**35**	20
Loss on investment recognition (note 8.3)	**(393)**	-	**(393)**	-
Impairment of other assets	**100**	102	**100**	102
Non-current assets held-for-sale fair value adjustment (note 12.2)	**190**	-	**190**	-
Loss on disposal of property and equipment	**(326)**	(103)	**(326)**	(103)
Loss on write-off intangible assets (note 15)	**(2 112)**		**(2 112)**	
(Loss) /profit on disposal of non-current assets held-for-sale (note 12.3)	**(485)**	951	**(485)**	951
	5 888	2 223	**5 888**	2 223
32. Indirect taxation				
Value Added Tax [1]	68 863	54 305	68 863	54 305

[1] Value-added taxation comprises the portion that is irrecoverable as a result of the apportionment ratio applied, given financial services being an exempt supply.

33. Income from associate

During the 2014 financial year Land Bank acquired a non-controlling 49.9% holding in Renaissance Brands Holdings (Pty) Ltd. As a result of this, Renaissance Brands Holdings (Pty) Ltd was classified as an associate. However on 23 March 2017, Land Bank disposed of this interest. Refer to note 8.2 for further details.

Earnings from associate			-	-

34. Funds under administration

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Asset				
Cash balance held for the funds administered on behalf of the DAFF	**121 581**	76 829	**121 581**	76 829
Liabilities				
DAFF	**112 562**	68 408	**112 562**	68 408
DRDLR	**9 019**	8 421	**9 019**	8 421
GDARD	**-**	-	**-**	-
	121 581	76 829	**121 581**	76 829

		Group		Bank	
		2017	2016	2017	2017
		R'000	R'000	R'000	R'000
34.1	**Funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)**				
	Agri-BEE Fund	**102 508**	59 018	**102 508**	59 018
	DAFF Administration Fund - Flood Relief	**33**	32	**33**	32
	MAFISA Fund	**10 021**	9 358	**10 021**	9 358
		112 562	68 408	**112 562**	68 408
34.2	**Funds administered on behalf of the Department of Rural Development and Land Reform (DRDLR)**				
	Land for Redistribution and Agricultural Development (LRAD) grant	**9 019**	8 421	**9 019**	8 421
34.3	**Funds administered on behalf of Gauteng Department of Agriculture and Rural Development (GDARD)**				
	Gauteng Department of Agriculture and Rural Development	**-**	-	**-**	-
34.4	**Reconciliation of movement in funds under administration**				
34.4.1	**Agri-BEE**				
	Balance at the beginning of the year	**59 018**	35 847	**59 018**	35 847
	Receipts	**38 232**	40 134	**38 232**	40 134
	Accrued interest	**6 427**	3 278	**6 427**	3 278
	Credit transfer	**-**	-	**-**	-
	Disbursements	**(1 169)**	(20 241)	**(1 169)**	(20 241)
	Balance at the end of the year	**102 508**	59 018	**102 508**	59 018
34.4.2	**DAFF Poverty Fund**				
	Balance at the beginning of the year	**32**	32	**32**	32
	Accrued interest	**1**	-	**1**	-
	Balance at the end of the year	**33**	32	**33**	32
34.4.3	**MAFISA Fund**				
	Balance at the beginning of the year	**9 358**	7 817	**9 358**	7 817
	Receipts	**-**	1 051	**-**	1 051
	Accrued interest	**663**	490	**663**	490
	Balance at the end of the year	**10 021**	9 358	**10 021**	9 358
34.4.4	**LRAD grant**				
	Balance at the beginning of the year	**8 421**	7 939	**8 421**	7 939
	Accrued interest	**598**	482	**598**	482
	Balance at the end of the year	**9 019**	8 421	**9 019**	8 421

	Group		Bank	
	2017	2016	2017	2016
34.4.5 GDARD	R'000	R'000	R'000	R'000
Balance at the beginning of the year	-	7 963	-	7 963
Accrued interest	-	232	-	232
Credit transfer	-	(8 139)	-	(8 139)
Disbursements	-	(56)	-	(56)
Balance at the end of the year	-	-	-	-

34.5 Description of the funds under administration

Agri-BEE fund

Parliament approved a sector-specific allocation for the Agri-BEE Fund that will allocate grants to promote the rural community based empowerment groups. The Bank acts as an agent on behalf of the DAFF in the administration of the Fund. Disbursements amounting to R1.16 million (FY2016: R20.2 million) were disbursed and an injection of R38.2 million (FY2016:R36.8 million) from DAFF and R3.4 million (FY2015: Rnil) from clients own contributions was received during the current financial year.

DAFF poverty fund

The fund has been set up by the DAFF to respond to any food crisis by means of procurement of agricultural implements and starter packs.

MAFISA fund

The MAFISA fund has been set up on request of the DAFF to invest money in approved projects of the Department through on-lending to individuals. Monies received from the DAFF for the MAFISA fund is invested in a separate bank account on behalf of the DAFF. No on-lending has taken place during the period under review. An injection of Rnil (FY2016: R1.05 million) from Gauteng Enterprise Propeller was received during the current year.

Land for Redistribution and Agricultural Development (LRAD) grant

The fund has been set up on behalf of the DRDLR.

Gauteng Department of Agriculture and Rural Development (GDARD)

The objective of the fund is to provide an infrastructure support programme for on-farm infrastructure development.

	Group		Bank	
	2017	2016	2017	2017
	R'000	R'000	R'000	R'000
34.6 Emerging farmers support facility and REM Wholesale Finance Facility				
Asset				
Cash balance held for the support facilities	**295 327**	280 472	**295 327**	280 472
Liabilities				
Emerging farmers support facility	**284 295**	265 424	**284 295**	265 424
REM wholesale finance support facility	**11 032**	15 048	**11 032**	15 048
	295 327	280 472	**295 327**	280 472

34.6.1 Emerging farmers support facility

Balance at the beginning of the year	**265 424**	250 178	**265 424**	250 178
Accrued interest	**18 871**	15 246	**18 871**	15 246
Balance at the end of the year	**284 295**	265 424	**284 295**	265 424

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
34.6.2 REM wholesale finance support facility				
Balance at the beginning of the year	**15 048**	40 523	**15 048**	40 523
Receipts	**50 000**	-	**50 000**	-
Accrued interest	**1 595**	1 949	**1 595**	1 949
Disbursements	**(55 611)**	(27 424)	**(55 611)**	(27 424)
Balance at the end of the year	**11 032**	15 048	**11 032**	15 048

34.7 Description of the emerging farmers support and REM wholesale finance support facility

Emerging Farmers Support Facility

Land Bank received R208.0 million from the Department of Rural Development and Land Reform on the 17th of August 2011. The transfer received is a guarantee for identified deserving emerging farmers which require rescue packages. The identified farmers all have mortgage loans with Land Bank and the Bank can access the guarantee only after complying with conditions as set by the Department of Rural Development and Land Reform. The only movement in the facility to date has been the interest accrued on the transfer received.

REM wholesale finance support facility

Land Bank received R30 million from the DAFF on the 27th of October 2012 under this facility. The transfer is meant to subsidise interest payable to Land Bank and appoint intermediaries to identify retail emerging farmers under the wholesale finance facility. Land Bank and the appointed intermediaries receive interest of 4% p.a each on the loans disbursed by Land Bank to the intermediaries. The intermediaries charge the REM farmers 4% p.a. on the value of the loans disbursed for their role of supporting the emerging farmers with skills and other facilities that enhance their success. This interest is paid from the aforesaid funds. An injection of R50 million (FY2016: Rnil) was received from the National Revenue Fund, and R55.6 million (FY2016: R27.4 million) was disbursed.

35. Contingent liabilities

35.1 Onerous contracts - LDFU loans

As disclosed in note 22, the LDFU loans entered into by the Bank in 2007, were outside the mandate of the Bank in terms of the Land Bank Act.

As at 31 March 2017, the situation is as follows:

The Group reached:

- A settlement agreement with one of the clients with the largest exposure, but the settlement agreement has not materialised. Land Bank has instituted an application for liquidation, which application was opposed. This application was set down for hearing on Tuesday 14 February 2017. The liquidation application was argued before court and the judgment is reserved. We now await confirmation from the Judge when judgement will handed down.
- The Bank's application for final liquidation on the largest exposure was heard by the court on 14 February 2017 and the client was provisionally liquidated on 15 May 2017. The Bank is waiting for the return date to be allocated. On the return date the liquidation will either be made final or the client may oppose a final liquidation order from being granted.
- Agreements were entered into with two of the clients that their assets may be sold on public auction. Separate auctions were conducted to sell these properties, but the offers received were below the Bank's reserve price. The Bank met with a prospective buyer on 10 February 2017 for the one property and a sales agreement was entered into to the value of R24.5 million. Guarantees were due for delivery on 22 February 2017, but the guarantees were not delivered and the agreement has lapsed. Land Bank is in contact with new interested buyers, and are in early stages of negootiations. On the second property, the Bank appointed an estate agent to sell the property. The estate agent has a three month mandate, which will expire at the end of May 2017.
- Agreements were entered into with two of the clients on public auction. Should this method of disposal prove to be unsuccessful, the Bank will negotiate in the open market with interested buyers. These assets should be sold by FY2018.
- One of the client's estates has been liquidated. The Bank's claim has been proven and we await the first liquidation and distribution account. The action against the sureties are set down for trial in August 2017.

- An application to liquidate another client was set down for hearing on hearing on 12 May 2016. An order was obtained that the client delivers a guarantee for a settlement amount by 30 June 2016. If no guarantee was delivered by 30 June 2016 the Bank would enroll the application on the unopposed motion roll and obtain a provisional liquidation order. The client did not pay and the matter was set down on the unopposed motion roll to obtain final order. However on the date of the hearing, the shareholders of the company issued an application for business rescue which has the effect of suspending the liquidation proceedings and preventing the court from giving a final liquidation order. This application for business rescue was opposed by the Bank. and is set down for hearing on 21 February 2017.
- Judgment was handed down on 2 March 2017, where the court dismissed the application for business rescue of another client and has provisionally placed the client in liquidation. The return date to obtain the final liquidation order was set down for 9 May 2017. On this return date the client opposed the final liquidation order and the matter was postponed to be argued on the opposed motion roll. Land Bank is waiting for a date on the opposed motion roll.
- No further settlements were concluded during this financial period for the remaining client, and litigation is actively being pursed against this client. This matter was in court on 9 November 2016 and the Bank obtained judgment by consent for the full outstanding balance, on condition that the property will only be executable after six months, being May 2017. The client was unsuccessful in selling the property and the Bank will now arrange for the properties to be sold via the Sheriff.

35.2 Change in the interest rate method

Management concluded on the recalculation of interest on affected accounts during FY2017, and determined no further reasons exist to continue having a provision for interest claims emanating from legacy accounts.

All matters outside of the test case population will be tried in court on a case by case basis. Furthermore, prescription will be pleaded in all such matters going forward.

35.3 LBLIC Tax

The former LBIC as a wholly owned subsidiary of Land Bank, was exempt from Income Tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 1962 (Act No. 58 of 1962).

With effect 1 April 2012, LBIC was restructured in line with ministerial approval of its revised business model, which was based on a preferred Hold Co structure by the Financial Services Board (FSB). The restructured insurance group now consisted of LBIS Holding Co, LBIC (short-term insurance co) and LBLIC (Long-term insurance co).

As part of the implementation of LBIC's restructure during FY2014 LBIS group management approached the South African Revenue Services (SARS) for a tax ruling to confirm that the tax privileges of the former LBIC, would still apply to the restructured group, as in effect nothing has changed, i.e. all companies effectively remain 100% owned by Land Bank, albeit indirectly.

The tax ruling received back from SARS was negative, stating that because of the inclusion of the LBIS holding company within the insurance group structure, the LBIC and LBLIC operating companies would not be entitled to exemption from Income Tax, as unlike the former LBIC - these companies were not "direct" wholly owned subsidiaries of the Land Bank.

LBIS group management then approached the Minister of Finance requesting approval for the removal of the LBIS holding company, from the group structure.

The Minister of Finance granted approval for the request to remove the LBIS holding company on 14 May 2014. This approval indicated that in terms of the new group structure both LBIC (ST Co) and LBLIC (LT Co) can apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962. Furthermore, the Minister requested that the company engage with the FSB regarding the approved revised structure.

Following the Ministerial approval, management has re-engaged SARS with the application for retrospective tax exemption effective 01 April 2012, for both LBIC and LBLIC to apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

In the unlikely event that SARS does not grant retrospective approval for exemption for these two companies, the Group will be liable for tax for the period 1 April 2012 to 14 May 2014, at which point the implications will be quantified and reported on accordingly. Management is of the view that it is improbable that this approval will not be granted. This possible contingent liability relates only to LBLIC as LBIC was dormant and not trading in the prior years.

The application process was in progress as at 31 March 2017 and this matter is expected to be concluded by 31 March 2018.

36. Contingent assets

As at 31 March 2017, LBIC was still in the process of finalising an agreement with ABSA, whereby ABSA would settle half of the benefits they derived from their reinsurance treaties for the 2014/2015 crop season in the form of commission revenue and stop loss protection agreed on the 30% line, less expenses they had incurred in term of broker commission and underwriting management fees.

The adjustments expected as at 31 March 2017 and those reported as at 31 March 2016, are reflected as follows:

	Group	
	2017	**2016**
	R'000	**R'000**
Net profit/(loss) reported:	**(30 783)**	(29 395)
Adjustment	**8 990**	16 199
Retained earnings benefit	**(12 803)**	3 002

37. Commitments

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	R'000	**R'000**	**R'000**	**R'000**
37.1 Loan commitments and guarantees				
Guarantees [1]	**660 322**	735 437	**660 322**	735 437
Loan commitments	**990 451**	222 352	**990 451**	222 352
	1 650 773	957 789	**1 650 773**	957 789

[1] The above guarantees are included in the clients' approved facility limits and it is unknown when the guarantees will be presented for payment.

37.2 Debentures/ stock purchased

	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Repo's				
- R186 (Nominal value: R5 million)	**5 533**	5 471	**5 533**	5 471
- R208 (Nominal value: R10 million)	**9 616**	9 235	**9 616**	9 235
	15 149	14 706	**15 149**	14 706

37.3 Lease commitments

The Group has entered into various lease agreements with third parties in respect of equipment and premises for its day-to-day operations. The lease periods on equipment range from three to five years and one to five years on buildings.

As at 31 March the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Operating lease commitments - Group as lessee

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	R'000	**R'000**	**R'000**	**R'000**
Payable within one year	**18 391**	23 353	**18 391**	23 353
Payable between one to five years	**5 264**	18 631	**5 264**	18 631
	23 655	41 984	**23 655**	41 984

Operating lease commitments - Group as lessor

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Receivable within one year	**5 141**	8 332	**5 141**	8 332
Receivable between one to five years	**3 834**	6 029	**3 834**	6 029
	8 975	14 361	**8 975**	14 361

During FY2015, the Group entered into a three year lease agreement on a new building for its head office on 1 December 2014, which accounts for more than 75% of the total lease expense. The agreement has a renewal option for a further five years and an escalation clause of 10% annually. The lease expenses payable within the next financial year amounts to R13.5 million (FY2016: R19.3 million) and the amount payable between one and five years amounts to R nil (FY2016: R13.5 million).

A register containing details of the existence and terms of renewal and escalation clauses is available for inspection at the Group's registered office.

38. Related party transactions

38.1 Relationships between parents, subsidiaries and associates

Government and National Treasury, both incorporated in South Africa are the ultimate controlling parties of the Bank.

The following represents the significant subsidiaries of the Bank:	Ownership Interest	
	2017	2016
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	**100%**	100%
Land Bank Insurance Company (SOC) Limited (LBIC)	**100%**	100%
Land Bank Insurance Services (SOC) Limited (LBIS) [1]	**100%**	100%

[1] In May 2014, the Minister approved that the former holding company (LBIS) be dissolved and that the two insurance companies (LBIC and LBLIC) be held directly by Land Bank. As at 31 March 2017 LBIS has not been dissolved and remains in a dormant state.

The following represents the associate of the Bank:
Renaissance Brands Holdings (Pty) Ltd was acquired on 17 February 2014 through a debt restructuring process whereby Land Bank acquired 49.9% of Renaissance Brands (Pty) Ltd. The investment has been accounted for as an associate as no control exists, only significant influence over the entity, until the Bank disposed of the investment in March 2017. As at 31 March 2017, the Bank had no investments recognised as associate investments.

Refer to note 8.2 for details on this investment.

38.2 Transactions with related parties other than key management personnel

38.2.1 Amounts received from related parties during the year

	2017	2016
	R'000	R'000
i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	**241**	187
Referral fee received by Land Bank	**63**	90
Portion of non-executive directors emoluments paid by LBLIC	**80**	80
Property and equipment transferred to LBLIC (at NAV)	**169**	16
Land Bank interest bearing assets held by LBLIC through the investment portfolio	**1 228**	1 218
	1 781	1 591

LBLIC is a 100% owned subsidiary of Land Bank. An administration and management fee of R1.06 million per annum (FY2016: R0.7 million) is paid by LBLIC to Land Bank for support services such as finance, human resources, compliance and information technology.

At year end LBLIC holds, through the investment portfolio, Land Bank interest bearing investments valued at R 1.2 million (FY2016: R1.2 million).

	2017 R'000	2016 R'000
ii) Land Bank Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	**822**	573
Property and equipment transferred to LBLIC (at NAV)	**34**	13
Portion of non-executive directors emoluments paid by Land Bank	**320**	320
	1 176	906
Capital contribution from Land Bank		
- Cash	**80 000**	-
- Intercompany receivable	**70 000**	-
	150 000	-

During the current reporting period, Land Bank contributed R150 million capital as part of the shareholders' support towards the operations of LBIC. R80 million was paid in cash on 31 March 2017, and the remaining R70 million was paid on 4 April 2017. The contribution was converted into 150 no par value shares in LBIC in March 2017, therefore increasing the issued shares of LBIC from 1 100 to 1 250.

iii) National Treasury - Stakeholder

With effect from 14 July 2008, the administrative powers over the Bank were transferred from the Ministry of the Department of Agriculture to the Ministry of Finance and, in accordance with The Land Bank Act, 2002, has the following role and responsibilities:

The Minister in terms of paragraph 7 -

(a) Is responsible for the development of policy with regard to agriculture, agrarian reform and matters incidental thereto; and

(b) May from time to time issue policy directives to the Board not inconsistent with this Act.

The Minister in terms of paragraph 9(1) -

May appoint a Board Member for such period as the Minister may determine in the case of each member but the period may not exceed five years.

Transactions during the year

No financial support in the form of cash injections was received during the current and previous financial year.

Government Support - Financial Guarantees

In March 2014, the National Treasury issued the Bank a R1.5 billion guarantee in respect of financial stability. This guarantee remained in force for the three year period, expiring 31 March 2017.

The Bank subsequently received R4.0 billion and R4.5 billion in financial guarantees in March 2015 and October 2016 respectively bringing the total guarantees to R11.1 billion at 31 March 2017. The R4.5 billion guarantee will be utilised to further lengthen the Bank's debt maturity profile.

iv) Other related parties

Funding received

The Bank obtains funding from institutions, of which the most significant nominal values are disclosed below:

	2017 R'000	2016 R'000
Corporation for Public Deposits	**1 142 500**	1 142 500
Industrial Development Corporation	**565 804**	-
National Housing Finance	**120 000**	100 000
Petro SA	**600 000**	430 300
Post Bank	**695 000**	595 000
Public Investment Corporation	**9 855 000**	9 470 000
Magalies Water	**13 005**	11 961
Trans-Caledon Tunnel Authority	**-**	100 000
City of Johannesburg	**249 630**	301 050
Tshwane Municipal Pension Fund	**40 000**	40 000
SA Police Medical Fund	**10 000**	10 000
South African Special Risks Insurance Association	**100 000**	100 000
	13 390 939	12 300 811
Other government related parties:		
African Development Bank	**954 545**	1 000 000
	14 345 484	13 300 811

The funding from related parties are all short-term financial instruments which are repayable within a year. The funding consists mainly of promissory notes and bonds.

Donation of repossessed property to DRDLR	**1 000**	-

During the current financial year the Bank signed a deed of abandonment for a repossessed farm property in Potchefstroom to the DRDLR for the benefit of the farm residents.

38.2.2 Amounts owed by/(to) related parties

i) Subsidiaries	2017 R'000	2016 R'000
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	**82 308**	283 645
Land Bank Insurance Company (SOC) Limited (LBIC)	**(66 981)**	1 451

The intercompany account is held as a trading account between LBIC, LBLIC and its holding company, Land Bank. In terms of the shareholders' agreement, interest on the outstanding loan balance is charged at the prime overdraft rate, the loan is unsecured and has been sub-ordinated by Land Bank. Settlement will take place in cash. A decision was taken by the executive of the holding company that no interest would be charged on the outstanding loan balance during the current and prior financial periods under review.

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2016: Rnil).

Please refer to note 5 & 17 for the balances.

ii) Renaissance Brands Holdings (Pty) Ltd - Associate	2017 R'000	2016 R'000
Senior debt (3 Loans with differing terms)	-	43 437
Loan 1 - 52.5%	-	19 687
Loan 2 - 22.5%	-	11 250
Loan 3 - 25.0%	-	12 500
New Senior debt facility	-	5 000
Preference shares	-	107 500
Subordinated shareholders loan	-	16 400
	-	172 337

With respect to the above balances, an impairment balance of R nil (FY2016: R18.9 million) was raised. Loan was settled during the financial year. Refer to note 8.2 for the details of the transaction.

38.2.3 Amounts owed to related parties

	Note	2017 R'000	2016 R'000
DAFF	34.1	**112 562**	68 408
Micro-Agricultural Finance Institution		**10 021**	9 358
Agricultural Broad Based Black Economic Empowerment		**102 508**	59 018
DAFF Flood Relief		**33**	32
Department of Rural Development and Land Reform	34.2	**9 019**	8 421
Gauteng Department of Agriculture and Rural Development	34.3	-	-
Emerging Farmers' Support Facility and REM Wholesale Finance Facility	34.6	**295 327**	280 472
		416 908	357 301

i) Funds under administration			
DAFF	34.1	**112 562**	68 408
DRDLR	34.2	**9 019**	8 421
GDARD	34.3	-	-
Cash balances held for funds administered		**121 581**	76 829

ii) Micro-Agricultural Finance Institution

The Bank was appointed as administrator of the state owned scheme, known as MAFISA by the DAFF. The Bank maintains separate accounting records for MAFISA which reflected the following balances at the reporting date.

		2017 R'000	2016 R'000
Bank balances of the MAFISA fund	34.4.3	**10 021**	9 358

iii) Agricultural Broad Based Black Economic Empowerment

The Bank was appointed as administrator of the Agri-BEE funds in September 2006 in which monies, appropriated by parliament, was paid for the implementation of Agri-BEE. An injection of R38.2 million (FY2016:R36.8 million) from DAFF and Rnil (FY2016: R 3.4 million) from clients own contributions was received during the current financial year. A directive, dated 17 October 2013, was received from National Treasury to transfer uncommitted DAFF Funds to the National Revenue Fund.

		2017 R'000	2016 R'000
iv) Emerging Farmers' Support Facility & REM Wholesale Finance Facility			
Emerging farmers support facility	34.6.1	**284 295**	265 424
REM wholesale finance support facility	34.6.2	**11 032**	15 048
Cash balance held for the support facilities		**295 327**	280 472

38.2.4 Transactions between subsidiaries

An administration fee of R10.2 million (FY2016: R9.1 million) was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2017 R'000	2016 R'000
Amounts owed to LBLIC by LBIC	**4 743**	4 025

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2016: Rnil) relating to this intercompany transaction.

Revenue transactions for the year ended 31 March

	2017 R'000	2016 R'000
Total subsidiary salary costs (including executive director)	**13 252**	9 948
Service fees charged to LBIC for salaries	**(9 730)**	(8 161)
LBLIC salaries	**3 522**	1 787
Total subsidiary contributions to medical aid fund	**490**	381
Service fees charged to LBIC for medical aid	**(392)**	(304)
LBLIC medical aid	**98**	77
Total subsidiary contributions to retirement fund	**1 008**	796
Service fees charged to LBIC for Group Life Insurance	**(805)**	(637)
LBLIC retirement fund	**203**	159
Remuneration recharge to LBIC	**(10 927)**	(9 102)

38.2.5 Transactions with key management personnel

	2017 R'000	2016 R'000
Short-term employee benefits	**36 803**	31 004
Other long-term benefits	**730**	1 357
Termination benefits	**257**	520

Key management personnel comprises of executive- and non-executive directors.

Refer to the remuneration report in the Integrated Reporting for further detail.

38.3 Other transactions

The following presents detail of loans granted by the Group to key management personnel, which are included within loans and receivable financial assets:

Land Bank does not advance any direct loans to key management, however a non-executive director of the Bank, Prof ASM Karaan is also a non-executive director and shareholder of one of the Bank's clients Southern Oils Limited. Southern Oils Limited had a loan balance of R132 million at 31 March 2016. This loan was settled in FY2017.

39. Financial instruments

39.1 Credit risk

Definition

Credit risk refers to a loss suffered by a party whereby the counterparty fails to meet its financial obligations to the party under the contract. Credit risk may also arise if there is an increasing risk of default by the counterparty throughout the duration of the contract.

The definition of credit risk includes:

a) Credit evaluation risk: Risk related to the decreased creditworthiness (based on recent financial performance) of a counterparty to a transaction. A creditor may subsequently charge the downgraded entity a higher lending rate to compensate for the increased risk. For a creditor, downgrade risk may eventually lead to default risk.

b) Credit concentration risk: Risk related to any single exposure or group of exposures large enough to cause credit losses which threaten the Bank's capital adequacy or ability to maintain its core operations. It is the risk that a common factor within a risk type or across risk types fails or an event occurs which causes credit losses.

c) Credit default risk: Risk related to the non-payment of interest and/ or capital on a loan by the borrower to the lender. This translates into a loss to the institution as a result of failure by a counterparty to meet its financial and/or contractual obligations.

As an important partner in the execution of the Bank's development mandate, the bank however needs to comply with statutory and regulatory requirements to ensure that the Bank's activities do not lead over indebtedness in this market segment.

Policy and responsibility

The key components of the current general credit policy are the following:

- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The Bank insists on a thorough assessment of the client's financial position and repayment ability during the loan decision process, resulting in better quality credit decisions which result in timeous loan repayments and reduced losses in the event of a default;
- For the vast majority of the products, credit is granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's creditworthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The Group may assume risks only within the limits of applicable legislation and other rules, including the rules of good practice for financial enterprises.

Approval process

When the Bank processes a credit application from a customer, the following minimum information is needed:

- Background of customer;
- Specific purpose of the credit facility supported by a viable business plan;
- Concentration risk, that is, single obligor limit and exposure by industry and geographically;
- Risk rating of the customer;
- Risk adjusted pricing with acceptable RAROC and related fees and charges;
- Management experience;
- Financial statement analysis and cash flow projections;
- Assessment of major risks and key mitigants;
- Legal review;
- Credit checks;
- Overview of the facility and collateral;
- Environmental and social analysis;
- Mandate fit and development impact assessment;
- Relevant terms and condition for the customer;
- Mentorship and aftercare for developing farmers; and
- Signatures of credit committee members approving the transaction.

Monitoring process

Portfolio Management Services is responsible for the day-to-day monitoring of customer accounts, management accounts, covenants, adherence to terms and conditions, financial performance and collateral values.

Credit Risk Monitoring Committee and Board Credit and Investment Committee meetings are held to monitor the trending of:

- Loan book performance;
- IFRS 9 stage classification of portfolio;
- Arrears;
- Non-performing loans;
- Legal collections;
- Insolvent cases;
- Properties in possession;
- Service level agreement exposures;
- Top 20 exposures per division, pre-legal NPLs and legal NPLs;
- Credit concentration limits; and
- Regular monitoring of credit granting and adherence to policies by the Credit Risk Monitoring Unit.

Risk classification

The Bank continuously monitors the repayment record of its customers to ensure that any deterioration in repayment records is detected as early as possible. As part of the collection process, customers are classified according to risk, and the classification is updated on receipt of new information about the customer.

The main objectives of risk classification are to rank the Bank's customer base according to risk so as to estimate the probability of default (PD) of each customer. The risk classifications used in the day-to-day credit process are based on point-in-time estimates. This means that the Bank uses a customer's present general and financial situation as a starting point. A change in the customer's situation or financial position therefore results in an upgrade or downgrade of that customer. The Bank adheres to the principle that all classifications should reflect the customer's current situation to the greatest extent possible.

Credit risk - insurance activities

LBLIC is exposed to credit risk through its investment portfolios. To counteract this risk, investment portfolios are managed in terms of investment mandates that are aligned to insurance companies' investment strategy. Investment mandates provide guidelines in terms of the average credit quality of financial instruments in the portfolio as well as limits on concentration risk.

The insurance companies are also exposed to credit risk in respect of their working capital assets from balances owed by counterparties. The following are some of the main credit risk management actions:

- In terms of long-term insurance policies issued before August 2006, Land Bank guarantees the payment of the premium;
- Long-term insurance policies issued after August 2006, policyholder debtors outstanding for more than 60 days are not accounted for in premiums. If premium income is not paid within 60 days, the policy lapses if the client does not approve the premium to be added to the loan facility;
- Short-term crop insurance is sold either as a cash or credit policy in the current financial period. Cash premiums need to be settled within 45 days. Credit policies are settled at the end of the season. Policy premiums outstanding after 45 days are then submitted to the attorneys, unless a new agreement is reached with the policyholder;
- On the reinsurance agreement in the prior reporting period, LBIC received the quota share bordereaux from the insurer 45 day after quarter end, which were then settled 30 days later. Outstanding settlements are then referred for legal opinion.
- As reinsurers, LBIC receives quota share bordereaux from the insurer 45 days after quarter end, which are then settled 30 days later; and
- Short-term asset insurance policy premiums are paid to the lead underwriter within 45 days on a co-insurance agreement. Policies are cancelled if premiums are not received in the 45 day period.

Reinsurance credit risk

LBLIC and LBIC use reinsurance to:

- Access underwriting expertise;
- Enables them to underwrite risks greater than its own risk appetite; and
- Protect their mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Group and reinsurers. These agreements include terms and conditions which regulate the relationship between the Group and reinsurers. Credit risk in respect of reinsurance is further managed by placing the Group's reinsurance only with companies that have high credit ratings. LBLIC has quota share reinsurance treaties with an internationally AA-rated reinsurance company. In addition to the proportional reinsurance treaty, another layer of reinsurance in the form of a stop loss is in place to limit the total exposure per individual claim. For overseas reinsurers, LBLIC retains 40% of ceded written premiums under quota share treaties and settles payments with the reinsurers 1 year after the placement in order to reduce the credit risk.

LBIC has a stop loss insurance treaty on the crop business with internationally AA-rated reinsurance companies.

For foreign reinsurers on the crop portfolio, LBIC retains 40% of ceded written premium as a deposit premium on the quota share treaty, which is released 12 months later. A portion of the outstanding claims is also retained on the quota share accounts each quarter, which is recalculated the following quarter.

39.2 Credit exposure

The Group's maximum credit exposure at 31 March was as follows:

	Notes	Group 2017 R'000	Group 2016 R'000	Bank 2017 R'000	Bank 2016 R'000
Asset class with asset credit risk exposure		**45 130 768**	41 087 606	**43 520 231**	39 516 525
Loans and advances		**41 172 693**	36 503 038	**41 172 693**	36 503 038
Cash at bank		**1 520 331**	2 507 463	**1 211 305**	2 120 577
Trade and other receivables (excluding prepaid expenses)		**374 377**	163 779	**128 283**	320 368
Short-term insurance assets		**178 527**	206 916	**-**	-
Repurchase agreements		**15 149**	14 706	**15 149**	14 706
Market-making assets		**9 617**	-	**9 617**	-
Investments *		**1 860 074**	1 691 704	**983 184**	557 836
Asset class without asset credit risk exposure		**311 068**	283 749	**298 787**	282 977
Intangibles		**27 275**	34 131	**27 275**	34 131
Prepaid expenses		**10 666**	10 640	**10 666**	10 640
Investment property		**167 800**	106 740	**167 800**	106 740
Long-term insurance assets		**12 098**	661	**-**	-
Non-current assets held-for-sale		**47 993**	47 622	**47 993**	47 622
Property and equipment		**45 236**	83 955	**45 053**	83 844
Total assets per statement of financial position		**45 441 836**	41 371 355	**43 819 018**	39 799 502
Add off balance sheet items exposed to credit risk					
Guarantees issued	37.1	**660 322**	735 437	**660 322**	735 437
Loan commitments	37.1	**990 451**	222 352	**990 451**	222 352
Operating lease commitments - group as lessor	37.3	**8 975**	14 361	**8 975**	14 361
		47 101 584	42 343 505	**45 478 766**	40 771 652
Maximum credit exposure - selected items		**46 790 516**	42 059 756	**45 179 979**	40 488 675

Credit exposure is calculated on the basis of selected items on and off the balance sheet (guarantees and loan commitments).

Collateral

Refer to note 10.7 for collateral held against the loans and advances.

* Included in the Group investments is an amount of R1 035.4 million (FY2016: R1 081.3 million) which relates to investments which do not have credit exposure (Bank: R292.3 million; FY2016: R295.3 million).

40. Credit Risk continued

Gross loan book exposure by agricultural sector

2017

Agricultural sector	Corporate Banking			Commercial Development Banking						
	Direct	Indirect	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	2 572 227	711 003	**3 283 229**	43 467	159 231	**202 698**	**3 485 927**	1 548 999	1 875 727	61 201
Agro-processing	-	221 819	**221 819**	-	-	**-**	**221 819**	207 900	471	13 448
Citrus	693 608	101 485	**795 093**	96 763	130 433	**227 196**	**1 022 289**	938 566	6 190	77 534
Cotton	-	33 186	**33 186**	1 673	-	**1 673**	**34 859**	31 616	888	2 355
Dairy	321 902	175 984	**497 886**	297 891	169 990	**467 881**	**965 767**	775 426	61 373	128 968
Deciduous fruit	463 596	-	**463 596**	231 557	-	**231 557**	**695 153**	634 050	6 322	54 781
Equipment	-	23 555	**23 555**	-	-	**-**	**23 555**	23 555	-	-
Feedlot	30 342	-	**30 342**	13 024	-	**13 024**	**43 366**	35 215	-	8 150
Financial services	534 860	400 616	**935 476**	481 826	8 800	**490 626**	**1 426 102**	1 391 538	19 181	15 383
Fishing		-	**-**	-		**-**	**-**	-	-	-
Flowers	-	2 271	**2 271**	4 645	-	**4 645**	**6 916**	6 718	198	-
Fodder	-	55 977	**55 977**	75 140	-	**75 140**	**131 117**	111 279	3 819	16 019
Game	-	22 372	**22 372**	191 944	-	**191 944**	**214 316**	180 003	1 362	32 950
Grain	7 274 716	16 633 933	**23 908 649**	854 386	167 534	**1 021 920**	**24 930 568**	22 274 967	1 182 013	1 473 589
Inputs	-	18 603	**18 603**	-	-	**-**	**18 603**	18 603	-	-
Inputs supplier	24 103	63 035	**87 138**	200	-	**200**	**87 338**	64 931	-	22 407
Irrigations scheme	-	-	**-**	-	-	**-**	**-**	-	-	-
Livestock	30 569	700 202	**730 771**	2 246 579	27 300	**2 273 879**	**3 004 650**	2 346 436	124 859	533 355
Logistics	-	169 461	**169 461**	-	-	**-**	**169 461**	169 461	-	-
Nuts	89 972	59 062	**149 034**	170 980	-	**170 980**	**320 014**	319 596	-	418
Ostriches	5 070	-	**5 070**	11 319	-	**11 319**	**16 389**	10 654	-	5 735
Other	-	703 228	**703 228**	192 404	-	**192 404**	**895 632**	265 545	438 998	191 088

Agricultural sector	Corporate Banking Direct	Corporate Banking Indirect	Corporate Banking Total	Commercial Development Banking Direct	Commercial Development Banking Indirect	Commercial Development Banking Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Pork	-	-	**-**	17 904	-	**17 904**	**17 904**	15 503	-	2 402
Poultry	97 923	436 068	**533 991**	302 077	-	**302 077**	**836 068**	706 707	35 167	94 194
Subtropical fruit	-	135 099	**135 099**	62 049	-	**62 049**	**197 148**	172 242	10 163	14 742
Sugarcane	633 256	17 025	**650 282**	358 446	250 425	**608 871**	**1 259 153**	1 192 991	5 746	60 417
Table grapes	-	93 743	**93 743**	22 695	-	**22 695**	**116 438**	114 558	1 880	-
Tea	130 358	-	**130 358**	13 590	-	**13 590**	**143 948**	13 431	130 358	159
Timber	801 914	414 675	**1 216 589**	25 103	-	**25 103**	**1 241 692**	1 239 064	1 132	1 496
Tobacco	85 653	93 013	**178 666**	5 078	-	**5 078**	**183 744**	132 995	4 065	46 684
Unidentified payments received	-	-	**-**	-	-	**-**	**-**	-	-	-
Vegetables	31	288 165	**288 196**	349 670	-	**349 670**	**637 866**	424 604	43 535	169 727
Wine	501 422	209 386	**710 808**	285 530	-	**285 530**	**996 338**	916 531	44 035	35 772
Total	**14 291 521**	**21 782 967**	**36 074 488**	**6 355 940**	**913 713**	**7 269 652**	**43 344 140**	**36 283 685**	**3 997 481**	**3 062 973**

2016

Agricultural sector	Corporate Banking Direct	Corporate Banking Indirect	Corporate Banking Total	Commercial Development Banking Direct	Commercial Development Banking Indirect	Commercial Development Banking Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-business	2 322 475	561 691	**2 884 165**	41 461	-	**41 461**	**2 925 626**	1 026 983	1 842 774	55 953
Agro-processing	-	175 237	**175 237**	-	-	**-**	**175 237**	159 898	509	14 830
Citrus	806 233	80 173	**886 406**	113 950	81 596	**195 546**	**1 081 952**	384 853	617 437	79 662
Cotton	-	26 217	**26 217**	1 802	-	**1 802**	**28 019**	24 497	959	2 563
Dairy	400 629	139 027	**539 656**	301 199	134 990	**436 189**	**975 845**	776 451	61 764	137 631
Deciduous fruit	830 252	-	**830 252**	253 623	-	**253 623**	**1 083 874**	1 027 150	2 138	54 587
Equipment	-	18 608	**18 608**	-	-	**-**	**18 608**	18 608	-	-
Feedlot	22 349	-	**22 349**	14 187	-	**14 187**	**36 536**	35 286	-	1 250
Financial services	511 061	316 486	**827 547**	421 929	-	**421 929**	**1 249 476**	1 208 981	22 893	17 602

Agricultural sector	Corporate Banking Direct	Corporate Banking Indirect	Corporate Banking Total	Commercial Development Banking Direct	Commercial Development Banking Indirect	Commercial Development Banking Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Flowers	-	1 794	**1 794**	2 095	-	**2 095**	**3 889**	3 890	-	-
Fodder	-	44 222	**44 222**	78 753	-	**78 753**	**122 975**	100 430	2 878	19 666
Game	-	17 674	**17 674**	141 596	-	**141 596**	**159 270**	132 210	18 328	8 732
Grain	8 317 809	13 560 781	**21 878 590**	831 551	85 553	**917 104**	**22 795 694**	20 107 358	1 274 299	1 414 036
Inputs	-	14 697	**14 697**	-	-	**-**	**14 697**	14 696	-	-
Inputs supplier	110 751	49 798	**160 549**	214	-	**214**	**160 763**	136 053	-	24 710
Irrigations scheme	-	-	**-**	-	-	**-**	**-**	-	-	-
Livestock	-	553 158	**553 158**	2 168 241	40 886	**2 209 127**	**2 762 285**	2 047 597	145 257	569 431
Logistics	-	133 874	**133 874**	-	-	**-**	**133 874**	133 874	-	-
Nuts	75 800	46 659	**122 459**	131 938	-	**131 938**	**254 397**	247 369	6 610	418
Ostriches	197 902	-	**197 902**	12 385	-	**12 385**	**210 287**	203 737	-	6 550
Other	33 962	135 545	**169 507**	14 915	-	**14 915**	**184 422**	(687 143)	470 187	401 378
Pork	-	-	**-**	17 430	-	**17 430**	**17 430**	4 343	264	12 824
Poultry	45 524	344 493	**390 017**	261 247	-	**261 247**	**651 264**	581 992	697	68 575
Subtropical fruit	67 679	106 728	**174 407**	28 705	-	**28 705**	**203 112**	101 119	84 211	17 782
Sugarcane	188 219	13 450	**201 669**	309 967	133 317	**443 284**	**644 954**	271 367	134 393	239 194
Table grapes	-	74 057	**74 057**	10 315	-	**10 315**	**84 371**	84 371	-	-
Tea	108 404	-	**108 404**	13 500	-	**13 500**	**121 904**	13 500	108 404	-
Timber	796 470	327 592	**1 124 062**	26 298	-	**26 298**	**1 150 360**	1 124 953	1 006	24 401
Tobacco	3 167	73 480	**76 647**	5 142	-	**5 142**	**81 789**	25 917	4 390	51 482
Unidentified payments received	-	-	**-**	-	-	**-**	**-**	-	-	-
Vegetables	244 621	227 650	**472 271**	299 762	-	**299 762**	**772 033**	332 301	258 128	181 604
Wine	461 072	165 415	**626 487**	287 889	-	**287 889**	**914 376**	825 748	51 481	37 147
Total	**15 544 379**	**17 208 505**	**32 752 883**	**5 790 095**	**476 342**	**6 266 437**	**39 019 320**	**30 468 390**	**5 109 006**	**3 441 924**

41. Credit risk continued

Credit risk concentration by credit rating (rated externally)

The table below provides an analysis of the ratings attached to the Group's exposure to instruments subject to credit risk:

31 March 2017	Bonds R'000	Cash, deposits and similar securities R'000	Collective investment schemes R'000	Net working capital assets R'000	Total R'000
AAA	168 153	18 809	260	-	187 222
AA+	24 162	14 218	-	-	38 380
AA	69 828	1 450 286	86 489	-	1 606 603
AA-	24 572	3 035	1 960	-	29 567
A+	5 798	6 691	308	-	12 797
A	1 392	-	-	-	1 392
A-	-	-	-	-	-
BB+	-	185 612	-		185 612
BBB+	2 281	-	-	-	2 281
BBB	101	-	-	-	101
BBB-	15 149	-	-	-	15 149
Other *	2 482	41 115 318	-	-	41 117 800
Not rated **	1 535	-	-	345 280	346 815
Total	**315 453**	**42 793 969**	**89 017**	**345 280**	**43 543 719**

31 March 2016	Bonds R'000	Cash, deposits and similar securities R'000	Collective investment schemes R'000	Net working capital assets R'000	Total R'000
AAA	135 571	5 784	18 119	-	159 474
AA+	8 314	30 432	-	-	38 746
AA	79 776	504 975	82 751	-	667 502
AA-	52 612	12 958	-	-	65 570
A+	9 328	10 775	2 182	-	22 285
A	14 909	-	1 971	-	16 880
A-	2 583	-	-	-	2 583
BBB+	1 311	-	-	-	1 311
BBB	704	1 646 049		-	1 646 753
BBB-	-	830 588		-	830 588
Other *	876	36 862 939	922	-	36 864 737
Not rated **	1 553	26 513	-	174 922	202 988
Total	**307 537**	**39 931 013**	**105 945**	**174 922**	**40 519 417**

* This includes the Corporate Banking, Commercial Development Banking and LDFU loans. These clients are not rated externally. The Bank has its own credit rating system for these clients. The Bank performs a credit assessment by verifying security provision, cash flow forecasts the level of financial leverage which determines the level of financial risk and indicates the extent that debt is covered by assets.

** These assets do not have a formal rating and mainly relate to premium debtors. A lifetime expected credit loss provision is applied to premium debtors.

	2017		2016	
	R'000	% Total	R'000	% Total
41.1 Credit exposure by line of business - loan book				
Gross loan book				
Continuing operations				
Corporate Banking	**36 074 488**	**82%**	32 752 883	82%
Commercial Development Banking	**7 269 652**	**17%**	6 266 437	16%
Total gross loan book from continuing operations	**43 344 140**		39 019 320	
Less:	**(2 368 586)**		(2 665 902)	
Suspended interest and fees	**(69 482)**		(58 088)	
Impairment provision	**(2 299 104)**		(2 607 814)	
Carrying amount of loans from continuing operations	**40 975 554**		36 353 418	
Discontinued operations				
LDFU	**630 605**	**1%**	630 605	2%
Total gross loan book from discontinued operations				
Less:	**(433 466)**		(480 985)	
Impairment provision	**(433 466)**		(480 985)	
Carrying amount of loans from discontinued operations	**197 139**		149 620	
Balance per annual financial statements - total carrying amount	**41 172 693**	**100%**	36 503 038	100%

Balance as per the following notes: 11 & 22

The Bank's Corporate Banking division, which provides loans to agricultural cooperatives and agribusiness companies, continues to account for the bulk of the Bank's overall credit exposure. The LDFU loans constitute 2% (FY2016: 2%) of total loans and the LDFU operations have been classified as discontinued.

41.2 Credit exposure by maturity - gross loan book (excluding insolvencies)

Based on the maturity of the loans as disclosed in note 10, the credit exposure by maturity is as follows:

	2017 R'000	2017 % Total	2016 R'000	2016 % Total
Short-term	**17 016 852**	**40%**	12 868 342	33%
Medium-term	**4 351 860**	**10%**	9 082 557	23%
Long-term	**21 655 326**	**50%**	16 873 417	43%
	43 024 038	**100%**	38 824 316	100%

In terms of the exposure profile by maturity, the Land Bank's exposure concentrates on the long-term - i.e. loans extended for periods of five years and longer. The exposure as at 31 March is R21.7 billion (FY2016: R16.9 billion).

Credit exposure by geographic/regional distribution

2017 Province	Corporate Banking R'000	Commercial Development Banking R'000	LDFU R'000	Total R'000	Total %
Eastern Cape	1 096 354	902 575	-	1 998 929	5%
Free State	5 268 910	1 120 270	-	6 389 180	15%
Gauteng	8 408 659	607 920	92 848	9 109 427	21%
KwaZulu-Natal	1 300 842	401 438	439 980	2 142 260	5%
Mpumalanga	6 335 523	1 051 377	-	7 386 900	17%
Northern Cape	2 844 472	1 280 332	-	4 124 804	9%
Limpopo	727 031	313 887	-	1 040 919	2%
North West	7 228 671	738 540	97 777	8 064 988	18%
Western Cape	2 864 026	853 312	-	3 717 338	8%
Gross loan book	**36 074 488**	**7 269 651**	**630 605**	**43 974 745**	**100%**

2016 Province	Corporate Banking R'000	Commercial Development Banking R'000	LDFU R'000	Total R'000	Total %
Eastern Cape	879 539	903 665	-	1 783 204	4%
Free State	2 996 100	982 660	-	3 978 760	10%
Gauteng	3 771 329	415 893	92 848	4 280 070	11%
KwaZulu-Natal	800 910	341 901	439 980	1 582 791	4%
Mpumalanga	7 249 646	643 894	-	7 893 540	20%
Northern Cape	2 699 352	1 211 038	-	3 910 390	10%
Limpopo	248 236	277 313	-	525 549	1%
North West	11 350 085	725 074	97 777	12 172 936	31%
Western Cape	2 757 686	764 999	-	3 522 685	9%
Gross loan book	**32 752 883**	**6 266 437**	**630 605**	**39 649 925**	**100%**

41.3 Credit risk management practices in relation to the recognition and measurement of expected credit losses

Having early adopted IFRS 9 - Financial Instruments with effect 1 April 2015, the Group applies a three-stage approach to the measuring expected credit loss (ECL) on debt instruments accounted for at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

1. Stage 1: 12-months ECL

For exposures without a significant increase in credit risk since initial recognition and that there are not credit impaired upon origination, the portion of the lifetime ECL associate with the probability of default events occurring within the next 12 months recognised.

2. Stage 2: Lifetime ECL - not credit impaired

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

3. Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provisions for doubtful debt) rather than the gross carrying amount.

Methods, inputs, assumptions and estimation techniques used to measure expected credit losses

Land Bank early adopted IFRS 9 for the year ended 31 March 2016. In the current year there have been no changes to expected credit losses as this is the second year of measurement of such losses. There has also been no change in estimation techniques or significant assumptions used.

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on PD, LGD and EAD; expected credit losses are discounted to the reporting date using the effective interest rate.	PD, LGD and EAD over the lifetime of the loan.	The current LGD is the output of the LGD model; analyses showed that the subsequent LGDs are the same as the first year's LGD. Lifetime is the contractual tenor of the loan; no prepayments assumed.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclicality. LGD: LGD model calibrated with own data history. EAD: CCF modelling with own data, inclusion of repayment schedules.
Whether a credit risk has increased significantly since initial recognition	According to the Stage 2 definition; different Land Bank specific identifiers including the minimum 30 days past due criteria have been selected for the identification of SICR. The monitoring and classification of SICR is in the process of enhancement with the development of Early Warning Indicators as well the implementation of a Probability of Arrears model.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	Stage allocation is based on account level and not on client level, for identification of stage 1 and 2.	Stage classification is fact based using current flags and information available in the Land Bank's data base.
Whether a financial asset is a credit-impaired financial asset	According to default definition; in general, unlikeliness to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of Land Bank's identifier e.g. for specific cases of unlikeliness to pay.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client-level, i.e. if one loan is considered to be credit-impaired (stage 3) then all loans of the same clients are considered to be so as well.	Stage classification is fact based using current flags and information available in the Land Bank's data base. Maximum stage across all loans per client rule applies.

Low credit Risk

Although some financial assets within the Bank's portfolio might meet the definition of low credit risk, the Bank opted not to apply this in application of its impairment methodology as given the nature of the Bank's business it is deemed imprudent not to consider whether a significant increase in credit risk exits.

Macro-economic factors

IFRS 9 introduced the use of macro-economic factors when calculating ECL. To the extent that is is relevant and practical, the Group has used macro-economic factors in the ECL methodology. Such factors include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indicies, including any forecasts of future economic conditions are reviewed regularly.

For information on financial assets' credit risk exposure of financial assets, including significant credit risk concentrations please see note 39.1.

Defaults and write offs: expected credit losses

Land Bank defines a default as unwillingness to pay and/ or past due > 90 days.

In order to determine whether financial assets are credit-impaired, Land Bank considers:

- 90 days past due on a material debt obligation;
- Credit obligation put on non-accrual status, i.e. Interest is suspended;
- Any bad debt write-off, or account specific provisions;
- Sale of credit obligation at a material economic loss;
- Distressed restructuring of credit obligations;
- Obligor's bankruptcy or similar protection such as business rescue.

Write off policy

The Group defines bad debt as an irrecoverable debt or uncollectible debt, where all the recovery processes and or steps are exhausted and the client or counter parties do not have any means whatsoever to repay the debt that is due and payable. The Group shall only write off bad debt when all reasonable steps have been taken to recover the debt.

Land Bank considers the following indicators when determining whether there is no reasonable expectation of recovery:

- Recovery of the debt is not economically justified;
- Recovery will cause undue hardship to the client or his or her dependents;
- It is to the advantage of Land Bank to effect a settlement of its claim or to waive the claim; and
- All avenues of recovery, including the realisation of security and sureties, have been exhausted.

From time to time the Group has financial assets that are written off but may still be subject to enforcement activity. Such financial assets are written off when the aforementioned criteria have been met. Any recoveries due to enforcement activities are treated as bad debt recoveries in the year which such recoveries are made. This amounted to R59.9 million in FY2017.

Modification

During the year 50 accounts to the value of R1.34 billion (gross loans at 31 March 2016) was modified, which resulted in expected credit loss provision releases of R50.2 million during the year. As at 31 March 2017 the gross loans relating to the modified accounts amounted to R971.3 million. The following table shows the impact of modifications during reporting periods:

	Gross loans		Expected credit losses	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
Gross loans	**976 812**	**1 337 164**	**4 707**	**54 913**
- Stage 1	950 252	-	4 707	-
- Stage 2	26 560	941 993	-	54 913
- Stage 3	-	395 171	-	-

The difference in gross loans and relating expected credit losses between the reporting periods relate to two debt/equity restructurings.

Refer to note 8.

	Stage 1 [1] R'000	Stage 2 [2] R'000	Stage 3 [2] R'000	Total R'000
Stage migration (gross loans and relating expected credit losses)				
Gross loans as reported for 2016	**30 468 391**	**5 109 005**	**3 441 92**	**39 019 320**
Stage migration - improvements	**1 401 215**	**(976 220)**	**(424 995)**	
- Stage 2 to 1	1 125 787	(1 125 787)	-	
- Stage 3 to 1	275 428	-	(275 428)	
- Stage 3 to 2	-	149 567	(149 567)	
Stage migration - deterioration	**(1 231 090)**	**832 718**	**398 372**	
- Stage 1 to 2	(883 122)	883 122	-	
- Stage 1 to 3	(347 968)	-	347 968	
- Stage 2 to 3	-	(50 404)	50 404	
Net stage migration	**170 125**	**(143 502)**	**(26 623)**	
Expected credit losses as reported for 2016	**172 224**	**1 483 100**	**942 399**	**2 597 723**
Stage migration - improvements	**29 130**	**6 480**	**(35 610)**	
- Stage 2 to 1	1 620	(1 620)	-	
- Stage 3 to 1	27 510	-	(27 510)	
- Stage 3 to 2	-	8 100	(8 100)	
Stage migration - deterioration	**(155 957)**	**14 743**	**141 214**	
- Stage 1 to 2	(33 249)	33 249	-	
- Stage 1 to 3	(122 708)	-	122 708	
- Stage 2 to 3	-	(18 506)	18 506	
Net stage migration	**(126 827)**	**21 223**	**105 604**	

[1] 12 month expected credit losses

[2] Life time expected credit losses

Expected credit losses recon *

Group and Bank 2017	Stage 1 [1] R'000	Stage 2 [2] R'000	Stage 3 [2] R'000	Total R'000
Balance at the beginning of the year	**172 224**	**1 483 100**	**942 399**	**2 597 723**
Credit losses written off:	**-**	**-**	**(423 148)**	**(423 148)**
- Statement of financial position write-off (utilisation)*	-	-	(404 956)	(404 956)
- Statement of comprehensive income write-off	-	-	(18 192)	(18 192)
Net impairment raised/ (released) to the statement of comprehensive income	**42 129**	**(122 499)**	**198 836**	**118 466**
- Changes from 12 month expected credit losses to life time credit losses	(126 827)	21 223	105 603	(1)
- Modifications	4 707	(54 913)	-	(50 206)
- Impairments raised/ (released)	164 249	(88 809)	93 233	168 673
Balance at the end of the year	**214 353**	**1 360 601**	**718 087**	**2 293 041**

[1] 12 month expected credit losses

[2] Life time expected credit losses

* Excludes the impact of suspended interest

41.4 Liquidity risk

Definition

Risks related to the Bank's inability to meet its payment obligations when they fall due. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs.

The Group is exposed to liquidity risk via its:

- Ability to borrow from the market, at market related interest rates;
- Ability to attract wholesale funders at favourable interest rates;
- Liquid assets ratios are not adequate for prudential requirements;
- Ability to raise long term funding to match long term assets;
- Lack of standby lines of credit.

To manage liquidity risk, the Bank has a treasury policy that takes into account limits to manage liquidity. A borrowing and funding plan and a liquidity contingency plan will be maintained taking into account the structure of the Group's balance sheet as well as its dynamics within the South African agricultural market.

Liquidity risk is first of all managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are taken into account when reviewing the investment strategy annually for the allocation of financial instruments. Most of the insurance company's assets are shareholder's assets, which are held in highly liquid, open ended instruments. The investment strategy, furthermore allocates assets backing policyholders' liabilities to short-term liquid instruments in the form of cash and bonds in equal proportions. The statutory CAR for LBLIC was calculated to be 112.2 times (FY2016: 106.8 times), which means that the insurance company has ample surplus assets to cover liabilities.

The insurance companies are exposed to regular calls on their available cash resources from claims and expenses. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The companies actively manage their cash resources split between short-term and long-term requirements to ensure that sufficient cash is at hand to settle insurance liabilities and operating expense obligations based on cash flow projections. Reinsurance quota share accounts are settled quarterly, 45 days in arrears. Cash calls can be made to reinsurers for claims in excess of R5 million per risk on the crop cover for LBIC. Both LBLIC and LBIC have sufficient cash resources to cover their obligations.

LBIC is in the process of investing its surplus cash in a portfolio of short-term interest bearing assets. The Board decided to adopt a conservative investment strategy for the company considering the volatility of crop business.

The Bank's Liquidity risk is managed by maintaining a pool of unencumbered assets and additional liquidity as calculated by a behavioural model for credit, market and operational risk. The Bank adopted certain Basel principles with approved deviations to report Liquidity Coverage Ratio (LCR) and Net Stable Funding Ration (NSFR).

Liquidity Coverage Ratio

The LCR aims to ensure that banks maintain adequate levels of unencumbered high quality assets (numerator) against net cash outflows (denominator) over a 30 day significant stress period.

Deviation from the Banking Regulations

Given the unique business model of the Land Bank, including the inability to take deposits and the requirement to have cash available, the Bank deviates from the Banking Regulations in the following areas:

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.
- The Bank has historically enjoyed a 100% roll-over rate from PIC and CPD debt investments and this behaviour is expected to continue. For this reason, the Bank excludes contractual maturities from these institutions from the 30 day maturity profile.
- Acknowledge a deviation from the regulation in terms of assumptions made regarding roll-over rates with investors to assess the likelihood of roll-over. The Bank will always apply the minimum roll-over rate (between historic roll-overs and investor discussions) to the calculations of the LCR.

These deviations from the Banking Regulations have been negotiated with investors in loan covenants and they are comfortable for the Bank to apply these principles.

Net Stable Funding Ratio

The NSFR aims to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one year horizon. It aims therefore to limit over reliance on short term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on and off balance sheet items.

Cash at bank

The pool of liquid assets (in cash) is invested with reputable financial institutions as informed by the Treasury policy.

Trade and other receivables

Past trends indicate that payment has been received timeously and that the fair values post year end fairly reflect the amounts received. The housing loans have been discounted to the present value using the prime interest rate.

Repurchase agreements, derivative assets, market making assets and investments

The amounts are receivable from reputable institutions and funds invested are managed by reputable asset managers. Past trends indicate that payment has been received timeously and that the fair values post year end fairly reflect the amounts received.

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
The tables below summarise the maturity analysis for financial liabilities:				
Financial liabilities				
Trade and other payables	**379 782**	383 547	**163 998**	188 180
Short-term insurance liabilities	**260 264**	299 009	**-**	-
Market-making liabilities	**5 533**	-	**5 533**	-
Long-term policyholder liability	**54 762**	35 787	**-**	-
Funding and liabilities at amortised cost	**37 839 610**	34 024 131	**37 839 610**	34 024 131
Post-retirement obligation	**338 210**	323 552	**338 210**	323 552
Total financial liabilities	**38 878 161**	35 066 026	**38 347 351**	34 535 863

41.4 **Liquidity risk continued**

Maturity analysis for financial liabilities

2017	< 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 5 years	> 5 years	Drawn facilities	Open ended	Total
Financial liabilities	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other financial liabilities									
Trade and other payables (excluding deferred income)	105 322	-	-	6 839	11 703	-	-	40 134	163 998
Funding at amortised cost	8 427 732	6 119 442	4 231 116	2 575 073	11 509 267	2 055 040	2 921 940	-	37 839 610
Bank at 31 March 2017	**8 533 054**	**6 119 442**	**4 231 116**	**2 581 912**	**11 520 970**	**2 055 040**	**2 921 940**	**40 134**	**38 003 608**
Less: intercompany loan (LBIC)	(66 981)	-	-	-	-	-	-	-	(66 981)
LBLIC									
Other financial and insurance liabilities									
Trade and other payables	85 703	-	-	-	-	-	-	-	85 703
Long-term policyholders' liabilities	4 873	2 357	1 649	2 982	13 274	29 623	-	-	54 758
LBIC									
Other financial and insurance liabilities									
Trade and other payables	112 899	174 226	-	-	-	-	-	-	287 125
Short-term insurance liabilities	154 893	69 470	30 469	-	5 382	-	-	-	260 214
Group at 31 March 2017	**8 824 441**	**6 365 495**	**4 263 234**	**2 584 894**	**11 539 626**	**2 084 663**	**2 921 940**	**40 134**	**38 624 427**

2016 Financial liabilities	< 3 months R'000	3 - 6 months R'000	6 - 9 months R'000	9 - 12 months R'000	1 - 5 years R'000	> 5 years R'000	Drawn facilities R'000	Open ended R'000	Total R'000
Other financial liabilities									
Trade and other payables (excluding deferred oncome)	135 526	-	-	5 677	11 098	2 234	-	32 703	187 238
Funding at amortised cost	14 174 278	773 594	2 014 599	1 693 093	9 328 010	4 538 901	1 501 657	-	34 024 131
Bank at 31 March 2016	**14 309 804**	**773 594**	**2 014 599**	**1 698 771**	**9 339 108**	**4 541 135**	**1 501 657**	**32 703**	**34 211 369**
Less: intercompany loan (LBLIC)	-	-	-	-	(283 645)	-	-	-	(283 645)
Less: intercompany loan (LBIC)	(1 488)	-	-	-	-	-	-	-	(1 488)
LBLIC									
Other financial and insurance liabilities									
Trade and other payables	2 775	1 372	35	-	283 645	-	-	-	287 827
Premiums received in advance	84	-	-	-	-	-	-	-	84
Long-term policyholders' liabilities	2 941	1 583	4 950	1 556	21 673	3 084	-	-	35 787
LBIC									
Other financial and insurance liabilities									
Trade and other payables	95 033	101 541	-	-	-	-	-	-	196 574
Short-term insurance liabilities	108 578	156 094	30 469	-	3 759	-	-	-	298 900
Group at 31 March 2016	**14 517 727**	**1 034 184**	**2 050 053**	**1 700 327**	**9 364 540**	**4 544 218**	**1 501 657**	**32 703**	**34 745 408**

42.1 Market risk

Definition

Risk related to the impact on the Group's net interest margin as a consequence of interest rate risk on banking assets and liabilities.

For the Group, market risk is mainly interest rate risk arising from its lending portfolio as well as wholesale funding. The Group's asset and liability management of the balance sheet is exposed to market risk via interest rate movement. This impacts the profitability and net interest margin earned.

Values of financial instruments may change resulting in both potential gains and losses as a result of:
- Changes in interest rates (fair value and cash flow interest rate risk); and
- Changes in market prices (price risk).

A Treasury policy as well as a Hedging policy takes into account interest rate movement and various limits have been established to effectively manage market risk of the Group.

Objective of market risk monitoring
The objective of market risk monitoring is to prevent or restrict adverse movements in market rates or prices, such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices.

Market risk - Insurance activities
For assets backing policyholders' liabilities, the risk to the company is that the investment returns earned are below the actuary's assumptions. For shareholder's assets, the risk is that capital is not preserved and that investment returns earned are below expectations. The company manages market risk through the following:

i) Appointment of an Investment and Actuarial Committee. The mandate of this Board sub-committee includes the following:

- Implementation of an investment strategy which sets out the investment objectives of the company, the nature and term of liabilities and the risks to which the assets and liabilities of the company are exposed. Assets backing policyholders' liabilities are limited to interest bearing assets, and are therefore exposed to limited market risks, while shareholders' assets can include equity and are therefore exposed to greater market risks;
- Appointment of investment managers and establishing investment mandates with each investment manager. Investment mandates set out investment guidelines which cover limitations on exposures to volatile assets, the use of derivatives; limits on asset concentration and limits on exposure to particular types of assets such as unlisted equities and property and hedge funds;
- Monitoring of the performance of investment managers against "appropriate benchmarks" as well as compliance with mandates; and
- Ensuring proper governance in the investment process.

ii) Appointment of an independent investment advisor. The responsibilities of the investment advisor are set out below:

- Setting of appropriate mandates and benchmarks for the asset managers for performance monitoring;
- Monitor implementation of investment strategies; and
- Monthly monitoring of and reporting on investment performance.

The investment advisor provides quarterly feedback on the performance of investment managers to the Investment and Actuarial Committee who in turns provides quarterly feedback to the LBLIC Board.

42.2 Interest rate risk
Interest rate risk is the risk of declines of earnings and market values of assets due to movements of interest rates. Most of the statement of financial position items of the Group generate revenue and costs which are interest rate related.

Interest rate risk monitoring
The ALCO consisting of the Bank's executive management monitors the implementation of the Bank's interest rate risk policy. ALCO formulates medium to long-term interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the independent risk monitoring department where the interest rate risk limit is set.

Fixed/ floating rate funding
When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the bank benefits from the expected interest rate view.
The current interest rate risk mismatch limit is a maximum of 25%. The funding split percentage as at 31 March 2017 was 95% floating (FY2016: 94% floating).

Interest rate risk policy
The Bank reviews its interest rate risk policy in line with market practices on an annual basis.

Sensitivity analysis
Sensitivity analysis has been determined based on the exposure to interest rates for derivatives and other financial liabilities and assets at the statement of financial position date. A 100 basis-point increase or decrease is used when reporting interest rate risk and represents management's assessment of a reasonably possible change in interest rates on the Group's profit.

The effect of a reasonable possible change in interest rates, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March 2017:

Bank	31 March 2017 Net interest income R'000	31 March 2017 Effect on equity R'000	31 March 2016 Net interest income R'000	31 March 2016 Effect on equity R'000
Incremental change in yield				
Expected Nill	**1 458 740**	**-**	1 354 000	-
Potential movement: 100 basis point up	**1 589 480**	**130 732**	1 480 000	126 000
Potential movement: 100 basis point down	**1 328 010**	**(130 732)**	1 227 000	(126 000)

Interest rate risk - Insurance activities
The company is subject to interest rate risk resulting in the fluctuation of the fair value of future cash flows of interest bearing assets because of the change in interest rates. Interest rate risk arises primarily from investments in long-term fixed income securities, although the short-term money market instruments are also effected, albeit to a lesser extent. The company holds a variety of government and corporate bonds with varying maturities, which carry fixed and floating interest rates. Exposure to interest rate risk is monitored through various methods including scenario and stress testing which calculates the market exposure based on interest rate movements (of -100 basis points and +100 basis points).

Sensitivity analysis on interest bearing assets
The market exposure that was calculated at 31 March was as follows:

LBLIC	Impact on the statement of profit or loss and other comprehensive income 31 March 2017 R'000	Impact on the statement of profit or loss and other comprehensive income 31 March 2016 R'000
Incremental change in yield		
100 Basis points decrease	**16 124**	15 275
100 Basis points increase	**(15 082)**	(14 365)

A portion of the assets backing policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents.

42.3 Currency risk
LBLIC is exposed to currency risk resulting in the fluctuation in the value of foreign financial instruments because of the change in foreign exchange rates. The company's exposure to currency risk is in respect of foreign investments made in line with the investment strategy, approved by the Board, for seeking desirable international diversification of investments. The fund managers use currency derivatives to limit the currency exposure of instruments in the pooled funds US Dollars. The following rand value of assets denominated in foreign currencies are included in the statement of financial position:

In respect of purchases and payables, the company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.

Group	US Dollar US$'000	Total R'000
31 March 2017		
Equities - USD base currency unit trusts	**13 270**	**177 898**
Cash, deposits and similar securities	**7**	**98**
Balanced funds	**2 915**	**39 080**
Commodity ETFs	**378**	**5 070**
Foreign currency exposure	**16 570**	**222 146**
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2017	**13.41**	**0.07**
Average rate	**14.00**	**0.07**
31 March 2016		
Equities - USD base currency unit trusts	11 546	169 821
Cash, deposits and similar securities	733	10 853
Hedge funds	2 807	41 292
Bonds	-	-
Foreign currency exposure	**15 086**	**221 966**
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2016	**14.71**	**0.07**
Average rate	**13.84**	**0.07**

Sensitivity analysis - currency risk

The foreign currency exposure that was calculated at 31 March was as follows:

LBLIC	Impact on the statement of profit or loss and other comprehensive income	
	31 March 2017	31 March 2016
Incremental change in yield	R'000	R'000
USD		
20% decrease	**(44 429)**	(44 393)
10% decrease	**(22 215)**	(22 197)
10% increase	**22 215**	22 197
20% increase	**44 429**	44 393

Impairment

Sensitivity analysis

The sensitivity analysis on impairment has been determined based on the exposure to the percentage of the balance outstanding which the Land Bank expects not to recover when a loan defaults on its payment (loss given default - LGD) at the statement of financial position date. A 5% increase or decrease in the LGD is used when reporting impairment risk and represents management's assessment of a reasonably possible change in impairment expenses on the Group's profit.

Based on the effect of a reasonable possible change in interest rates, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March:

Rate analysis	Interest income R'000	Net impairment charges, claims and recoveries R'000	Non-interest (expense)/ income R'000	Loans and advances R'000	Effect on equity R'000
31 March 2017					
As at 31 March 2017 : Base	**4 234 811**	**77 513**	**221 609**	**40 981 617**	**-**
Potential movement: -5%	**4 232 104**	**243 150**	**221 609**	**40 813 311**	**(168 305)**
Potential movement: 5%	**4 234 002**	**(96 637)**	**221 609**	**40 806 697**	**(174 920)**
31 March 2016					
As at 31 March 2016 : Base	3 543 750	73 433	191 976	36 363 508	-
Potential movement: -5%	3 703 026	271 943	191 976	36 587 620	224 112
Potential movement: 5%	3 656 935	(143 154)	191 976	36 159 849	(203 659)

42.4 Insurance risk

Insurance risk - long-term
LBLIC provides mortgage and credit life insurance for persons who take out loans with the Land Bank. Until 2008, LBLIC only had one product in issue which was a non-profit decreasing term assurance that paid the outstanding amount of a Land Bank mortgage loan at death. Since then, LBLIC in conjunction with its actuaries, has developed and issued a number of new generation mortgage and credit life products.

Mortality risk
Mortality risk is the risk to the Group that mortality experience in future is worse than provided for in premium rates. Higher than expected mortality will give rise to losses and will necessitate an increase in valuation assumptions.

This risk is mitigated by the following factors:

- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Adequate pricing and reserving;
- Specific testing for HIV/ AIDS is carried out in cases where applications for risk cover exceed a set limit; and
- Annual reviews of mortality and morbidity experience are conducted by the statutory actuary to ensure that corrective action is taken where necessary.

Persistency risk
Persistency risk (lapse risk) relates to policies being terminated before their final due dates as a result of an increased number of mortgage loans that are paid up before their final settlement dates and an increasing number of farmers transferring loans to trusts, close corporations and companies, which result in the cancellation of policies.

The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses.

Expense risk
Before expenses are incurred, they are checked for budget availability. For the exceptional expenses, the company has a certain approval process. This is monitored in monthly reporting by comparing actual and budgeted expenses.

Reinsurance risk
LBLIC has reinsurance cover to reduce risks proportionally, as well as to limit exposure per event in order to limit the impact per event on the current year's earnings.

The cover is placed on the local reinsurance market. The core components of the reinsurance program comprise:
- Individual excess of loss which limits exposure per policyholder to R1 million, prior to the effect of the quota share treaty; and
- Individual quota share which provides protection of 50% of the retained portion, after the excess of loss.

The LBLIC Board approves the reinsurance renewal process on an annual basis. The reinsurance program is in place with a local reinsurer which has a credit rating of AA-.

Claims risk
The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. Furthermore, an actuarial valuation by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2017, LBLIC believes that its IBNR liability for claims is adequate. There were no outstanding claims.

Sensitivity analysis
The objective of the sensitivity analysis is to demonstrate the effect on the policyholders' liability for changes in key assumptions underlying the valuation of liabilities.

The sensitivity analysis illustrates the effect of a change in a particular assumption on the value of the policyholders' liability as at 31 March 2017, but this cannot generally be used to determine how future earnings or profitability will be affected. The percentage change in the assumptions chosen for the sensitivity analysis is to illustrate the change in value given the change in assumption and does not represent the possible range of worst or best case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for any possible management action in response to a particular change. Lapse experience is not included in the analysis as lapses have not been modelled explicitly (the actuarial reserve for any policy that had a negative reserve was increased to zero, and there are no surrender values under any policies Lapses and other terminations will therefore result in an actuarial surplus at each future valuation).

2017			**Value**	**Change**	
Policyholders' liability - Individual life			**R'000**	**R'000**	**%**
Base value			40 964		
Investment return	+1%	from 7.89% to 8.89%	40 071	(893)	(2%)
	-1%	from 7.89% to 6.89%	41 966	1 002	2%
Mortality	+10%	1.1 x mortality	42 024	1 060	3%
	-10%	0.9 x mortality	39 873	(1 091)	(3%)
Expenses	+10%	from 55.0% to 60.5%	41 688	724	2%
	-10%	from 55.0% to 49.5%	40 275	(689)	(2%)

2017			**Value**	**Change**	
Policyholders' liability - Group Life			**R'000**	**R'000**	**%**
Base value			1 302		
Investment return	+1%	from 7.14% to 8.14%	1 288	(14)	(1%)
	-1%	from 7.14% to 6.14%	1 316	14	1%
Mortality	+10%	1.1 x mortality	1 575	273	18%
	-10%	0.9 x mortality	1 113	(189)	(12%)

2016			**Value**	**Change**	
Policyholders' liability			**R'000**	**R'000**	**%**
Base value			34 871		
Investment return	+1%	from 7.45% to 8.45%	33 208	(1 663)	(4.77%)
	-1%	from 6.45% to 7.45%	36 722	1 851	5.31%
Mortality	+10%	1.1 x mortality	37 572	2 701	7.75%
	-10%	0.9 x mortality	32 107	(2 764)	(7.93%)
Expenses	+10%	from 55.0% to 60.5%	36 359	1 487	(4.27)%
	-10%	from 55.0% to 49.5%	33 305	(1 566)	(4.49%)

42.4.1 Insurance risk - short-term

LBIC provides indemnity for crops, motor vehicles and property, as well as liability cover. LBIC manages insurance risks through its underwriting strategy and reinsurance arrangements.

LBIC provides indemnity for crops while still on the field, against hail, drought, fire and excessive rain fall. Cover ceases as soon as harvesting has taken place, or when certain date limits have been reached. Motor cover insures risks associated with the possession and use of vehicles. Property cover insures risks associated with the ownership of moveable and immovable assets, other than those covered specifically in another class.

Engineering cover insures risks associated with the possession and use of machinery or equipment in the form of irrigation systems on farms. Liability cover insures risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Insurance risk arises from:
- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection;
- Inadequate reserving; and
- Fraudulent claims.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. The principal risks the insurance companies face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, provide to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of economic and geographical circumstances, may result in unexpected large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established.

42.4.1.2 Pricing Risk

Both LBLIC and LBIC bases their pricing policy on the theory of probability, with consideration to historical claims data. Acquisition and administration costs, and as reinsurance costs are included in the pricing considerations as well as a profit loading for the cost of capital.

The net claims ratio for LBLIC and LBIC, which are important in monitoring insurance risk are summarised below:

Loss history	**2017**	**2016**
LBIC: Net insurance benefits and claims on short-term business expressed as a percentage of net earned premiums	**(87%)**	(78%)

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location, catastrophic events and agricultural sectors covered. A stop loss reinsurance treaty mitigates the risk arising from this by capping the crop loss ratio to 105% for the season.

2017			**Value**	**Change**	
Underwriting result			**R'000**	**R'000**	**%**
Reported results			**(18 537)**		
Premium	+10%		(16 764)	1 762	(9%)
	-10%		(20 289)	(1 762)	10%
Claims	+5%	92%	(24 181)	(5 654)	31%
	-5%	82%	(12 873)	5 654	(30%)
Expenses	+15%		(21 285)	(2 758)	15%
	-15%		(15 769)	2 758	(14%)

2016			Value	Change	
Underwriting result			**R'000**	**R'000**	**%**
Reported results			**(3 662)**		
Premium	+10%		(1 363)	2 299	(12%)
	-10%		(5 961)	(2 299)	13%
Claims	+5%	83%	(8 073)	(4 411)	26%
	-5%	73%	749	4 411	(24%)
Expenses	+15%		(5 366)	(1 705)	10%
	-15%		(1 957)	1 705	9%

42.4.1.3 Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. The Group utilises independent assessors who appraise and confirm claims as well as quantification by the underwriting manager channel. Furthermore, an actuarial valuation is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2017, both LBLIC and LBIC believe that their liabilities for claims are adequate.

42.4.1.4 Reinsurance

LBLIC and LBIC have third party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings.

This cover is placed on the international reinsurance market. The core components of the reinsurance programme comprise of:

Long-term insurance contracts
- Individual excess of loss which limits exposure to R1 million per client, prior to the quota share treaty; and
- Individual quota share which provides protection to 50% of the retained portion after excess of loss.

Short-term insurance contracts
- Individual quota share cover on crop, which provides protection to limit losses to 30% per event;
- Individual quota share cover on agri-assets, which provides protection to limit losses to 40% of 100% on the 70% co-insurance agreement per risk; and
- Stop loss cover for losses over 105% to 250% of the total crop exposure.

The LBLIC and LBIC Boards approve the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is in place with external reinsurers which have a credit rating of no less than A+ for life insurance and AA- for short-term insurance.

42.4.1.5 Concentration risk

Investment portfolio concentration risk

The allocation of investment portfolio as at 31 March was as follows:

	2017		2016	
Asset classes	**R'000**	**%**	**R'000**	**%**
Equities - local	**490 443**	**41 %**	541 785	41 %
Resources	**52 854**	**11 %**	86 686	16 %
Financials	**168 958**	**34 %**	146 282	27 %
Industrials	**268 631**	**55 %**	308 817	57 %
Commodities - local	**30 498**	**2 %**	33 064	2 %
Bonds - local	**247 762**	**20 %**	259 811	19 %
Fixed Interest	**150 615**	**61 %**	150 690	58 %
Floating Rate	**40 649**	**16 %**	59 757	23 %
Inflation Linked	**54 848**	**22 %**	48 065	18 %
Other	**1 650**	**1 %**	1 299	0 %
Cash, deposits and similar securities - local	**235 482**	**19 %**	273 136	21 %
Investment policy - property	**587**	**0 %**	4 136	0 %
Foreign assets	**222 146**	**18 %**	221 966	17 %
Total LBLIC	**1 226 918**	**100 %**	1 333 898	100 %

11.83% of the portfolio was held in RSA Central Government bonds as at 31 March 2017 (FY2016: 8.82%)
7.22% of the portfolio was held in an Investec Money Markey fund as at 31 March 2017 (FY2016: 6.91%)
5.49% of the portfolio was held in an Investec Global Equity Fund as at 31 March 2017 (FY2016: 5.08%)
5.47% of the portfolio was held in a Coronation Global Equity Fund as at 31 March 2017 (FY2016: 5.5%)

Investment manager performance, portfolio and manager allocations are monitored and reported to the company management and Investment and Actuarial Board on a regular basis by the company's investment consultants. Upper and lower bounds are assigned to each asset class and are reviewed annually, with the investment policy. All classes were within bounds as at 31 March 2017.

	2017		2016	
Asset classes	Lower bound	Upper bound	Lower bound	Upper bound
Equities - local	**30 %**	**50 %**	30 %	50 %
Bonds - local	**15 %**	**35 %**	15 %	35 %
Cash, deposits and similar securities - local	**10 %**	**30 %**	10 %	30 %
Foreign assets	**5 %**	**25 %**	5 %	25 %

Insurance concentration risk

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's resources. The company operates in the long-term insurance business.

Gross written premium by business - LBLIC

	2017	2016
Portfolio	**R'000**	**R'000**
Long-term insurance	**11 652**	5 312

Long-term insurance concentration risk

The long-term insurance portfolio is based on credit life insurance. Although the company does not consider any aggregate concentration for catastrophic risks, the company does, however, consider the age bands of the client base for reinsurance rating purposes.

Long-term insurance gross written premium by class of business

	2017	2016
Portfolio	**R'000**	**R'000**
Credit life insurance - Individual	**4 690**	5 312
Credit life insurance - Group	**6 962**	-
	11 652	5 312

Long-term insurance gross written premium by age bands

	2017	2016
Portfolio	**R'000**	**R'000**
20 - 29	**26**	1
30 - 39	**391**	127
40 - 49	**1 367**	381
50 - 59	**3 083**	1 427
60 - 69	**5 074**	2 028
70+	**1 711**	1 348
	11 652	5 312

	2017			2016		
		Value	Average		Value	Average
	Number	R'000	R'000	Number	R'000	R'000
Portfolio						
20 - 29	**223**	**19 107**	**86**	1	78	78
30 - 39	**805**	**259 085**	**322**	46	25 201	548
40 - 49	**1 527**	**498 783**	**327**	246	61 500	250
50 - 59	**2 008**	**578 559**	**225**	539	121 275	225
60 - 69	**1 848**	**452 830**	**210**	482	101 220	210
70+	**316**	**70 448**	**155**	203	30 810	152
	6 727	**1 878 812**	**279**	1 517	340 084	224

Short-term insurance concentration risk - LBIC

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the short-term company's resources. The company operates on both crop and agri-asset insurance business.

Gross written premium by business

	2017	2016
Portfolio	**R'000**	**R'000**
Short-term insurance (crop)	**535 688**	403 625
Short-term insurance (assets)	**1 228**	2 238
	536 916	405 863

Short-term crop insurance gross written premium by class of business

Portfolio	2017 Gross Written Premium	2017 Net Written Premium	2016 Gross Written Premium	2016 Net Written Premium
Winter hail	**52 094**	**13 597**	42 061	11 003
Multi-peril winter	**3 259**	**851**	5 377	1 407
Horticulture	**48 541**	**8 446**	35 160	8 790
Grapes	**19 144**	**3 331**	18 220	4 555
Other fruits	**18 284**	**3 181**	9 472	2 368
Nuts	**11 113**	**1 934**	7 468	1 867
Hail Summer	**395 380**	**101 934**	281 892	70 874
Maize	**192 115**	**50 040**	151 533	36 902
Beans	**164 259**	**41 933**	96 938	25 262
Other	**39 006**	**9 961**	33 421	8 710
Multi-peril summer	**36 414**	**9 313**	39 135	10 237
Maize	**27 635**	**7 643**	28 251	7 390
Beans	**5 184**	**953**	5 963	1 560
Other	**3 595**	**717**	4 921	1 287
Total	**535 688**	**134 141**	403 625	102 311

Short-term asset insurance gross written premium by class of business

Portfolio	2017 R'000	2016 R'000
Motor	**662**	1 220
Non-motor	**566**	1 018
	1 228	2 238

Short-term crop insurance gross written premium by geographical segment

Portfolio	2017 R'000	2016 R'000
Northern Cape	**32 375**	32 720
KwaZulu-Natal	**89 476**	71 598
Eastern Cape	**34 612**	25 309
Mpumalanga/ Gauteng	**148 401**	104 816
Limpopo	**22 820**	25 209
Free State	**164 383**	103 516
North West	**35 553**	31 835
Western Cape	**8 068**	8 622
	535 688	403 625

Multiperil is limited to 15% of the total crop portfolio.

42.5 Equity price risk

The equity risk exposures arise from the medical aid fund assets and the LBLIC investment portfolio. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity (as a result of a change in the fair value of equity instruments held-for-trading in the category financial assets through profit or loss at 31 March) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Group		Bank	
	Change in equity price	Effect on equity	Change in equity price	Effect on equity
	%	R'000	%	R'000
2017				
Individual stocks and indices	**10**	**70 700**	**10**	**29 484**
2016				
Individual stocks and indices	10	80 558	10	29 809

The effect on equity has been calculated using the equity balances at year end.

Price risk - LBLIC
LBLIC is subject to market price risk resulting from daily changes in the fair value of market prices of the instruments within its investment portfolios. The company's objective is to earn competitive returns for the shareholder by investing in a diverse portfolio of high quality, liquid securities. The company holds a variety of equity derivatives for transaction management and hedging purposes.

Sensitivity analysis on equity instruments	Impact on the statement of profit or loss and other comprehensive income	
	31 March 2017	31 March 2016
	R'000	R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	**(34 941)**	(57 899)
5% decrease	**(17 373)**	(28 949)
5% increase	**17 845**	28 949
10% increase	**35 490**	57 899
Including the impact of derivatives		
10% decrease	**(34 488)**	(51 482)
5% decrease	**(17 176)**	(25 741)
5% increase	**16 811**	25 741
10% increase	**33 431**	51 482

43. Capital management

The primary source of capital used by the Group is shareholder's equity funds. The amount of capital required is directly linked to risks arising from insurance business underwritten, as well as the Group's credit and operational risk. Accordingly, risk management is an important component of effective capital management.

Capital management objectives and approach

The Group has established the following capital management objectives and approach to managing the risks that affect its capital position:

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholder;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders and stakeholder;
- To maintain healthy capital ratios in order to support its business objectives; and
- To support the credit rating of the Bank.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover statutory requirements.

The following main strategies were applied to achieve capital management objectives:

- Effective management of credit risk;
- Effective management of underwriting risk,
- Effective management of operational risk - a sound internal control framework reduces operational risk, which in turn has a positive effect in the calculation of required capital; and
- Routine forecasts of capital requirements, assessment against both available capital as well as the expected internal rate of return - including risk and sensitivity analyses.

The purpose of the Group's capital management is to ensure an efficient use of capital in relation to risk appetite and business development. The Group does not have to comply with any regulatory capital requirements.

Capital Adequacy Requirements - Insurance activities

LBLIC

The Long-term and Short-term Insurance Acts of 1998 specify a standard approach to be used in the insurance industry to assess the level of solvency (or financial strength) of an insurance company. The methodology requires the calculation of an amount representing the minimum level of capital required by each insurer to adequately cover risks inherent in the business it conducts. This measure is the Capital Adequacy Requirement.

The Statutory CAR calculation is performed on a prescribed methodology for long-term insurance, as set out in the FSB Board Notice 14 of 2010. The calculation has a number of distinct components designed to put a numerical value to the different risks in the business. The CAR is not included in the policy liabilities as a contingency reserve, it is the additional amount required, over and above the actuarial liabilities, to ensure the company is able to meet material deviations in the main assumptions effecting the assurer's business. It is an independent benchmark against which the solvency level of an insurer can be measured. The FSB has been reviewing the prudential regulatory regime for insurers, in line with Solvency II in Europe, under the SAM regime. Pillar 1 focuses on capital adequacy. A Quantitative impact study was done on the prior reporting period's results, in preparation for SAM, as well as parallel runs on statutory returns in the current reporting period. The company remains solvent under the new requirements that are expected to come into effect in 2018.

For the long-term insurance portfolio, a minimum CAR has been allowed for as would be required by the FSB, based on the higher of:

- Ordinary CAR (OCAR) - R6.6 million (FY2016: R3.4 million); or
- Minimum CAR (MCAR) - Higher of R10.0 million and 13 weeks' operating expenditure (R2.1 million; FY2016: R1.6 million).

CAR for long-term insurance is calculated to be R10 million (FY2016: R10.0 million).
Excess assets over liabilities, on a statutory basis, are R 1.1 billion (FY2016: R1.1 billion). CAR cover remains strong at 112.2 times (FY2016: 106.8 times) on the statutory requirements, which means that the Life Insurance Company is well capitalised.

LBIC

The Short-term Insurance Act of 1998 specifies a standard approach to be used in the insurance industry to assess the level of solvency (or financial strength) of an insurance company. The methodology requires the calculation of an amount representing the minimum level of capital required by each insurer to adequately cover risks inherent in the business it conducts. This measure is the CAR.

The statutory CAR calculation is performed on a prescribed methodology for short-term insurance as set out in the FSB Board Notice 169 of 2011. The calculation has a number of distinct components designed to put a numerical value to the different risks in the business in an attempt to ensure that the company holds sufficient reserves to cover any variations in actual future experience that may be worse than what has been provided for in the insurance liabilities. The CAR is an independent benchmark against which the solvency level of an insurer can be measured.

With effect from 1 January 2012, the prescribed methodology for short-term insurance was revised to reflect a more risk-based approach in CAR management. This is in line with the current development considered as part of the Solvency and Assessment Management (SAM) framework that is part of the FSB's review of prudential regulatory regime in line with Solvency II in Europe and which is expected to become effective on 1 July 2018.

Companies will need to maintain a capital balance that will be sufficient to meet obligations in the event of substantial deviations, such as a 1-in-a-200-year event, from the main risk assumptions effecting the business. This measure is called the Solvency Capital Adequacy Requirement (or SCR). Pillar1 of SAM focuses on capital adequacy.

One of the requirements of SAM is that all insurance companies conduct an Own Risk Solvency Assessment (ORSA) to assess, monitor, manage and report on the risks faced by the company, to ensure the company's solvency needs are sufficiently met all times.

The company submitted its ORSA report to the FSB as required in the current reporting period, and their mock ORSA report in the prior reporting period.

The company meets the current minimum CAR requirements. The shareholder added additional capital in the current reporting period to ensure the company was sufficiently capitalised to accommodate the anticipated growth of the company, using the pending SAM SCR requirements.

For the short-term legacy run-off insurance portfolio (in LBLIC), no CAR has been raised (FY2016: nil).

For the short-term insurance portfolio, a minimum CAR has been allowed for as would be required by the FSB, based on the higher of:

- R10 million;
- 15% of premium income, net of reinsurance, which amounts to R20.3 million (FY2016: R15.7 million);
- 13 weeks' operating expenditure, which amounts to R15.1 million (FY2016: R8.6 million);
- The Solvency Capital Adequacy Requirements (SCR) risk based CAR which is calculated to be R45.3 million (FY2016: R34.5 million).

The CAR for short-term insurance is calculated to be R45.3 million (FY2016: R34.5 million).

Excess assets over liabilities, on a statutory basis, are R232 million (FY2016: R102.9 million). This yields a CAR cover of 5.0 times (FY2016: 3.0 times) on the statutory requirements, before taking the asset spreading requirements into consideration. Due to unforeseen circumstances, the transfer of funds from the current account was delayed, including the R80 million capital injection received on 31 March 2017, to a diverse investment fund of cash and bonds. This lead to a shortfall of admitted assets over liabilities as at 31 March 2017.

Capital Adequacy Requirements (CAR) - the Land Bank

The Bank has adopted a Basel-like Total Capital Adequacy Ratio (TCAR) with approved deviations from the Regulations to determine the amount of capital needed to ensure solvency and liquidity. The TCAR calculation is underpinned by the Standardised Approach principles. The Bank targets a minimum total capital adequacy ratio of 15%. The Basel Accord requires that banks meet three minimum capital adequacy ratios, in order to ensure that banks have an acceptable mix between high quality, expensive capital and lower quality, less expensive capital, these are:

- Common Equity Tier 1 (CET1) minimum = CET1 / total Risk Weighted Assets (RWA);
- Tier 1 minimum = (CET1 + Additional Tier 1 (AT1)) / total RWA; and
- Total minimum = (CET1 + AT1 + Tier 2) / total RWA.

The only deviation from the Banking Regulations with regards to total CAR is:

- Land Bank only has Government as shareholder and is not allowed to issue shares in the market to raise capital. Therefore should the government guarantee be excluded from capital the only other resource of capital would be retained earnings. The Land Bank's funding covenants all include the unutilised portion of government guarantees (those of capital/ sustainability nature) as a source of capital supply. Risk-weightings are risk sensitive, in other words, riskier assets receive higher weightings and the Basel Capital Accord allows for basic and advanced approaches to determine RWA dependent on the sophistication of a bank.

The Land Bank (Bank) capital adequacy was estimated based on the following Basel approaches:

- Credit risk: The Standardised Approach;
- Operational risk: The Basic Indicator Approach;
- Equity risk in the banking book: The Simple Risk-weight Approach;
- Market risk: Standardised approach; and
- Credit and operational risk have been identified as the major risk types affecting the Land Bank.

It is the intention of the Land Bank to move towards more sophisticated approaches, such as the Foundation Internal Ratings-Based (F-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Land Bank is an SOE and therefore does not have the ability to issue share capital. For this reason, the Bank includes Government Guarantees which are not ring-fenced for funding purposes as Tier1 Capital. This is an exception to the Bank Act which was agreed to by National Treasury.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

	Bank 2017	Bank 2016
Capital adequacy		
Total capital adequacy	**17.7%**	18.8%

Capital supply	2017 R'000	2016 R'000
Ordinary shareholders' equity	**4 397 655**	4 397 655
Retained earnings	**1 553 137**	1 244 561
Accumulated other comprehensive income	**137 495**	135 072
Property revaluation reserve	**136 207**	134 224
Other reserves	**1 288**	848
Common Equity Tier 1 (CET1) Capital: Instruments and reserves	**6 088 287**	5 777 288
Distributable reserves relating to the discontinued operation	**(723 714)**	(718 472)
Intangible assets	**(27 275)**	(34 131)
Common Equity Tier 1 Capital: Regulatory adjustments	**(750 989)**	(752 603)
Total available Common Equity Tier 1 capital	**5 337 298**	5 024 685
Tier 2 capital		
General allowance for credit impairment	**563 930**	524 079
Total available Tier 2 capital	**563 930**	524 079
Total available capital	**5 901 227**	5 548 764
National Treasury guarantee *	**2 800 000**	2 800 000

	Bank 2017 R'000	Bank 2016 R'000
Capital demand		
Risk weighted assets		
Credit risk	**45 114 357**	41 794 795
Counterparty risk	**30**	-
Operational risk	**2 465 733**	1 697 529
Equity risk	**371 133**	324 400
Market risk	**50 207**	-
Other assets risk	**305 032**	131 546
Threshold items	**875 075**	500 075
Total	**49 181 567**	44 448 345

* Refer to the Note 38 on Related Parties.

44. Fair value hierarchy of financial instruments

44.1 Carrying amount and fair value of financial instruments

Group	2017 Carrying amount R'000	2017 Fair value R'000	2016 Carrying amount R'000	2016 Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**15 149**	**15 149**	14 706	14 706
Investments	**1 860 074**	**1 860 074**	1 691 704	1 691 704
Market making assets	**9 617**	**9 617**	-	-
Loans and receivables				
Cash and cash equivalents	**1 520 331**	**1 520 331**	2 507 463	2 507 463
Trade and other receivables	**385 043**	**383 638**	174 419	173 843
Loans and advances	**41 172 693**	**41 172 693**	36 503 038	36 503 038
Total financial assets	**44 962 907**	**44 961 502**	40 891 330	40 890 754

Financial liabilities

	2017 Carrying amount R'000	2017 Fair value R'000	2016 Carrying amount R'000	2016 Fair value R'000
Fair value through profit or loss				
Market making liabilities	**5 533**	**5 533**	-	-
Financial liabilities at amortised cost				
Trade and other payables	**379 782**	**379 782**	383 547	383 547
Funding	**37 839 610**	**37 869 128**	34 024 131	34 105 277
Policyholders' liabilities	**54 762**	**54 762**	35 787	35 787
Total financial liabilities	**38 279 687**	**38 309 205**	34 443 465	34 524 611

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank	R'000	R'000	R'000	R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**15 149**	**15 149**	14 706	14 706
Investments	**983 184**	**983 184**	557 836	557 836
Market making assets	**9 617**	**9 617**	-	-
Loans and receivables				
Cash and cash equivalents	**1 211 305**	**1 211 305**	2 120 577	2 120 577
Trade and other receivables	**138 949**	**137 544**	331 008	331 008
Loans and advances	**41 172 693**	**41 172 693**	36 503 038	36 503 038
Total financial assets	**43 530 897**	**43 529 492**	39 527 165	39 527 165
Financial liabilities				
Fair value through profit or loss				
Market making liabilities	**5 533**	**5 533**	-	-
Financial liabilities at amortised cost				
Trade and other payables	**163 998**	**163 998**	188 180	188 180
Funding	**37 839 610**	**37 839 610**	34 024 131	34 024 131
Total financial liabilities	**38 009 141**	**38 009 141**	34 212 311	34 212 311

Methods used to determine fair values for the Group
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following assumptions and methods were used to estimate the fair values:
Those held at fair value are fair valued with reference prices quoted in the market that are readily available. Included in this classification are equities, debt instruments and cash.

Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Swaps, if applicable, are valued using inputs obtained from independent sources. The inputs are loaded into the Aford model, a derivative valuation tool that is customised to the South African environment and developed by an independent third party. The fair value of a swap is equal to the present value of all future cash flows using the daily market swap curve. The model uses fixed and floating future cash flows. The fixed cash flows are known and are easily calculated. The floating cash flows are unknown and are calculated using the cubic splines interpolation method.

Changes in fair value are attributable to interest rate fluctuations. There have been no changes in fair value that are attributable to the change in credit risk as there have been no upward or downward movements in the credit risk as per the Fitch rating.

44.2 Determination of fair value and fair value hierarchy

Financial assets and liabilities measured at fair value in the balance sheet are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data.

During the year, the company had no significant transfers between instruments in Level 1, Level 2 or Level 3.

	Level 1	Level 2	Level 3	Total
31 March 2017	**R'000**	**R'000**	**R'000**	**R'000**
Financial assets				
Bank				
Repurchase agreements	-	15 149	-	15 149
Equities	196 627	-	-	196 627
Real estate	46 122	-	-	46 122
Commodities	2 514	-	-	2 514
Bonds	53 187	-	-	53 187
Cash deposits and similar securities	-	11 834	-	11 834
Foreign equities	-	49 582	-	49 582
Investment in Acorn Agri (Pty) Ltd	-	-	75 000	75 000
Investment in Capespan Capital (Pty) Ltd	-	-	1 288	1 288
LBLIC				
Equities	412 151	-	-	412 151
Commodities	30 498	5 070	-	35 568
Bonds	247 763	-	-	247 763
Collective investment schemes	69 959	300 934	-	370 893
Equity - foreign unit trusts	-	173 388	-	173 388
Balanced fund - foreign	-	39 080	-	39 080
Currency derivatives	-	(146)	-	(146)
Interest bearing instruments	-	88 612	-	88 612
Property - listed shares	69 959	-	-	69 959
Money market instruments	-	79 573	-	79 573
Investment policy	-	13 980	-	13 980
Total financial assets	**1 058 821**	**476 122**	**76 288**	**1 611 231**

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	47 993	47 993
Investment properties	-	-	167 800	167 800
Property and equipment	-	-	45 053	45 053
LBLIC				
Non-current assets held-for-sale	-	-	-	-
Investments	-	-	-	-
Investment properties	-	-	-	-
Property and equipment	-	-	-	-
Total non-financial assets	**-**	**-**	**260 846**	**260 846**
Financial liabilities				
LBLIC				
Policyholders' liabilities	-	-	54 762	54 762
Total financial liabilities	**-**	**-**	**54 762**	**54 762**

44.3 Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	Capespan Capital (Pty) Ltd R'000	Free State Maize (Pty) Ltd R'000	Renaissance Brands (Pty) Ltd R'000	Unlisted shares held by insurance companies R'000	Total R'000
Unquoted Equity Shares					
As at 31 March 2015	**432**	**11 415**	**-**	**-**	**11 847**
Re-measurement recognised in OCI	416	(11 415)	-	-	(10 999)
As at 31 March 2016	**848**	**-**	**-**	**-**	**848**
Re-measurement recognised in OCI	440	-	-	-	440
As at 31 March 2017	**1 288**	**-**	**-**	**-**	**1 288**

Refer to note 8.

	Non-current assets held-for-sale	Investment property	Property and equipment	Total
	R'000	R'000	R'000	R'000
Property				
As at 31 March 2015	**53 092**	**99 800**	**76 798**	**229 690**
Purchases	610	-	-	610
Fair value adjustment for recognised in the statement of profit or loss	-	1 253	-	1 253
Re-measurement recognised in OCI	-	-	4 650	4 650
Reclassification from property and equipment to investment property	-	5 687	(5 800)	(113)
Disposal	(6 080)	-	-	(6 080)
As at 31 March 2016	**47 622**	**106 740**	**75 648**	**230 010**
Purchases	3 126	-	-	3 126
Fair value adjustment for recognised in the statement of profit or loss	190	8 879	-	9 069
Re-measurement recognised in OCI	-	-	2 050	2 050
Reclassification from property and equipment to investment property	-	52 181	(52 450)	(269)
Disposal	(2 945)	-	-	(2 945)
As at 31 March 2017	**47 993**	**167 800**	**25 248**	**241 041**

	Group	
	2017	2016
Policyholders' liabilities	R'000	R'000
Present value of policy liabilities	**33 219**	30 726
Plus: Present value of future expenses	**17 265**	21 647
Less: Present value of future premiums	**(23 295)**	(28 921)
Liability excluding AIDS reserve	**27 189**	23 452
Plus: AIDS reserve	**894**	1 147
Plus: Expense overrun reserve	**22 386**	7 148
Total long-term policyholders' liability excluding IBNR and notified claims	**50 469**	31 747

Refer to note 18.1

44.4 Description of significant unobservable inputs to level 3 valuations

As at 31 March 2017

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV	Audited Financial Statements	N/A
Acorn Agri (Pty) Ltd	DCF and NAV - whatever was more appropriate for the underlying entity	NAV: Audited Financial Statements DCF Valuation: Discount rates range between 20.4% and 30.4% EBITDA Margin ranges between 3% and 35%	NAV: N/A Discount rate: +1%: -R1 107.9 million -1%: +R1 178.7 million

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	3% - 5% 17.7% - 29.9% 11% - 12%	Capitalisation rate: +1%: R26 388 604 '-1%: R31 481 062
Investment property	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	1.5% - 8% 14.5% - 41.9% 9.8% - 13%	Capitalisation rate: +1%: R151 045 736 '-1%: R181 091 945
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R5 250 - R30 000	Market value per ha. of land: + R1000 p/ha.: R17 424 036 - R1000 p/ha.: R13 542 710
		Irrigated pasture land per ha.:	R8 000	
		Farm yard land per ha.:	R7 000 - R25 000	
		Wasteland per ha.:	R6 000	
		Industrial land per ha.:	R2	
		Construction price for dwellings per m^2:	R5 600 - R8 712	
		Construction price for other structures per m^2:	R1 700 - R2 800	
		Depreciated value:	75%	

As at 31 March 2016

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	NAV	Audited Financial Statements	N/A
Renaissance Brands (Pty) Ltd	DCF/earnings multiple	PE valuation: Comparative listed company DCF valuation: Discount rate - 14.0% Growth assumption - 1.4%	PE movement of 1: R1 056 569 Discount rate: +1%: -R4 532 737 -1%: +R5 335 412 Growth rate: +1%:+R2 709 639 -1%: -R2 307 583

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	2% - 8% 15.3% - 32.68% 10.5% - 12%	Capitalisation rate: +1%: R98 178 748 -1%: R117 062 383
Investment property	Net income capitalisation method	Vacancy rate range: Income/Expense ratio range: Capitalisation rates range:	3% - 5% 18.5% - 37.9% 10% - 14%	Capitalisation rate: +1%: R91 730 084 -1%: R109 591 946
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R5 000 - R30 000	Market value per ha. of land: + R1000 p/ha.: R28 736 728 - R1000 p/ha.: R25 647 973
		Irrigated pasture land per ha.:	R20 000	
		Farm yard land per ha.:	R15 000 - R27 000	
		Wasteland per ha.:	R5 000	
		Industrial land per ha.:	R30 000	
		Construction price for dwellings per m^2:	R5 000 - R6 100	
		Construction price for other structures per m^2:	R1 678 - R3 800	
		Depreciated value:	11% - 49%	

45. Fruitless And Wasteful Expenditure (F&WE)

The F&WE relates to isolated incidences where penalties and interest were levied on late payments of utility accounts.

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
45.1 Reconciliation of amounts transferred to receivables for recovery				
Opening balance	**6**	1	**6**	1
Add: F&WE for the current year transferred to receivables	**45**	6	**27**	6
Less: Amounts recovered in current year	**(6)**	-	**(6)**	-
Less: Amounts written off	**(45)**	(1)	**(27)**	(1)
Closing balance	**-**	6	**-**	6

In terms of regulatory requirements, the accounting officer must determine who the responsible party is from whom the amount of F&WE must be recovered. The receivables relates to traffic fines expected to be recovered from the responsible employees.

	Group		Bank	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
45.2 Analysis of current F&WE				
Current matters				
- Penalties and interest	**418**	1 103	**400**	1 103
As per statement of profit or loss and other comprehensive income	**418**	1 103	**400**	1 103

There has been a significant reduction in the fruitless and wasteful expenditure. The F&WE of the prior year relates to South African Revenue Service interest and penalties of R1.1 million.

During the current year, LBIC has incurred R13 058 for a late payment of a VAT return.

45.3 F&WE relating to prior year discovered in the current year:

	2017 R'000
- Employee overpayment	161
- Ex-employee training cost	18
- External bursary payment to university	84
	263

46. Irregular expenditure

46.1 Reconciliation of irregular expenditure

	Group		Bank	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Opening balance	-	-	-	-
Expenditure deemed as irregular relating to prior year discovered in the current year	-	8 617	-	8 617
Expenditure deemed as irregular relating to current year	**2 746**	23 175	2 325	23 175
Amounts recomended by the Board for the condonation from National Treasury	**2 746**	31 792	**2 325**	31 792
Amounts submitted to National Treasury	**2 746**	31 792	**2 325**	31 792

46.2 Analysis of current irregular expenditure

Incident

Incident	2017 R'000
The incident relates to the overpayment of salary, where an incorrect rate of increase was used and an additional bonus payment. The amount is expected to be recovered in the new financial year. Refer to note 5.	767
The expenditure deemed as irregular relates mainly to instances where goods and services were procured from the service providers where the tax status of the supplier was not confirmed when quotes were obtained from the service provider. The tax status was however confirmed when payments were made to these service providers. These transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity, and value for money was derived from the use of the goods procured or services rendered.[1]	456
Expenditure incurred for goods procured as a result of the Bank's interpretation of the application of section 9(1) of the Preferential Procurement Regulations for local content. These transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity, and value for money was derived from the use of the goods procured or services rendered.[1]	1074
This incident relates to expenses incurred for media subscriptions where the services were still being rendered by the supplier whilst internal processes for extension was being attended to. These transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity, and value for money was derived from the use of the goods procured or services rendered. [1]	28
	2 325

Insurance subsidiaries

Incident

The expenditure deemed as irregular relates mainly to instances where goods and services were procured from the service providers where the tax status of the supplier was not confirmed when quotes were obtained from the service provider. The tax status was however confirmed when payments were made to these service providers. These transactions, conditions or events have not resulted in the companies suffering any loss, there was no fraudulent activity, and value for money was derived from the use of the goods procured or services rendered. [2]	421
	421

[1] These expenses were approved and derecognised by the Land Bank Board on 4 July 2017.

[2] These expenses were approved and derecognised by the LBIC/LBLIC Boards on 29 June 2017.

Incident	2016 R'000
Business class tickets were booked for flights from Port Elizabeth to Johannesburg for members of Executive Management for the purpose of attending Organisational Structure meetings scheduled with AFC's. [1]	11
The Bank held a farewell function for long-serving executives that have left the Bank during the current financial year. [1]	17
The expenditure deemed as irregular relates mainly to instances where goods and services were procured from the service providers where original tax clearance certificates were not obtained. The Bank obtained copies of tax clearance certificates in most instances. These transactions, conditions or events have not resulted in the Bank suffering any loss, there was no fraudulent activity, and value for money was derived from the use of the goods procured or services rendered. [2]	23 147
Total	**23 175**

[1] These expenses were approved and derecognised by the Land Bank Board on 30 May 2016.
[2] These expenses were approved and derecognised by the Land Bank Board on 29 July 2016.

47. Events after the balance sheet date

Guarantees from National Treasury:
National Treasury extended the R1.5 billion sustainability guarantee that expired on 31 March 2017 and converted the guarantee into a stronger letter of comfort that will result in a capital injection into the Bank in the event of solvency constraints. This R1.5 billion letter of comfort acts as partial draw down of the R4.5 billion guarantee extended to Land Bank during October 2016.

Funding matters:
Post 31 March 2017 the following funding matters have been concluded and executed on:

- A 10 year $300 million MIGA (extension of the World Bank) guaranteed facility to be executed in three tranches. The first tranche of $70 million has been executed in April 2017 and the second tranche of $130 million was executed on 31 May 2017, with the final tranche of $100 million to be executed in Dec 2017.
- A 25 year R1.3 billion World Bank facility to support the Land Bank's development mandate. This facility is secured by way of a government guarantee.
- During April 2017 the Land Bank tapped LBK18 for R500 million and LBK19 for R155 million.
- During May 2017 the Land Bank concluded two 5 year private placements totalling R1.9 billion.
- During June 2017 the Land Bank concluded a 5 year Fixed Rate private placement under the DMTN programme of R150 million.
- As of 30 June 2017, the Land Bank had repaid all drawn committed facilities and has access to R2.15 billion committed facilities.

On 28 June 2017 the Company Secretary, Mr A Yabo, resigned. Konehali Gugushe was appointed as the acting Company Secretary on 3 July 2017 until a suitable candidate could be found.

LBIC:
LBIC transferred R275 million to an asset manager from a current account on 30 June 2017, which was expected to take place before year end, after all the required documentation had been collated and sumbitted as required. These funds will be invested in a diverse investment fund of cash and bonds, which rectify the shortfall of admitted assets to a liabilities reported at year end, with the additional capital injection on March 2017.

48. Comparative numbers

The following comparative figures have been restated to improve the classification disclosure in the prior years' financial statements and to conform the changes in presentation in the current year.

In the prior year, the interest expense on the post-retirement medical aid liability was disclosed as part of the Interest expense from lending activities in the Statement of Profit or Loss and Other Comprehensive Income. This has been changes to disclose this interest expense as a separate line item on the face. Refer to note 21 for the reconciliation of the post-retirement medical aid liability.

Group	Notes	Previously reported 2016 R'000	Reclassifications 2016 R'000	Restated 2016 R'000
Continuing operations				
Net interest income		1 130 278	23 202	1 153 480
Interest income	23	3 562 685	-	3 562 685
Interest expense	24	(2 432 407)	23 202	(2 409 205)
Net impairment charges, claims and recoveries	10.6	(74 225)	-	(74 225)
Total income from lending activities		1 056 053	23 202	1 079 255
Non-interest expense	25	(241 020)	-	(241 020)
Non-interest income	26	51 617	-	51 617
Operating income from banking activities		866 650	23 202	889 852
Net insurance premium income	27.1	115 874	-	115 874
Net insurance claims	27.3	(90 167)	-	(90 167)
Other costs from insurance activities	27.4	(20 039)	-	(20 039)
Investment income and fees	28	56 810	-	56 810
Interest in post-retirement obligation		-	(23 202)	(23 202)
Fair value gains	29	36 052	-	36 052
Operating income		965 180	-	965 180
Operating expenses	30	(695 533)	-	(695 533)
Net operating income		269 647	-	269 647
Non-trading and capital items	31	2 223	-	2 223
Net profit before indirect taxation		271 870	-	271 870
Indirect taxation	32	(54 304)	-	(54 304)
Net profit from continuing operations		217 566	-	217 566
Share of profit/(loss) in investments accounted for using the equity method	33	-	-	-
Net loss from discontinued operations	22	(35 607)	-	(35 607)
Profit for the year		**181 959**	**-**	**181 959**
Other comprehensive income				
Items that will be reclassified into profit or loss				
Net losses on financial assets designated at fair value through other comprehensive income		(10 999)	-	(10 999)
Items that will not be reclassified subsequently to profit or loss		-		
Actuarial loss on the post-retirement obligation		(17 481)	-	(17 481)
Revaluation of land and buildings		6 295	-	6 295
Total other comprehensive income		(22 185)	-	(22 185)
		-		
Total comprehensive income for the year		**159 774**	**-**	**159 774**

Bank	Notes	Previously reported 2016 R'000	Reclassifications 2016 R'000	Restated 2016 R'000
Continuing operations				
Net interest income		**1 111 343**	**23 202**	**1 134 545**
Interest income	23	3 543 750	-	3 543 750
Interest expense	24	(2 432 407)	23 202	(2 409 205)
Net impairment charges, claims and recoveries	10.6	(74 225)	-	(74 225)
Total income from lending activities		**1 037 118**	**23 202**	**1 060 320**
Non-interest expense	25	(240 647)	-	(240 647)
Non-interest income	26	48 673	-	48 673
Operating income from banking activities		**845 144**	**23 202**	**868 346**
Investment income and fees	28	10 126	-	10 126
Interest in post-retirement obligation		-	(23 202)	(23 202)
Fair value gains	29	4 358	-	4 358
Operating income		**859 628**	**-**	**859 628**
Operating expenses	30	(677 946)	-	(677 946)
Net operating income		181 682	-	181 682
Non-trading and capital items	31	2 223	-	2 223
Net profit before indirect taxation		**183 905**	**-**	**183 905**
Indirect taxation	32	(54 304)	-	(54 304)
Net profit from continuing operations		**129 601**	**-**	**129 601**
Share of profit/(loss) in investments accounted for using the equity method	33	-	-	-
Net loss from discontinued operations	22	(35 607)	-	(35 607)
Profit for the year		**93 994**	**-**	**93 994**
Other comprehensive income				
Items that will be reclassified into profit or loss				
Net losses on financial assets designated at fair value through other comprehensive income		(10 999)	-	(10 999)
Items that will not be reclassified subsequently to profit or loss		-		-
Actuarial loss on the post-retirement obligation		(17 481)	-	(17 481)
Revaluation of land and buildings		6 295	-	6 295
Total other comprehensive income		**(22 185)**	-	(22 185)
		71 809	-	71 809

In the prior year, the split for the collateral on the Service Level Agreements was not available. During the current year, this split was obtained to make the FY2016 disclosure comparable to the FY2017 disclosure. Refer to note 10.7.

	Estimated value	Bank 2016 as reported	Bank 2016 SLA	Bank 2016 Restated
Nature of assets	%	R'000	R'000	R'000
Biological assets	10% - 100%	2 595 823	2 173 759	4 769 582
Commodities	50% - 90%	887 085	2 121 552	3 008 637
Debtors	30% - 70%	4 669 546	67 301	4 736 847
Deposits	90% - 100%	143 304	-	143 304
Guarantee	95% - 100%	2 938 115	20 540	2 958 655
Land and buildings	10% - 75%	7 960 890	7 782 246	15 743 136
Office equipment and computers	10%	15 106	-	15 106
Plant and equipment	30% - 50%	1 353 803	111 544	1 465 347
Shares and investments	30% - 100%	652 578	453 151	1 105 729
Specialised infrastructure	50%	163 005	-	163 005
Stock	10% -70%	2 571 279	-	2 571 279
Subleases	75%	118 916	-	118 916
Trademarks	50%	1 026 412	-	1 026 412
Vehicles	30% - 50%	276 208	758 826	1 035 034
Suretyship	10%	-	3 816	3 816
Cessions held over unpaid shares	30%	5 894	1 123 303	1 129 197
Other	10%	2 661	2 631 045	2 633 706
Total		**25 380 625**	**17 247 085**	**42 627 708**

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