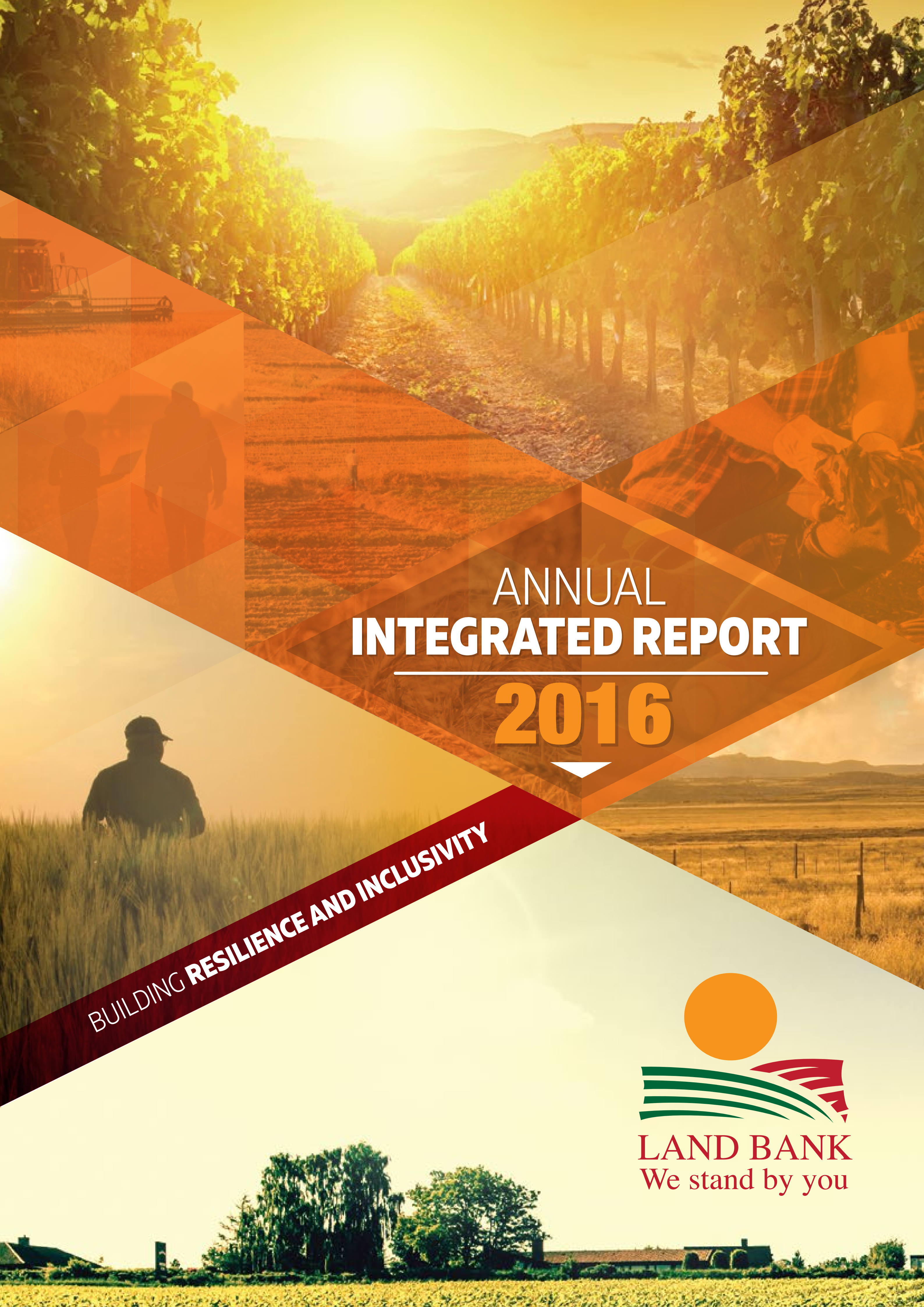

ANNUAL INTEGRATED REPORT 2016

BUILDING **RESILIENCE AND INCLUSIVITY**

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ABBREVIATIONS

AfDB	African Development Bank
AFASA	African Farmers' Association of South Africa
AGSA	Auditor-General of South Africa
ARC	Agricultural Research Council
ASUF	Agricultural Sector Unity Forum
BBBEE	Broad-Based Black Economic Empowerment
CAR	Capital Adequacy Ratio
CB	Corporate Banking
CCMA	Commission for Conciliation, Mediation and Arbitration
CDB	Commercial Development Banking
CEO	Chief Executive Officer
COIDA	Compensation for Occupational Injuries and Diseases Act
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DRDLR	Department of Rural Development and Land Reform
DWS	Department of Water and Sanitation
EFSF	Emerging Farmer Support Facility
EMEs	Exempted Micro-Enterprises
ERM	Enterprise Risk Management
ESMS	Environmental and Social Management System
ESS	Environment and Social Sustainability
FAIS	Financial Advisory and Intermediary Services Act
FIC	Financial Intelligence Centre
FSB	Financial Services Board
FY	Financial Year
GDARD	Gauteng Department of Agriculture and Rural Development
GDP	Gross Domestic Product
GFADA	Grain Farmer Development Association
GRI	Global Reporting Initiative
HR	Human Resources
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IR	Integrated Reporting
LBIC	Land Bank Insurance Company
LBLIC	Land Bank Life Insurance Company
LCR	Liquidity Coverage Ratio
LDFU	Land Development Finance Unit
MINMEC	Ministers and Members of Executive Council
MoU	Memorandum of Understanding
NAAC	National Agri-Parks Advisory Council

NAFU	National African Farmers Union of South Africa
NCR	National Credit Regulator
NERPO	National Emergent Red Meat Producers Organisation
NSFR	Net Stable Funding Ratio
NT	National Treasury
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PDI	Previously Disadvantaged Individuals
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PPC	Parliamentary Portfolio Committee
QSE	Qualifying Small Enterprise
REM	Retail Emerging Market
SAM	Social Accounting Matrix
SASBO	South African Society of Bank Officials
SLA	Service Level Agreement
SOC	State Owned Company
SPV	Special Purpose Vehicle
TAU SA	Transvaal Agricultural Union of South Africa
The Bank	Land and Agricultural Bank of South Africa
The Board	The Land Bank Board of Directors for the Group
the dti	The Department of Trade and Industry
The Group	The Land Bank Group of Companies
WFF	Wholesale Finance Facility

SECTION 1

"To survive, adapt and grow in an increasingly volatile environment requires resilience on the part of farmers, communities, organisations and systems."


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ENHANCING RESILIENCE IN SOUTH AFRICAN AGRICULTURE

The landscape within which Land Bank Group and the agricultural sector operate is marked by ever-increasing volatility and change. To survive, adapt and grow in such an environment requires resilience on the part of farmers, communities, organisations and systems.

South African farmers, whether established commercial farmers or emerging farmers, already display a commendable quota of resilience. They are used to facing an ongoing series of challenges in the form of elements such as changing weather patterns, fluctuating input costs and commodity prices. In spite of these, they continue to rise above the circumstances and work tirelessly to produce food for the nation.

Enhancing this resilience will add to the ability of Land Bank Group and agricultural sector to manage unexpected events efficiently and swiftly, and emerge stronger than before.

As a specialist source of financial assistance to the agricultural sector, Land Bank Group is committed to its brand promise 'We stand by you', by sharing the resilience of the agricultural sector. In fact, resilience is the golden thread that is interwoven in this year's annual report as it deeply resonates with the Bank's strategy and actions to serve the agricultural sector.

The performance of the sector during FY2016 has been restrained and this outcome has not escaped Land Bank Group. To embed our support, the Bank embarked on a series of counter cyclical support measures designed to assist farmers in 'planting their way out'. In applying this approach, we were:

- Reaffirming our commitment to agriculture and finding creating positive outcomes - regardless of the cyclical 'storm clouds' that may loom over the sector;
- Increasing our internal effectiveness by choosing to restructure our institution to make it more resilient and responsive to our clients;
- Identifying deliberate prospects of recovery within the drought, and intervening to supplement our clients' own strategies; and
- Fulfilling a greater role within the agricultural sector by supporting efforts aimed at building resilience of vital natural resources. This includes efforts in the fields of water, energy, land, soil quality, biodiversity, ecosystem degradation, climate change and issues such as droughts and floods that are beyond human control.

Agriculture is unique in its direct dependence upon other inputs for its own success. This co-dependence, can either be viewed as an opportunity for co-creation, or as a systemic impediment to success.

For us, this gives rise to new opportunities for mutual growth, co-creation and joint solutions.

We regard the internal and external obstacles that we have to overcome as opportunities for growth. We remain optimistic about our future, the agricultural sector, and our ability as a country to garner and upscale the power of agriculture to a much more beneficial outcome.

LAND BANK
CENTURION JULY 2016

- Despite a challenging year, the Bank managed to meet all its financial corporate targets, save for the gross interest margin, which fell short of the 31.8% threshold by 0.4% in absolute terms.
- Launch of Land Bank Vision 2020
- Net interest income increased by 4.8% to R1.111 billion (FY2015: R1.060 billion) despite marginal loan book growth,
- Gross loans increased by 3.2% or R1.2 billion to R39.0 billion (FY2015: R37.8 billion)
- The short term insurance company, Land Bank Insurance Company (LBIC) recorded a profit of R13.6 million (FY2015: R43.0 million loss). Gross premiums increased by more than 100% to R405.9 million (FY 2015: R138.4 million)
- The Bank achieved a healthy total capital adequacy ratio (CAR) of 18.8% (FY2015: 24.0%), which is well above the Bank's internal target of 15%
- Total comprehensive income amounted to R285.3 million (FY2015 R220.5 million) on a like for like basis
- Excluding the once-off expenses relating to the organisational review, costs related to normal operations remained flat at R515.2 million (FY2015: R510.5 million).
- Cost containment coupled with revenue growth (despite a relatively flat earnings base) enabled the Bank to maintain operational efficiency as reflected in the cost to income ratio of 56.0% (FY2015: 54.9%) when excluding once-off organisational review costs
- During FY2015, National Treasury (NT) provided Land Bank with support to the value of R4 billion in Government guarantees, which increased the quantum of guarantees to R5.5 billion. In FY2016, the Bank successfully raised R2.7 billion long-dated funding on the back of this guarantee, whilst R1.3 billion of the guarantee remains unutilised and is earmarked to back a development funding line from the World Bank.

- The Bank is pleased to announce that some successes of the organisational redesign were achieved in the Finance and Treasury environment, which included:
    - The Bank's funding maturity profile was lengthened to ensure less reliance on short-term funding. To this effect, the Bank's funding liabilities maturing within a 12-month period reduced to 59.9% (FY2015: 69.0%);
    - The introduction of a number of the Basel Accord's capital and liquidity risk management practices. This includes the adoption of the Basel II standardised approach CAR, as well as the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR); and
    - The successful early adoption of IFRS 9.

This is the maiden integrated report of the Land Bank Group in accordance with the integrated reporting principles. The report showcases our strategies for enhancing resilience within the agricultural sector and creating value for our stakeholders across the board in both the medium and long term. In addition, it outlines our environmental and social footprint and highlights the successes, opportunities, and challenges of the period under review. It also demonstrates our approach to keep on riding the waves going forward to sustain and enhance our value proposition.

SCOPE AND BOUNDARY OF REPORTING

Reporting period

This report outlines the performance of the Land Bank Group against its corporate plan for the financial period beginning 1 April 2015 and ending 31 March 2016. Due to the organisational review that the Group conducted during the Financial Year (FY) 2016, there are material changes that took place just before the end of the reporting period. As a result, the Group's outlook, targets, and objectives were redefined for the short term (2016), as well as for the medium to long term (2017 to 2020). These changes are reflected in the Group's new Vision 2020 Strategy which was approved by the Board during the course of the year. Implementation thereof commenced just before the end of the FY2016 and the relevant changes are reflected in the report.

Financial and non-financial reporting

The scope of the report extends beyond financial reporting to encompass non-financial performance as well. This includes opportunities, risks, and outcomes that are attributable to, or associated with our key stakeholders that have a significant influence on our ability to create shared value.

Targeted readers

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

Regulatory reporting requirements

The content of this report is aligned with the requirements of the International Integrated Reporting Framework (IIRF) and the King Code of Governance Principles for SA (King III Code) and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. As our sustainability matures and in cases where it is material for us to do so, we will gradually expand both our Integrated Report (IR) and GRI G4 reporting level until we reach comprehensive status.

Assurance and independent assessment

Our reports are assured by the Auditor-General of South Africa appointed in terms of Section 58 or the PFMA.

The Bank, through it's monitoring process observed a drought condition in some parts of the country during the 2014/15 production season. The drought further persisted during the 2015/16 production season. The number of hectares planted for the current season is lower than the previous year and there is a decline across all grain commodities in the agricultural sector. The consequence of lower output in agriculture resulted in an increase in imports as well as local prices.

The hardest hit provinces were KwaZulu-Natal, North West, Free State and Limpopo with dams very low, some standing virtually empty. Commodities like wheat, maize and sugar cane crops were severely affected, with a potential effect into the new season. This resulted in lower income revenue for the farmers and ultimately the agricultural sector, leading to negative growth for the year under review. Seven provinces were declared disaster areas and will be unable to plant in the new season due to dry underground moisture. Approximately 3 million tons of maize will have to be imported to meet the local and neighbouring countries' demand.

The Bank has the responsibility of sound lending against good prospects. Both the yields and the quality of crops were estimated to be low due to the lack of irrigation water or rain. There was an observed decrease in livestock numbers due to the voluntary slaughter by farmers. Livestock farmers felt the pressure on profit margins.

With the above phenomenon prevailing, the Bank as a leading funder in the agricultural sector had to develop financial support interventions to supplement government disaster risk mitigation efforts to assist distressed farmers (Table 1). At the end of the 2014/15 production season, the Bank announced in response to the drought that it will be assisting its customers depending on commodity by extending loan term, restructuring of debt, carryover debt, extending payment due date, repayment holidays in some instances and adjustment of security cover ratio on mortgage bonds. The assistance was based on the merits of each customer's business case. The Bank also created awareness about its forced stock sale deposit scheme, which allows the farmer to liquidate livestock in drought affected areas and the proceeds to be deposited with the Bank with no tax obligation from income generated.

As the drought continued in the 2015/16 production season, the Bank was already in negotiations with the Industrial Development Corporation (IDC) for a concessionary loan scheme to assist distressed farmers in the declared disaster areas. A drought relief concessionary loan scheme was launched by the Bank in March 2016 priced at prime less 3 percent. This facility was meant to reduce the interest burden to ease the cash flow during the recovery years. The Bank also participated in several drought forums led by stakeholders in agriculture to propose solutions to the Department of Agriculture. The Bank furthermore provided reports of initiatives undertaken for drought to the Portfolio Committee for Finance and the Portfolio Committee for Agriculture, Forestry and Fisheries.

Table 1: Drought challenges and the Bank's solutions

Issue	Challenge	Solutions
Interest Rate	• Market related interest rate is not beneficial for a farmer who is under distress due to a disaster	• Negotiated concessionary interest rate with IDC and Land Bank also foregoing a margin leading to a blended interest rate of prime less 3%
Land Bank financial contribution to drought	• The Land Bank gets it's funding from the open market which makes it difficult to price below the cost of funds	• Of the R400 million concessionary funding, R250 million is priced at prime and the Bank decided to price it at prime less 3% as it's financial contribution to drought
Planting using Land Bank finance	• Assisted farmers could plant outside the crop planting window leading to a crop failure	• Technical support was provided to farmers in the North West as such Rustenburg farmers were advised not to plant and only farmers in certain areas of Lichtenburg were allowed to plant
Low volumes	• The current season is in progress and there is no certainty at this stage about farmers requiring assistance	• The Bank will be marketing the available assistance in partnership with IDC aggressively • The forced stock sale deposit customer base will be used to contact farmers to ascertain the need for assistance
Summer planting season	• The trend is that summer season rains have shifted from normal time frames to later which poses a high risk to farmers • Low utilisation of facilities by clients which is not in line with budgets	• Technical support provided to emerging black farmers • Insurance product provided by LBIC • Regular cash flow forecasting by the Bank to ensure availability of facilities to clients

SECTION 2

"Governance is the key cornerstone of Land Bank's business. We have structures and systems in place to sustain the Bank's long-term rating and measure its credit, liquidity, and capital adequacy to sustain compliance with all the relevant regulatory frameworks."


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INTRODUCTION

The Land Bank Group put governance structures in place to maintain and sustain the Bank's long-term rating and measure its credit, liquidity, and capital adequacy. These structures are also designed to ensure compliance with all the relevant regulatory frameworks and measures such as the Public Finance Management Act (PFMA), King III Report, as well as internal measures and governance procedures that are instituted by the Board, Executive Management and Risk and Audit Committees, amongst others. The Minister of Finance represents the shareholder and is responsible for political oversight of the management of the Group. The Board ensures that governance issues are adhered to and that there is no deviation or transgression from the regulatory frameworks.

1.1. MESSAGE FROM THE MINISTER OF FINANCE

Pravin Gordhan, MP
Minister of Finance

Land Bank

The Land Bank entered the financial year under review amidst significant financial market changes. A general liquidity pull-back in markets and extreme volatility made the raising of capital from markets a challenge. However, with the support of the National Treasury, the Land Bank was able to extend its funding profile, and raise sufficient capital to deliver on its mandate. In this regard, I am pleased to note that the Bank successfully raised R2.7bn long-dated funding which aligns with its development strategy; and is simultaneously pursuing discussions with other multilateral agencies to raise additional long-term funding, particularly aimed for development.

As part of its efforts to ensure long-term financial sustainability, the Bank, with the cooperation of the National Treasury and under the guidance of the Board, undertook a full organisational review- the main purpose of which was to re-align the Bank's strategy with the country's developmental agenda. Agriculture was identified under the National Development Plan (NDP) as a priority sector to reduce poverty, food insecurity and drive sustainable economic growth. Success in transforming this sector is largely dependent on the implementation of sustainable approaches to agricultural innovation, as well as cross-sectorial and organisational cooperation. It is for this reason that enduring institutional partnerships and synergies were forged between the Land Bank and key sector departments such as the Departments of Agriculture, Forestry and Fisheries (DAFF) and Rural Development and Land Reform (DRDLR) in various programme areas. This includes the fully utilisation of agricultural land resources acquired through reform programmes, the expansion of agricultural land for production; and the structured development of land in communal areas.

As the country begins to recover from the harsh aftermath caused by a prolonged drought, the agricultural sector will seek to re-invest in various areas. Better rainfall will encourage the optimal planting of available land by farmers in the grain sector while the rebuilding of herds and increase in capital investment will be the focus of attention in the animal production sector. The country's horticulture sector has great export potential, and is anticipated to grow significantly. The Land Bank, as Government's key development agency in agriculture, will in the forthcoming financial year, increase its developmental funding to support wide-ranging efforts in the above-mentioned areas. The proactive identification and swift implementation of initatives such as these and more will ensure that the Land Bank continues to deliver on its development mandate.

I extend my thanks to the Chairperson of the Land Bank Board of Directors, Mr. MA Moloto, the Board and CEO, Mr. TP Nchocho, as well as the Executive team for the leadership and commitment displayed in ensuring the Bank remains relevant. I also wish to thank the staff of the Bank for the efforts they make on a daily basis to ensure the longevity of this vital sector. The road ahead is long, but I am confident that the Bank will continue to strengthen its role in the economy through the implementation of measures aimed at driving the development and transformation of agriculture, so that it thrives as a sector capable of providing opportunities for all.

I also look forward to, and will ensure, closer collaboration with my colleagues – the Ministers of Agriculture, Forestry and Fisheries and of Rural Development and Land Reform.

We need to redouble our efforts to boost the agriculture sector generally and to ensure the increased participation of black farmers in this sector. the increased participation of black farmers in this sector.

....

Pravin Gordhan, MP
Minister of Finance

1.2. MESSAGE FROM THE CHAIRPERSON

M A Moloto
Chairperson

The challenges facing the South African economy cannot be considered without taking into account the effect these events have on agriculture as one of the pillars of the economy.

According to economic data released by Statistics SA (StatsSA) in June 2016, South Africa's Gross Domestic Product (GDP) contracted at a seasonally adjusted annualised rate of 1.2%.

Undoubtedly, a significant contributor to this economic contraction was the fact that the agricultural sector is in the midst of a continuing widespread drought. The gross value added by agriculture declined by 6.7% and 6.5% quarter-on-quarter seasonally adjusted and annualised during the last quarter of 2015 and the first quarter of 2016 respectively. Despite the negative climatic conditions, the Bank loan book remained resilient and has withstood the challenges. As a result, the Group has extended its support to the sector.

Land Bank understands and supports Government's imperatives of introducing measures that will encourage growth and inclusivity in the sectors and stands ready to give impetus to those measures. A crucial success factor for these proposed changes will be the ability of Government to align those imperatives with the provision of appropriate flows of funds to support implementation. We believe that this can be best undertaken through leveraging alliances across Government to better effect the change. To this end, we maintain and will continue to strengthen our close working relationships with DRDLR and DAFF.

The Ministers, Honourable Senzeni Zokwana (Minister of Agriculture, Forestry and Fisheries) and Honourable Gugile Nkwinti (Minister of Rural Development and Land Reform), both demonstrated their willingness to strengthen cooperation with the Bank and for this we are most grateful.

Honourable Gugile Nkwinti, has formalised this commitment through a Memorandum of Understanding (MoU) with his department. He has also reinforced this, by ensuring that the Land Bank serves on his National Agri-Parks Advisory Council (NAAC). Honourable Senzeni Zokwana has also ensured that the Land Bank participates in the Ministers and Members of Executive Council (MINMECs). The Bank is therefore guided and supported by these two Ministries as well as the Minister of Finance, who is the Executive Authority.

Under the strategic guidance of the Board, proactive initiatives such as these are integral in ensuring that Land Bank remains relevant and is a key contributor to national debates.

The Land Bank Board of Directors is confident that the economic trials currently confronting us are not insurmountable. As such, we will work closely with the agricultural community and government in exploring innovative agricultural methods as part of our commitment to bolster the capacity and resilience of the sector. As part of the new strategic approach we will ensure that our investments translate into developments that have tangible benefits.

Going forward, Land Bank will put greater emphasis on environmental and developmental sustainability. Both are prerequisites for enhancing the resilience of the agricultural sector to maintain its position as one of the nation's most important economic activities.

On behalf of the Board of Directors of Land Bank, I would like to express our sincere appreciation for the unwavering support we have received from the Minister of Finance, Mr. Pravin Gordhan and NT as a whole.

My sincere thanks to the CEO of Land Bank, Mr TP Nchocho and his executive team for their leadership and guidance during a difficult, but necessary, organisational review and restructuring process. We are confident that the positive outcomes of this process will soon be realised by all our stakeholders.

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M A Moloto
Chairperson

1.3. REPORT OF THE CHAIRPERSON OF THE AUDIT AND FINANCE COMMITTEE

Patrick Mathidi
Chairperson: Audit and Finance Committee

The Audit and Finance Committee is an independent committee constituted to review the control, governance and risk management of the Land Bank. In terms of regulation 27(1) of the PFMA, as amended; the committee reports that it has discharged its responsibilities as contained in the Audit Committee Charter.

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 FY2016. Critical issues were discussed and minutes were recorded. The minutes of the meetings were made available to the Board as a whole on request.

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

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

During FY2016, the Audit and Finance Committee:

- 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;
- Reviewed and approved the early adoption of IFRS 9 (Financial instruments: Recognition and Measurement);
- 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:
  - o Factors that may predispose management to present a misleading picture;
  - o Significant judgements and reporting decisions made;
  - o Monitoring or enforcement actions by a regulatory body;
  - o Any evidence that brings into question previously published information; and
  - o Forward-looking statements or information
- 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;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Received regular reporting on the Fraud Hotline from the Risk Committee;
- Received regular reporting from each of the above functions and monitored resolution of issues or concerns raised by management in a timely manner;
- Liaised with the Board committees and met with the regulators and separately with internal and external auditors as required;
- Performed such other functions as required from time to time by NT 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 breakdowns 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 corrective action was taken by management.

Having considered, analysed and reviewed the information provided by Management, Internal Audit, External Audit and the Risk and Combined Assurance Committee, the Audit and Finance Committee confirms that:

- The internal controls of the Group were effective in all material aspects throughout the year under review;
- 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 all material aspects, with the relevant provisions of the PFMA and International Financial Reporting Standards (IFRS); and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

The Audit and Finance Committee concurs that it is appropriate to prepare the Group financial statements on a going concern basis and that the Bank has no reason to doubt that it will continue to be a going concern in the year ahead.

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Patrick Mathidi
Chairperson: Audit and Finance Committee

1.4. CHIEF EXECUTIVE OFFICER'S REPORT

T P Nchocho
Chief Executive Officer

THE NDP: CREATING CONTEXT FOR A SUSTAINABLE FUTURE

The NDP has now been in existence for about five years since the vision for the new South Africa was charted in the 2011 NDP. This sets the stage to create a path for an inclusive development environment characterised by the creation of jobs and livelihoods, expanding infrastructure, transitioning to a low carbon economy, transforming urban and rural spaces, improving education and training as well as other initiatives. To make sure that we adequately respond to the NDP and promote transformation and inclusivity which we are deeply passionate about, we refocused our strategy during FY2016 to prioritise four pillars of strategic importance in our new Vision 2020 Strategy. These are:

- Growing the agricultural sector in an inclusive and transformed manner;
- Developing the agricultural supply chain;
- Intensifying and expanding agricultural production; and
- Innovation and investment within the agricultural sector.

SECTOR CONSTRAINTS AND CHALLENGES

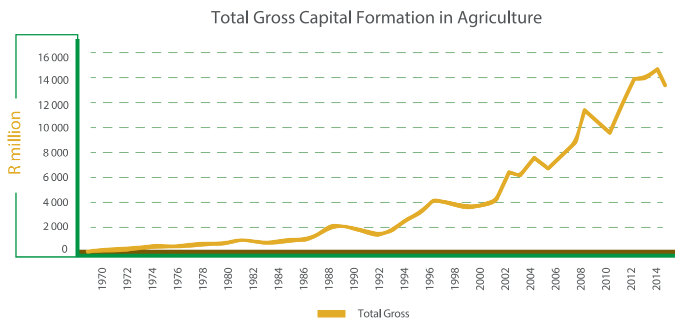
While enthusiastic about the new strategic direction that we have carved and will be pursuing going forward, we acknowledge the global challenges that the sector faced during the period under review, commonly referred to as "megatrends". These include the global population increase and urbanisation in Sub-Saharan Africa, Asia, China and South America, as well as the areas of climate change related impacts on agricultural output, that have combined to shape agriculture and place obstacles in the path of achieving desired levels of resilience.

In addition to these global trends, the South African agricultural sector had a wide array of local pressures to cope with. The sector was plagued by drought which continued unabated during the reporting period, resulting in five of the nine provinces being declared as disaster areas. One of the outcomes, however, and one that bodes well for the future, was a 'clarion call' for all involved within the sector to intensify collaborative efforts to enhance resilience and launch initiatives to support recovery. These unpleasant trends deleteriously affected both the general economic and agricultural sector growth.

AGRICULTURAL SECTOR PERFORMANCE FOR FY2016

During FY2016 the value added of the agriculture sector contracted by 8.8% due to severe drought and subdued commodity prices. This negative growth manifested in lower investments as predicted in figure 1 below.

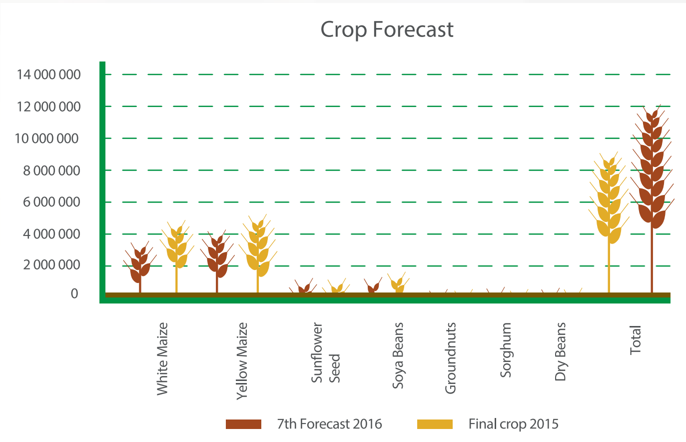
Figure 1



Source: DAFF Abstracts

Consequently crop production is expected to decline further by 25.4% from 11.9 m tons in 2015 to 8.9 million tons in 2016 as indicated in the figure below.

Figure 2: Area estimate and seventh production forecast of summer crops: 2016 production season



BUSINESS PERFORMANCE DURING FY2016

Despite an extremely challenging business environment, the Bank managed to achieve marked success and a healthy balance sheet as reflected in the Chief Financial Officer's report and our financials. We learned important lessons from both the global and local challenges. We must adapt the way we finance agriculture and we must apply innovation in finance to enhance resilience and promote sustainable agriculture.

ENHANCING SECTOR AND ORGANISATIONAL RESILIENCE

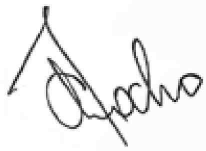
During the year under review, the Land Bank reviewed its overall strategy and put salient business pillars in place to ensure it improves its stability and market relevance. The overriding imperative driving change has been the belief that a stronger Land Bank will in turn be geared to drive enhanced contribution to the sector it services.

Organisationally, the Bank undertook and completed the following tasks:

- Completed a corporate restructuring process, which resulted in the implementation of a tighter, more market-responsive structure;
- Re-orientation of the operational model;
- Refining of the credit processes architecture; and
- Enhancing its portfolio management service.

The management team is committed to ensuring the Bank is positioned in a manner that will contribute to the sustainability of the South African agricultural sector and its people. Integral to our approach to sustainability is a holistic approach to smarter and better-aligned use of natural resources to affect development.

The Land Bank's executive team looks forward to an exciting year ahead and to translating the opportunities the sector provides into real development outcomes as we aspire to be a world-class agricultural development bank.



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T P Nchocho
Chief Executive Officer

1.5. CHIEF FINANCIAL OFFICER'S REPORT

Bennie van Rooy
Chief Financial Officer

The Bank's perfomance during FY2016 was impacted by two significant events:

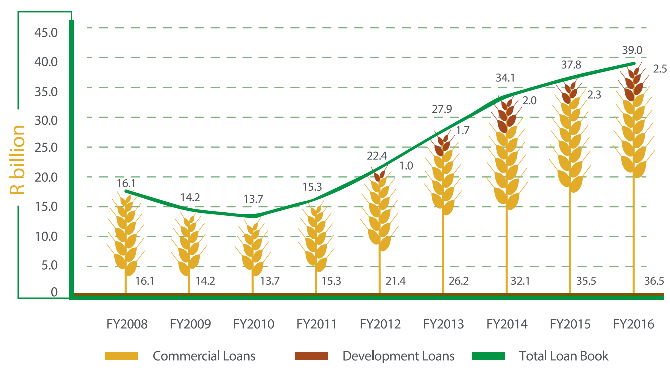
- Organisational Review
- Early adoption of IFRS 9: Financial Instruments

ORGANISATIONAL REVIEW

Following years of strong asset growth the Bank was challenged by an inappropriately structured liability strategy required for an entity of its size and complexity. As a result of this, and at the request of NT, Land Bank embarked on an organisational review and balance sheet restructure. The objectives were:

- The optimisation of operational efficiencies and cost reduction;
- Development of an appropriate funding model for an agricultural DFI; and
- Enhancing the sustainability of the Bank's capital base.

Figure 3: Asset growth



The Bank is pleased to announce that some successes of the organisational redesign were achieved in the Finance and Treasury environment, which included:

- Proactively lengthening the Bank's funding maturity profile to ensure less reliance on short-term funding. To this effect, the Bank's funding liabilities maturing within a 12-month period has reduced to 59.9% (FY2015: 69.0%);
- The introduction of a number of the Basel Accord's capital and liquidity risk management practices. This ncludes the adoption of the Basel II standardised approach capital adequacy ratio (CAR), as well as the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR); and
- The successful early adoption of IFRS 9.

EARLY ADOPTION OF IFRS 9: FINANCIAL INSTRUMENTS

In order to standardise its non-performing loan definition and enhance the appropriateness of its impairment calculations, the Bank adopted IFRS 9 – Financial Instruments with effect from 1 April 2015. The impact of it was as follows:

- *Classification and measurement of financial instruments* - the Bank revoked its previous designation of fair value through profit and loss relating to certain funding liabilities which are now carried at amortised cost, thereby eliminating an element of market-related volatility from the Bank's earnings; and
- *Impairment of financial assets* – the Bank's non-performing loan definition was realigned to conform to the requirements of IFRS 9 and therefore brought in line with general banking practices based on a 90-day past due principle. Furthermore, the Bank's financial assets impairment models changed from an IAS 39 "incurred loss" model to an "expected credit loss model" under IFRS 9 to ensure that provision for doubtful debts is appropriate.

As a result of the aforementioned, a number of non-recurring expense items had an impact on the overall performance of the Bank during the FY2016 period. These include:

- Once-off organisational review costs of R162.7 million (R72.5 million cash expenses incurred during the year, and a further R90.2 million provided for in terms of the requirements of IAS 37 – Provisions, contingent liabilities, and contingent assets);
- A once-off adjustment to the carrying value of liabilities amounting to R50.8 million, following the Bank electing to designate funding liabilities at amortised cost;
- Notwithstanding these two significant events as well as a difficult trading environment, exacerbated by the prevailing drought, slow GDP growth, rising inflation and a weakening currency, the Bank has generated acceptable results, and is pleased to present the following financial highlights in respect of the Land Bank Group.

Table 2: Land Bank Group performance

	Published basis FY2016 R million	Published basis FY2015 R million	Like for like basis FY2016 R million	Like for like basis FY2015 R million
Statement of Profit and loss and other comprehensive income				
Gross interest income	3,562.7	3,120.5	3,562.7	3,120.5
Net interest income	1,130.13	1,073.7	1,130.13	1,073.7
Fair value (losses)/gains	(0.4)	9.2	50.4	9.2
Operating expenses	(695.5)	(528.8)	(532.8)	(528.8)
Profit/(loss) from insurance activities	**5.7**	**(31.6)**	**5.7**	**(31.6)**
Profit for the year	182.0	311.5	396.2	311.5
Total comprehensive income	159.8	292.4	374.0	292.4
Statement of Financial position				
Cash and cash equivalents	2,507.5	1,605.7	2,507.5	1,605.7
Capital and reserves	6,098.4	5,938.6	6,098.4	5,938.6
Government Guarantees	2,800.0	5,500.0	2,800.0	5,500.0

Internal performance targets

On an annual basis, Land Bank submits a corporate plan to NT which contains key performance and strategic targets informed by the Bank's mandate. The key financial performance targets and results set for FY2016 are set out in the table below:

Table 3: Key financial performance targets and results for FY2016

KPI	FY2016 Actual	FY2016 Target
Gross interest margin	31.4%	> 31.8%
Net interest margin	3.0%	=> 3.0%
[1]Cost-to-income ratio	56.0%	< 66.7%
[2]Capital adequacy/ gearing ratio	33.2%	> 30.0%
[3]Loan-book quality (non-performing loans)	5.5%	< 7.0%

- [1] Target and actuals excludes once-off organisational review costs of R162.7 million
- [2] Capital adequacy/ gearing ratio = (Capital and reserves + guarantees)/ Total Liabilities
- [3] Target and actuals are based on IAS39 principles. Under IFRS 9 principles the actual is 8.8%

Despite a challenging year, the Bank managed to meet all its financial corporate targets, except for the gross interest margin, which fell short of the 31.8% threshold by 0.4% in absolute terms. Cost containment coupled with revenue growth (despite a relatively flat earnings base) enabled the Bank to maintain operational efficiency as reflected in the cost to income ratio of 56.0% (FY2015: 54.9%). Government support continues to play a pivotal role as reflected by strong capital adequacy/ gearing ratio of 33.2% (inclusive of the Government guarantees, and excluding the impact of the adoption of IFRS 9). The Bank managed to keep its distressed loans within acceptable levels relative to its portfolio size. With the adoption of IFRS 9 the Bank is comfortable that adequate levels of provisions for doubtful debt are provided for. The Bank is however wary that should the adverse weather and economic conditions prevail, its distress loans could increase in the short- to medium term.

1.6. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Report on the consolidated and separate financial statements

Introduction

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 set out on pages 104 to 256 which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated and separate financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Land Bank and its subsidiaries as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the IFRS and the requirements of the PFMA.

Emphasis of matter

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

Material impairment provision

8. As disclosed in note 10 to the financial statements, a significant impairment provision of R2 665 903 000 (restated 2015: R2 764 238 000) was made. This was not due to a deterioration in portfolio quality but rather managements' decision to adopt IFRS 9 early, which introduces an 'expected credit loss' model for the measurement of the impairment of financial assets.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

Land Bank

- Development, on page 90
- Financial sustainability and affordable funding, on page 90
- Service delivery, on page 90.

Subsidiaries

- Financial stability and sustainability, on page 93
- Customer centricity, on page 94
- Governance, risk management, regulation and compliance, on page 94.

11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Land Bank

- Development, on page 90
- Financial sustainability and affordable funding, on page 90
- Service delivery, on page 90.

Subsidiaries

- Financial stability and sustainability, on page 93
- Customer centricity, on page 94
- Governance, risk management, regulation and compliance, on page 94.

Additional matters

14. I draw attention to the following matters:

Achievement of planned targets

15. Refer to the annual performance report on page(s) 90 to 94 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for Land Bank for the financial sustainability and affordable funding objective, development objective and service delivery objective and for the subsidiaries for the financial stability and sustainability objective and governance, risk management, regulation and compliance objective. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

17. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material finding on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, is as follows:

Procurement and contract management

18. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers whose tax matters had been declared by the South African Revenue Services to be in order at the time of procurement, as required by the Preferential Procurement Regulation 14. This was due to non-adherence to the supply chain management policy of Land Bank.

Internal control

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

Financial and performance management

20. Non-compliance with legislation could not be prevented due to inadequate review and monitoring of adherence to the supply chain management policy of the bank.

Other reports

21. I draw attention to the following engagements that could potentially have an impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

22. The previously reported investigations relating to irregularities in the Land for Development Finance unit and in respect of AgriBEE and Mafisa funds administered on behalf of the Department of Agriculture, Fisheries and Forestry were finalised. At the time of this report, both matters were in process in court and no final judgements were made.

Audit-related services and special audits

23. As requested by the Land Bank, a limited assurance 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 2014 to 31 March 2015 and was issued on 31 July 2015.

24. As requested by the Land Bank, a limited assurance engagement was 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 2015 to 31 January 2016 and was issued on 17 March 2016.

25. As requested by the Land Bank Life Insurance Company SOC Limited, a limited assurance engagement was conducted during the year regarding the review of statutory returns, as required by section 19(7) of the Long-term Insurance Act, 1998 (Act No. 52 of 1998), to be submitted to the registrar of the long-term insurance. This report covered the period 1 April 2014 to 31 March 2015 and was issued on 31 July 2015.

26. As requested by the Land Bank Insurance SOC Limited, a limited assurance engagement was conducted during the year regarding the review of statutory returns, as required by section 19(7) of Short-term Insurance Act, 1998 (Act No. 53 of 1998), to be submitted to the registrar of the short-term insurance. This report covered the period 1 April 2014 to 31 March 2015 and was issued on 29 July 2016.

Auditor General

Pretoria
29 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

1.7. THE LAND BANK BOARD GOVERNANCE STRUCTURE

Introduction:

The Board acts as the Accounting Authority of the Land Bank, exercising overall authority and control over the financial position, operation and management of the Bank and is accountable to the Executive Authority for the performance of the Bank. It constitutes a fundamental base for the application of corporate governance principles in the Bank.

The processes of the Board are underlined by principles of transparency, integrity, and accountability. An inclusive approach is followed that recognises the importance of all stakeholders and the managing of stakeholder relationships, as well as perceptions to ensure the viability and sustainability of the Land Bank. Ethical leadership forms the foundation of effective corporate governance. Integrating sustainability concerns with decision-making in an effective manner is of utmost importance.

The Land Bank adheres to the statutory responsibilities imposed by the Land and Agricultural Development Bank Act 15 of 2002, and the Public Finance Management Act 29 of 1999 (PFMA).

The Land Bank Board is supported by several Board Committees. The Board, through its Committees, provides strategic direction, while the Chief Executive Officer (CEO), assisted by the Executive Management Committee (EXCO) is accountable to the Board for implementing the strategy.

The Board is guided by the Board charter, which covers aspects such as, the constitution of the Board, remuneration of Directors and the management of confidentiality and conflict of interests.

Board Committees:

The Land Bank Board is fully constituted and supported by various committees, which perform oversight over tactical operations of management.

During the year FY2016 Land Bank had four committees:

1) Audit and Finance Committee;
2) Risk Committee;
3) Group Human Resources and Remuneration Committee; and
4) Credit Risk Committee.

The Land Bank also has an Executive Committee, which is established by the CEO. This committee assists the CEO in guiding the overall direction of the business and exercising executive control in managing day-to-day operations.

1.8. BOARD MEMBER PROFILES

Mabotha Arthur Moloto
– Chairperson (48)
Appointed 1 January 2015

Academic qualifications:
MSc (Finance and Financial Law); Postgraduate Diploma in Economic Principles; BA (Hons) Development Studies; BA Education

Thembekile Thelma Ngcobo
– Non-executive Director (67)
Appointed 1 October 2013

Academic qualifications:
BA (Social Science); Management Development Programme (Havard Business School, Boston USA); Post Graduate Diploma in Management

Prof Mohammad Karaan
– Non-executive Director (47)
Appointed 1 January 2010

Academic qualifications:
PhD Agriculture; MSc Agriculture in Economics; BSc (Hons) Agriculture; BSc Agriculture

Davina Nodumo Motau
– Non-executive Director (53)
Appointed 1 October 2013

Academic qualifications:
B Com; Certificate in Business Project Management; Diploma in Advance Banking

Bafana Patrick Mathidi
– Non-executive Director (46)
Appointed 5 March 2008

Academic qualifications:
MSc Financial Management; B. Compt (Hons) Accounting, BComm Accounting

Nomavuso Patience Mnxasana
– Non-executive Director (59)
Appointed 5 March 2008 retired 4 July 2015

Academic qualifications:
B Compt (Hons) Theory of Accounting; Chartered Accountant (South Africa)

Dudu Hlatshwayo
– Non-executive Director (52)
Appointed 6 January 2015

Academic qualifications:
Bachelor of Social Science (Hons); MBA with specialization in Advanced Corporate Finance, Senior Executive Leadership Development Programmes Havard and Wits

John Luscombe Purchase
– Non-executive Director (57)
Appointed 5 July 2012 retired 4 July 2015

Academic qualifications:
PhD Agricultural Economics; MSc (Hons) Agriculture

Advocate Sandra Coetzee
– Non-executive Director (54)
Appointed 3 August 2015

Academic qualifications:
Baccalaures Legum Civilum (BLC); LLB

Sue Lund
Non-Executive Director (54)
Appointed 5 September 2011

Academic qualifications:
MA (Rural Development Planning), BA (Hons), B.Journ, Senior Executive Programme (Harvard & Wits Business Schools)

Mathane Makgatho
– Non-executive Director (44)
Appointed 3 August 2015

Academic qualifications:
Masters in Development Finance; BComm (Hons) in Economics.

Njabulo Zwane
– Non-executive Director (56)
Appointed 6 January 2015

Academic qualifications:
MSc (Agricultural Science); BSc (Chemistry and Botany)

Tshokolo Petrus Nchocho
– CEO; Executive Director (48)
Appointed 1 February 2015

Academic qualifications:
MSc in Development Finance and Economics; Master of Business Leadership; Bachelor of Commerce

Lebogang Serithi
– former CFO; Executive Director (36)
Appointed 5 July 2012 retired 30 September 2015

Academic qualifications:
BCom (Hons)/CTA (Accounting Science); Master of Commerce (Financial Management); Chartered Accountant (South Africa)

Bennie van Rooy
– CFO; Executive Director (41)
Appointed 1 July 2015

Academic qualifications:
Chartered Accountant; Bachelor of Commerce Honours, CTA; Bachelor of Commerce

Tabel 4: Board and Committees

Board Members	Board	Audit and Finance Committee	Credit Risk Committee	Human Resources And Remuneration Committee
Mr A Moloto (Chair)			X	X
Ms D Hlatshwayo	X		X (With effect from 1 August 2015)	X
Ms N Zwane	X		X	X (With effect from 1 September 2015)
Prof ASM Karaan	X		X (Chair) (With effect from 1 August 2016)	
Ms S Lund	X	X (Chair)		
Mr P Mathidi (Reappointed 3 August 2015)	X (Chair)	X		
Ms N Mnxasana (Term Expired 4 July 2015)	X		X(Term expired 4 July 2015)	
Mr J Purchase (Term Expired 4 July 2015)		X		X
Ms TT Ngcobo		X		X (Chair)
Ms Motau			X	X
Advocate S Coetzee (Appointed 3 August 2015)		X (With effect from 1 September 2015)		X (With effect from 1 September 2015)
Ms M Makgatho (Appointed 3 August 2015)	X (With effect from 1 September 2015)		X (With effect from 1 September 2015)	
EXECUTIVE DIRECTORS				
Tshokolo Petrus Nchocho (Appointed 1 February 2015)				
Lebogang Serithi (Term Expired 4 July 2015)				
Bennie van Rooy (Appointed 1 July 2015)				

Tabel 5: Attendance

Board Members	Board Meetings	Audit and Finance Committee	Risk Committee	Credit Risk Committee	Human Resources And Remuneration Committee
Mr A Moloto (Chair)	"9/9			"9/9	"4/4
Ms D Hlatshwayo	"8/9	"3/3		"5/9	"4/4
Ms N Zwane	"9/9	"6/6		"2/4	"2/2
Prof ASM Karaan	"8/9	"5/6		"8/9	
Ms S Lund	"9/9	"4/6	"4/4		
Mr P Mathidi (Reappointed 3 August 2015)	"5/9	"6/6	"4/4		
Ms N Mnxasana (Term Expired 4 July 2015)	"2/2	"2/2		"2/2	
Mr J Purchase (Term Expired 4 July 2015)	"2/2		"0/1		"1/1
Ms TT Ngcobo	"9/9		"4/4		"4/4
Ms D Motau	"9/9			"9/9	"1/1
Advocate S Coetzee (Appointed 3 August 2015)	"3/5		"2/2		"1/2
Ms M Makgatho (Appointed 3 August 2015)	"5/5	"1/2		"5/5	
EXECUTIVE DIRECTORS					
Tshokolo Petrus Nchocho (Appointed 1 February 2015)	"9/9	"4/6	"4/4	"6/9	"4/4
Lebogang Serithi (Term Expired 4 July 2015)	"3/3	"3/6	"1/1	"2/2	
Bennie van Rooy (Appointed 1 July 2015)	"6/6	"3/6	"3/3	"7/9	

Table 5 needs to be read in conjuction with Table 6. Table 6 provides further details to information oultined in Table 5.

Tabel 6: Attendance Split

	Scheduled Board Meetings Attended	Special Board Meetings Attended	Scheduled Audit Committee Meetings Attended	Special Audit Committee Meetings Attended	Scheduled Risk Committee Meetings Attended	Scheduled Credit Risk Committee Meetings Attended	Scheduled Human Resources and Remuneration Committee Meetings Attended	Special Human Resources and Remuneration Committee Meetings Attended (LBIC Matters)
Mr A Moloto (Chair Board)	4/4	5/5				9/9	4/4	0/1
Ms D Hlatshwayo	4/4	4/5	1/1	2/2		5/9	4/4	1/1
Ms N Zwane	4/4	5/5	4/4	2/2		2/4	2/2	1/1
Prof ASM Karaan (Chair Credit)	4/4	4/5	3/4	2/2		8/9		
Ms S Lund (Chair Risk)	4/4	5/5	2/4	2/2	4/4			
Mr P Mathidi (Reappointed 3 August 2015)(Chair Audit)	3/4	2/5	4/4	2/2	4/4			
Ms N Mnxasana (Term Expired 4 July 2015)	1/1	1/1	1/1	1/1		2/2		
Mr J Purchase(Term Expired 4 July 2015)	1/1	1/1			0/1		1/1	
Ms TT Ngcobo (Chair Remco)	4/4	5/5			4/4		4/4	1/1
Ms D Motau	4/4	5/5				9/9	1/1	
Advocate S Coetzee (Appointed 3 August 2015)	3/3	0/2			2/2		1/2	1/1
Ms M Makgatho (Appointed 3 August 2015)	3/3	2/2	1/2			5/5		
EXECUTIVE DIRECTORS								
Tshokolo Petrus Nchocho (Appointed 1 February 2015)	4/4	5/5	3/4	1/2	4/4	6/9	4/4	0/1
Lebogang Serithi (Term Expired 4 July 2015)	1/1	2/2	1/1	2/2	1/1	2/2		
Bennie van Rooy (Appointed 1 July 2015)	3/3	3/3	3/3		3/3	7/9		

GROUP REMUNERATION

In accordance with the Land Bank Act, the Minister of Finance determines the remuneration, allowances and assosciated benefits of all non-executive Board Members and the Chief Executive Officer. The remuneration for Executives and Bank employees is determined through market benchmarking and best practice under the guidance of the Group Human Resources and Remuneration Committee.

Table 7: Remuneration of Land Bank non-executive directors and executive directors for 2015/16 (R 000)

	Board	Audit	Risk	Credit Risk	HR & Remco	Ahoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses[5]	2016 Total
Non-Executive Directors										
Arthur Moloto	714	-	-	125	56	32	-	-	-	927
Dudu Hlatshwayo	234	42	-	69	69	32	-	-	5	451
Njabulo Zwane	250	83	-	28	42	32	-	-	1	436
Mohammad Karaan	234	69	-	131	-	16	-	-	-	450
Sue Lund[1]	250	56	84	-	-	32	-	-	7	429
Partrick Mathidi[2]	184	152	55	-	-	32	-	-	5	428
Nomavusa Mnxasana	59	28	-	35	-	24	-	-	2	148
John Purchase	59	-	-	-	14	24	-	-	1	98
Thembekile Ngcobo	250	-	55	-	100	40	-	-	4	449
Davina Motau	250	-	-	125	14	32	-	-	10	431
Sandra Coetzee	117	-	28	-	28	8	-	-	1	182
Mathane Makgatho	150	14	-	69	-	16	-	-	1	250
Subtotal	**2 751**	**444**	**222**	**582**	**323**	**320**	**-**	**-**	**37**	**4 679**
Executive Directors										
TP Nchocho Chief Executive Officer	-	-	-	-	-	-	3 800	-	261	4 061
Lebogang Serithi[3] Chief Financial Officer	-	-	-	-	-	-	1 187	-	150	1 338
Bennie van Rooy[4] Chief Financial Officer	-	-	-	-	-	-	2 250	-	46	2 296
Total Land Bank	**2 751**	**444**	**222**	**582**	**323**	**320**	**7 237**	**-**	**495**	**12 374**

[1] Paid to Transnet Foundation

[2] Paid to Momentum Asset Management

[3] Resigned from Land Bank on 04 July 2015

[4] Appointed as at 01 July 2015

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

Table 8: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for FY21016 (R 000)

	Board	Audit & Risk	Invest. & Actuarial	Ahoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses[1]	2016 Total
Non-Executive Directors								
Nomavusa Mnxasana	131	-	9	-	-	-	-	140
Ranti Mothapo	137	54	63	16	-	-	5	275
Davina Motau	74	54	18	32	-	-	-	178
Thembekile Ngcobo	75	-	-	16	-	-	-	91
Sandra Coetzee	25	-	-	8	-	-	-	33
John Purchase	12	-	9	-			-	21
Mathane Makgatho	-	-	9	-	-	-	-	9
Dudu Hlatshwayo	330	-	-	24			-	354
David Bergman	150	110	9	40	-	-	5	314
Subtotal	**934**	**218**	**117**	**136**	**-**	**-**	**10**	**1 415**
Executive Director								
Mpumelelo Tyikwe Managing Director	-	-	-	-	2 312	-	182	2 494
Total LBIS	**934**	**218**	**117**	**136**	**2 312**	**-**	**192**	**3 909**

[1] Other Benefits include R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits

Table 9: Remuneration of Land Bank non-executive directors and executive directors for FY2015 (R 000)

	Board	Audit	Risk	Credit Risk	HR & Remco	Ahoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses[6]	2015 Total
Non-Executive Directors										
Arthur Moloto	194	-	-	56	14	-	-	-	-	264
Ben Ngubane	563	-	-	180	56	56	-	-	10	865
Dudu Hlatshwayo	74	28	-	-	28	-	-	-	1	131
Njabulo Zwane	74	28	-	56	-	-	-	-	-	158
Mohammad Karaan	267	56	-	167	-	8	-	-	-	498
Sue Lund[1]	267	68	47	-	-	40	-	-	6	428
Partrick Mathidi[2]	217	81	80	-	-	-	-	-	4	382
Nomavusa Mnxasana	267	82	-	251	-	32	-	-	10	642
John Purchase	234	-	56	-	83	16	-	-	5	394
Tryphosa Ramano	127	81	-	-	-	-	-	-	-	208
Shamila Singh	210	-	42	-	56	64	-	-	8	380
Thembekile Ngcobo	284	-	14	-	126	144	-	-	4	572
Davina Motau	267	-	-	222	-	15	-	-	12	516
Subtotal	**3 045**	**424**	**239**	**932**	**363**	**375**	**-**	**-**	**60**	**5 438**
Executive Directors										
TP Nchocho[3] Chief Executive Officer	-	-	-	-	-	-	633	-	20	653
Phakamani Hadebe[4] Chief Executive Officer	-	-	-	-	-	-	-	1 807	-	1 807
Lindiwe Mdlalose[5] Acting Chief Executive Officer	-	-	-	-	-	-	1 812	657	406	2 875
Lebogang Serithi Chief Financial Officer	-	-	-	-	-	-	2 251	1 717	88	4 056
Total Land Bank	**3 045**	**424**	**239**	**932**	**363**	**375**	**4 696**	**4 181**	**574**	**14 829**

[1]Paid to Transnet Foundation

[2]Paid to Momentum Asset Management

[3]Appointed as at 01 February 2015

[4]Bonus Payment from 01 April 2013 to 03 December 2013 for former CEO

[5]Acting CEO ended as at 31 January 2015

[6]Other Benefits include R64 000 Group Life, Capital Disability and Total & Temporary Disability Benefits

Table 10: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for FY2015 (R 000)

	Board	Audit & Risk	Invest. & Actuarial	Ahoc Meetings	Cash Salary	Performance Bonuses	Other Benefits, Fees & Expenses[1]	2015 Total
Non-Executive Directors								
Nomavusa Mnxasana	495	-	36	8	-	-	-	539
Ranti Mothapo	150	36	80	16	-	-	6	288
Davina Motau	87	54	-	8	-	-	-	149
Thembekile Ngcobo	50	-	-	8	-	-	-	58
John Purchase	75	-	36	8	-	-	-	119
Dudu Hlatshwayo	12	-	-	-	-	-	-	12
David Bergman	161	109	-	8	-	-	4	282
Subtotal	**1 030**	**199**	**152**	**56**	**-**	**-**	**10**	**1 447**
Executive Director								
Mpumelelo Tyikwe Managing Director	-	-	-	-	2 192	908	88	3 188
Total LBIS	**1 030**	**199**	**152**	**56**	**2 192**	**908**	**98**	**4 635**

[1] Other Benefits include R63 000 Group Life, Capital Disability and Total & Temporary Disability Benefits

Table 11: Remuneration of Land Bank executive officers in FY2016 (R 000)

Title	Basic Salary	Bonus	Cellphone Allowances	Other Benefits[8]	Total
Vincent Potloane[1] Group Operations and Investments Officer	740	-	8	138	886
Jerome Mthembu Chief Legal Officer & Acting Chief Strategy Officer	2 168	-	24	157	2 349
Lindiwe Mdlalose[2] Chief Risk Officer	2 097	-	22	161	2 280
Mpule Dlamini Chief Human Resources Officer	2 190	-	24	160	2 374
Loyiso Ndlovu[3] Executive Manager: Strategy and Planning	1 400	-	16	18	1 434
Wilhelmus Jacobs[4] Executive Manager: Business & Corporate Banking	1 328	-	16	19	1 363
Sydney Soundy[5] Executive Manager: Commercial Development Banking	1 419	-	16	21	1 456
Gary Conway[6] Executive Manager: Organisation Integration & Technology	1 197	-	14	19	1 230
Konehali Gugushe[7] Chief Risk Officer	1 314	-	14	21	1 349
Total	**13 853**	**-**	**154**	**714**	**14 721**

[1]Resigned as at 31 December 2015
[2]Resigned as at 29 February 2016
[3]Appointed as at 01 August 2015
[4]Appointed as at 01 August 2016
[5]Appointed as at 17 August 2015
[6]Appointed as at 18 May 2015
[7]Appointed as at 15 September 2015
[8]Other Benefits include Group Life, Capital Disability and Total & Temporary Disability Benefits as well as Vitality Benefits

Table12: Remuneration of Land Bank executive officers in FY2015 (R 000)

Title	Basic Salary	Bonus	Cellphone Allowances	Other Benefits[2]	Total
Vincent Potloane Group Operations and Investments Officer	2 297	1 319	24	64	3 704
Jerome Mthembu Chief Legal Officer & Acting Chief Strategy Officer	2 055	1 426	24	64	3 569
Lindiwe Mdlalose Chief Risk Officer[1]	362	836	4	64	1 266
Mpule Dlamini Chief Human Resources Officer	1 895	784	24	64	2 767
Total	**6 609**	**4 365**	**76**	**256**	**11 306**

[1]Chief Risk Officer from 01 February 2015

[2]Other Benefits include R64 000 Group Life, Capital Disability and Total & Temporary Disability Benefits

1.9. EXECUTIVE LEADERSHIP

TP Nchocho
Chief Executive Officer

Bennie van Rooy
Chief Financial Officer

Mpule Dlamini
Executive Manager:
Human Resources

Faride Stiglingh
Executive Manager:
Portfolio Management Services

Sydney Soundy
Executive Manager:
Commercial Development Banking

Konehali Gugushe
Executive Manager:
Chief Risk Officer

Willie Jacobs
Executive Manager:
Corporate Banking

Gary Conwaye
Executive Manager:
Organisation Intergration & Technology

Loyiso Ndlovu
Executive Manager:
Strategy, Policy & Marketing

Jerome Mthembu
Executive Manager:
Legal Services

Andile Yabo
Company Secretary

SECTION 3

"Land Bank plays a pivotal role in the South African economy as the financier of agriculture and rural development to achieve food security and drive economic growth and development."


LAND BANK
We stand by you

2. LAND BANK BUSINESS

Land Bank is a government-owned development finance institution (DFI) with the sole mandate of financing agriculture and rural development to achieve food security and drive economic growth and development in South Africa. During the course of the period under review, the Land Bank reviewed its strategic direction and developed its Vision 2020 Strategy. This also necessitated a thorough re-evaluation of our vision, mission and values, which are now captured as follows:

2.1. VISION

To be a world-class agricultural development bank that:
- Stimulates growth;
- Drives solid performance; and
- Spurs innovation.

2.2. MISSION

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.

2.3. VALUES

The conduct of the Land Bank Group is guided by the values of:
- Meaningful contribution, through seeking to always add value in our engagements;
- Empowerment, by seeking to empower ourselves and each other in the way we undertake our work;
- Organisational synergy, by creating a sense of oneness and integration;
- Accountability, by ensuring that we do what we say and follow through; and
- Pro-activeness, by always striving to see opportunities to do things better, and do all we can to make things happen.

Our Value proposition

We leverage critical success factors to create value for our stakeholders with the ultimate objective of delivering on our mandate.

What drives our success?	Value Proposition	Expected Outputs as per our mandate
» Common vision shared by Land Bank employees and stakeholders » Stable management and leadership » Government support and buy-in to address market failure, support emerging farmers and promote rural development » Affordable funding, which gives the Land Bank a comparative advantage in agricultural finance » Prioritising projects with long-term growth potential to ensure sustainability » Ensuring all financial proposals are commercially viable to foster sustainability » Compliance with risk appetite through pursuing strategic objectives within appropriate risk parameters	**Accessibility** » We have made our services accessible to clients through 23 branches across South Africa **Market strategy** » Our dynamic market strategy, which involves use of intermediaries as partners to expand accessibility, helps us understand our client base better and provide appropriate solutions **Partnerships** » We have created partnerships with government and other institutions to extend skills support to our clients **Products and pricing** » Our tailor-made products and pricing model take clients' risk profiles into consideration **Efficiency and systems** » Our improved application process has enhanced efficiency, thus allowing for more rapid decision-making **Development** » We have introduced two lending instruments - the wholesale development finance facility and the emerging farmer support facility – to foster and fast-track our development mandate	» Equitable ownership of agricultural land » Agrarian reform, land redistribution » Land access for agricultural purposes » Agricultural entrepreneurship » Removal of the legacy of racial and gender discrimination in agriculture » Enhancing productivity, profitability, investment and innovation » Growth of the agricultural sector and better use of land » Environmental sustainability of land and related natural resources » Rural development and job creation » Commercial agriculture » Food security

2.4. OUR DELIVERY

We serve clients through our frontline divisions organised into two major channels of delivery:

Commercial Development Banking

- Commercial Development Banking (CBD) was established to offer innovative and sustainable development financing solutions to smaller, newly established and growing farmers - and to support growth of the primary agricultural productivity level.
- CBD was formed through consolidating the former Retail Commercial Banking (RCB) and Retail Emerging Markets (REM) units to forge and fortify our support for strengthening the sector and the transformation imperatives within it.

Corporate Banking

- Corporate Banking (CB) was established to create opportunities for greater commercial contribution of farmers to the transformation agenda.
- CB provides structural finance solutions and acquisition capital growth - all designed to increase the proportion of farmers working at commercial scale.
- CB was also established to provide thorough value chain financing and to support agro-processing imperatives

These two divisions are a result of the organisational restructuring process which resulted in a reduction of our frontline from three to two divisions. The three previous divisions were:

- Retail Emerging Markets (REM) – focused on emerging farmers;
- Retail Commercial Markets (RCB) - focused on medium and large scale commercial farmers;
- Business & Corporate Banking (B&CB) - focused on large agricultural co-operatives and agri-businesses.

The reorganisation of the divisions was driven by the strategic decision to deepen our client engagement and it took place in the latter part of the year under review. As such, when reporting on our performance, reference is still made to these divisions in some parts of the report.

We support our clients through two avenues:

- Direct lending – where clients directly receive support through our branches
- Wholesale Finance Facility (WFF) – where we support clients though partnering with intermediaries.

Our product offerings include:

Mortgage loans

- Designed for well-established commercial farmers or agri-business that own or want to buy fixed agricultural property.
- The loans can also be used to consolidate debts, undertake fixed improvements, establishments costs, purchasing of loose assets or other purposes linked to the business of agriculture.

Special mortgage bonds

- These can be accessed by individuals or legal entities who are historically disadvantaged South African citizens, first time buyers of agricultural land and those who own land, but need a loan to purchase additional land to make farming a viable enterprise.
- The pre-condition is that these individuals must have access to production resources, technical and extension support.

Medium-term loans

The loans are provided for terms of up to 15 years to cover medium-term agricultural finance requirements and include:

- Instalment sale finance which provides an option for farmers wishing to buy movable farming assets and equipment, with the goods financed representing the primary sector, with ownership reverting to the farmer at the end of the loan agreement.
- Instalment sale finance for livestock, which offers farmers the opportunity to purchase beef and dairy cattle for breeding purposes, with the option of using the latest microchip animal identification technology to 'brand' animals.

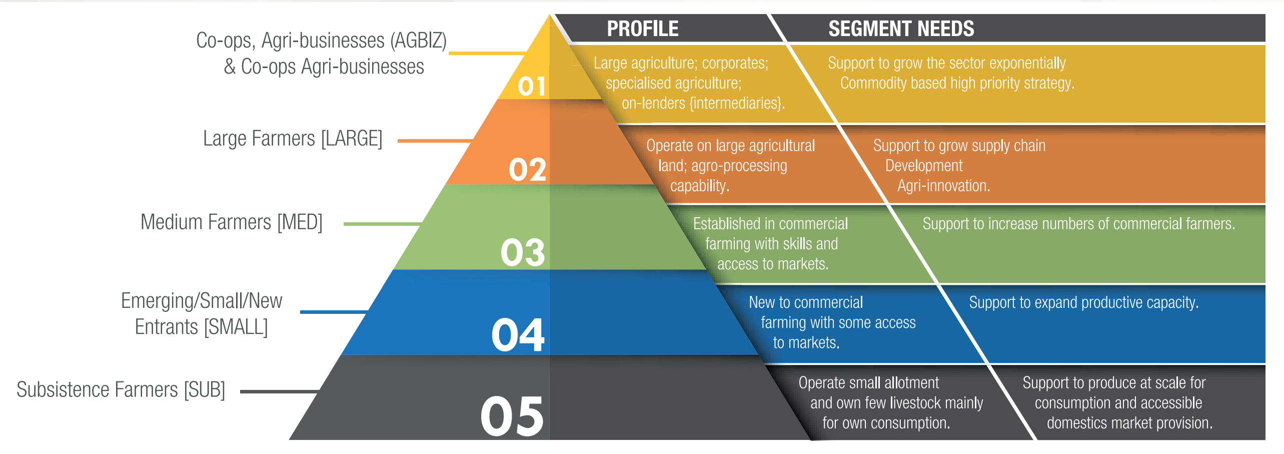
Establishment loans for perennial crops

- These are commonly used by farmers to establish sugar cane plantations, citrus and deciduous fruit orchards, timber plantations and vineyards for table and wine grapes over periods of up to 12 years.
- These facilities are designed for emerging and commercial farmers, as well as co-operatives that require financing to purchase farming equipment, implements, farm vehicles, livestock, improvement of farm structures, loose farming assets and irrigation systems.

Short-term seasonal loans

- These are tailored to meet important financing needs faced by commercial and emerging farmers during the vital agricultural production cycle and include provision of advances of crop intake, production requirements, production credit and other related services that include the handling, manufacturing, packing, processing, storage, transportation and marketing of agricultural products.

2.5. OUR CLIENTS



2.6. OUR BUSINESS STRATEGY AND SUSTAINABILITY

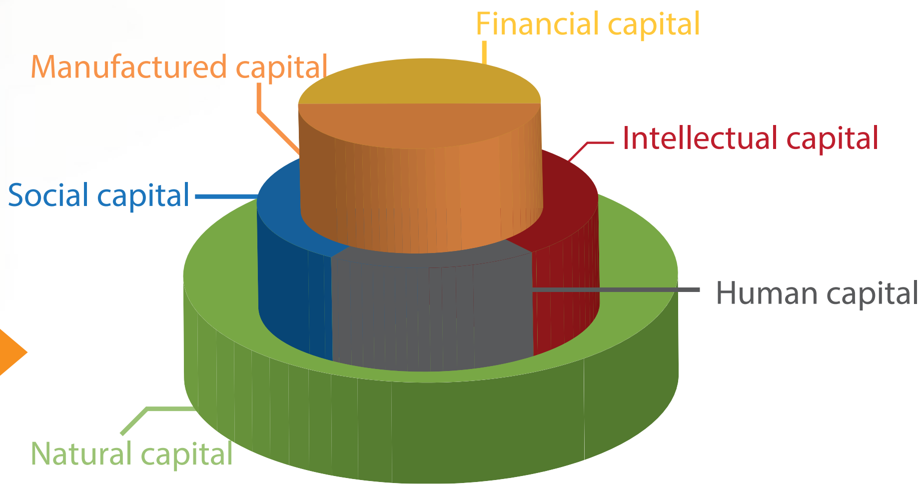
Our sustainability as a business, depends on our ability to access and sustain our resources. This includes our financial, human, social, intellectual, natural and manufactured capital such as buildings and infrastructure. We use the 'six capitals' model to define our sustainability framework. The underlying principle of sustainable development is to recognise the relationship and interdependency between these capital stocks.

To do business, we need:

- **Financial capital** – healthy balance sheet to sustain our operations and extend funding to our clients.
- **Manufactured capital** – infrastructure, technology and manufactured goods. Both financial and manufactured capital stocks depend on human, social and intellectual capitals.
- **Human, social and intellectual capitals** – healthy, informed functional individuals and fair and efficient social institutions, that depend on natural capital.
- **Natural capital** – natural resources, environment and processes that support life on the planet.

Sustainability involves maintaining and, where possible, increasing stocks of capital assets to build resilience and ensure that society can succeed living off the assets without depleting the capital.

Figure 4: Our six capitals framework as defined by the International Integrated Reporting Council (IIRC)



Land Bank's sustainability strategy, is aimed at enhancing our role around these capitals so we can continue to deliver value to our stakeholders even during these volatile times.

Our material issues and how we create value

As the DFI with the sole government mandate of providing sustainable and inclusive agricultural finance to improve food security and promote sustainable development, our material issues focus on this very same mandate.

Issues of materiality to us are framed around six focus areas, each of which contributes to building resilience in agriculture, with potential to impact on our ability to do business, and build value for the five forms of capital into the future, over the short, medium and long- term (Appendix A). These focus areas were identified on the basis of engagements with numerous stakeholders, external consultants and discussions with key managers across the Bank. To address these issues, we developed a business strategy (Corporate Plan 2015/16 – 17/18) with seven (7) strategic pillars as outlined in the table below.

Focus Area	Value creation	Delivering on sustainability: Our 7 Strategic pillars
Sustainable Finance: providing affordable and inclusive agricultural finance, with maximum development impact, in an environmentally and socially sustainable manner	» We build financial, manufactured and social capital through lending money at an affordable price and extended terms to development commercial and corporate clients	1. Implement development as core to business 2. Maintain financial sustainability and secure affordable funding
Social responsibility: Giving back to society that supports and sustains the Bank's business	» We build financial, social and human capital through subsidised funding and support to emerging farmers	3. Provide a sustainable pipeline of critical skills in support of sustainability
Corporate Culture: Making sustainability a corporate culture by integrating it across the institution's policies, processes and operations	» We build social capital through corporate social investment programmes and employee-community outreach	4. Implement systems and drive research and innovation
Greening the Bank's value chain: Reducing material resources' consumption and disposal, minimising our carbon footprint through travel and prioritising procurement of services from suppliers adhering to sustainable practices	» We maintain a healthy and secure workplace » We build human and social capital through personal and career development and performance awards for our staff	5. Improve service delivery
	» We build natural capital by minimising our material consumption and in the process build financial capital	6. Ensure partnerships and stakeholder engagement
Green Research: Continuous intelligence on environmental and social risks and opportunities	» We build intellectual capital through research	7. Ensure good governance, risk management and compliance

The strategic areas outlined above, are aimed at redefining how we do business to ensure that we sustainably create value for our stakeholders

World-Class at Managing Risk

The Bank's risk management strategy is to build capacity and consistency, to move from simplicity to maturity, thus evolving to be **World-Class at Managing Risk.**

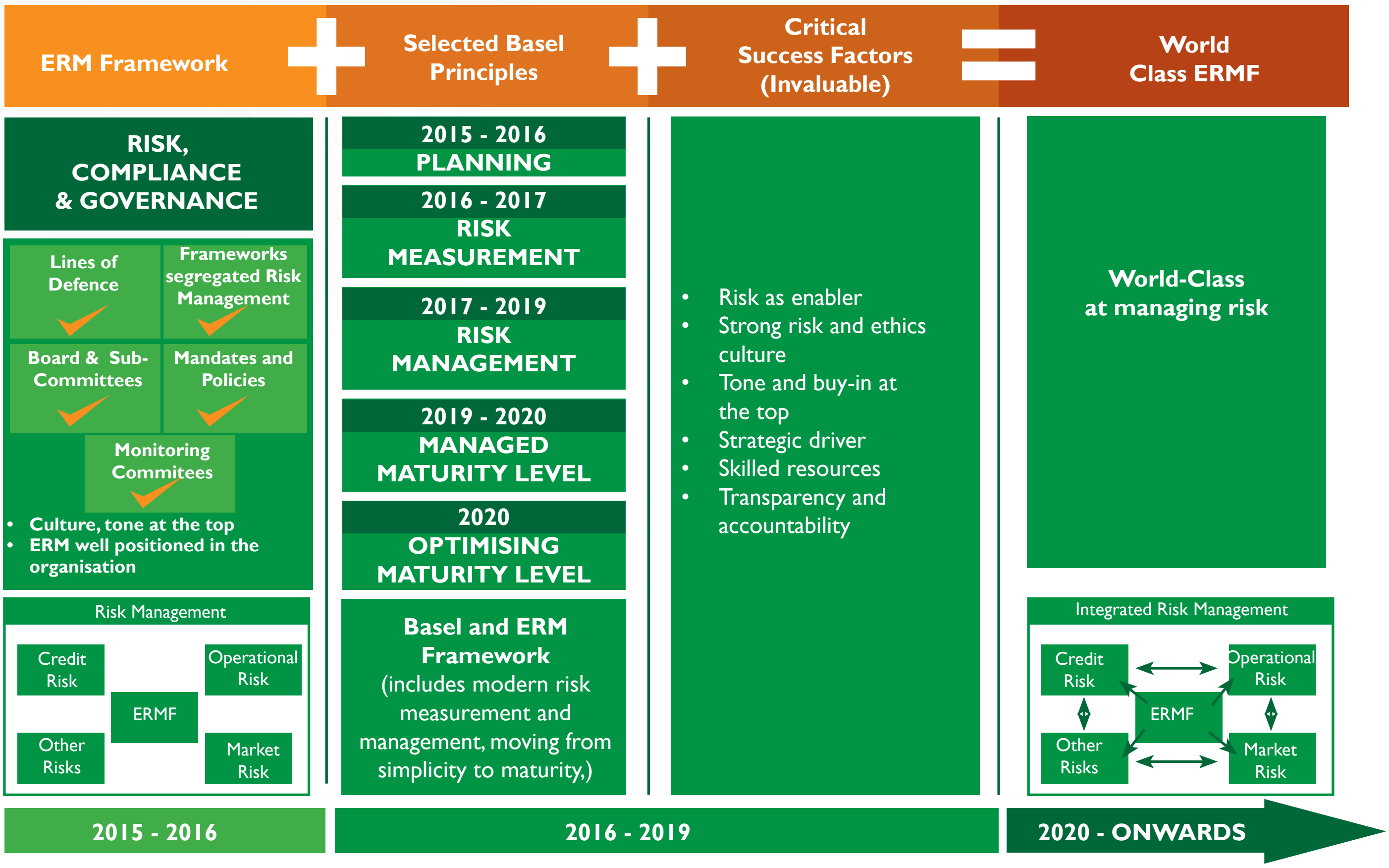
Our Three Lines of Defence model is the foundation of our risk management practices, embedding a strong risk culture across the organisation aligned to the Bank's vision and values.

Land Bank's Three Lines Of Defence Model

1. The first line of defence is ensuring that business units and process owners are clearly given the responsibility to manage risk at entry level into the organisation.
2. The second line of defence is an independent risk oversight function, which looks at Governance, Risk Assessment and Risk Management. This line of defence determines the appropriate framework for managing risks.
3. The third line of defence is Internal and External Audit Assurance, which plays a crucial role in assessing the effectiveness of the internal control environment.

Our Risk Management Evolution

Our drive towards being World-Class at Managing Risk will evolve over the next 5 years



Key achievements and impact FY2016

For the year under review, the Enterprise Risk Management (ERM) Department embarked on a journey to make risk management more robust and forward looking. A gap analysis was conducted to determine the maturity of various risk management elements and identify initiatives to improve capability and effectiveness.

The following initiatives were initiated:

- Revision of the ERM Framework, including a review of the risk universe and governance architecture.
- Revision of Board sub-committee charters to eliminate duplication and ensure that all committees are structured to provide the required oversight for all relevant risks within the risk universe.
- Ensured that the Risk and Governance Committee (RGC) has full line of sight of all enterprise risks.
- Enterprise risks identified are documented and tracked through a risk register that is discussed at various committees, with appropriate mitigation strategies.
- Particular focus has been given to the improvement of the Credit Risk Management capability, including:

    - Established Portfolio Management Services as a standalone department, to drive proactive monitoring of the lending portfolio and improve the quality of credit reviews.
    - Assessment of weaknesses in the end to end credit process, including process mapping to address bottlenecks in the credit process.
    - Establishment of early warning systems and development of credit risk models.
    - Early adoption of IFRS 9, enabling the bank to be more proactive in the assessment of impairments
    - Capacity building for the risk department.

These developments enabled the bank to focus closely on crafting a new risk sensitive strategy through its Vision 2020 journey.

Governance and compliance

There were no fines, penalties and regulatory notices received for the period under review. Land Bank's approach to governance is based on established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

Corporate governance

The Bank is committed to good governance, providing its shareholder and other stakeholders with assurance that the Group is managed with due consideration to risk and in compliance with best practice on a sound ethical foundation.

Governance of ethics

In line with the King Code of Governance, all Board Members have acknowledged and signed the Board Ethics Statement during this financial year. The Executive Committee also developed its own code of conduct to subscribe and commit to the Land Bank's values and policies.

An ethics hotline was implemented and is available to all stakeholders for the anonymous reporting of any unethical or unlawful behaviour.

In addition, the Bank reviews and updates its declaration of interest policy and the code of ethics and business conduct. Employee declarations of interest are updated and recorded on an annual basis. Board members are required to declare their interests at all Board or committee meetings.

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. The Bank holds regular fraud awareness campaigns, including newsletters, posters and presentations.

A fraud hotline is available to employees and clients to report dishonesty. Anonymous tip-offs are investigated by the Internal Audit department.

For additional information regarding risk management, refer to note 37 on page 205 – 281 of the notes to the annual financial statements.

SECTION 4

"Environmental and social sustainability, as well as the safeguarding of the societies within which we operate, are embedded in the very operational DNA of the Land Bank."


LAND BANK
We stand by you

It is incumbent upon us to always add value to our stakeholder eco-system. Agriculture as a sector predisposed to co-dependence delivers best when stakeholder needs are embedded within the business.

To ensure a holistic and coordinated stakeholder engagement approach, all our business units are required to regularly report on their stakeholder engagements through respective stakeholder relationship champions.

Our stakeholders can be divided into seven categories:

- Our employees;
- Our clients;
- Our investors;
- Our shareholder;
- Our partners;
- Our regulators; and
- Environment and Communities

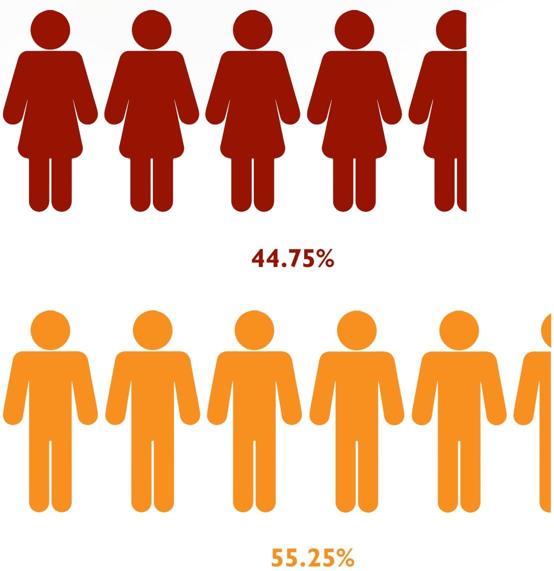
3.1. WHO ARE OUR EMPLOYEES?

In the FY2016 we had a total of 476 employees, of which 438 are permanent.

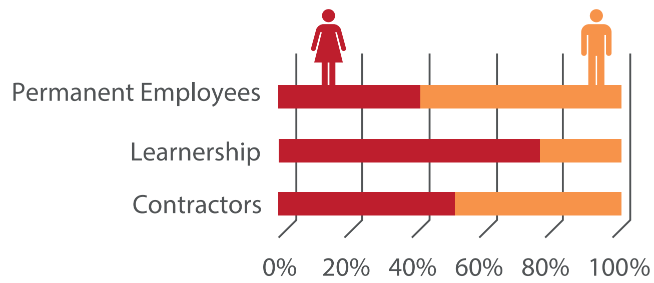
Table13: Employee breakdown

Race	Female	Male	Total
African	125	106	231
Coloured	14	18	32
Indian	11	9	20
White	61	127	188
Foreign National	2	3	5
Total	**213**	**263**	**476**

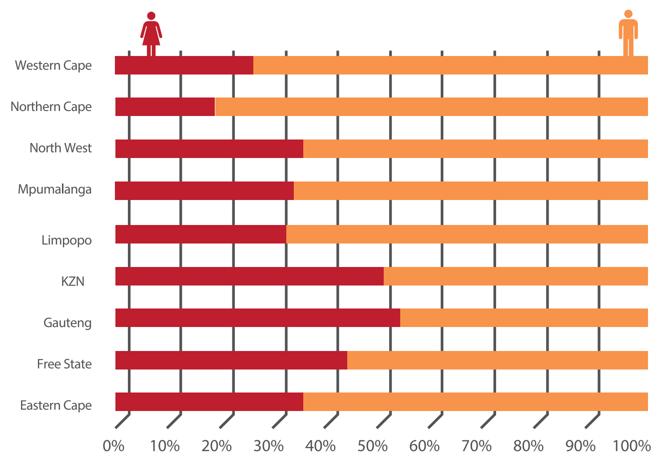
Employee gender profile (%)



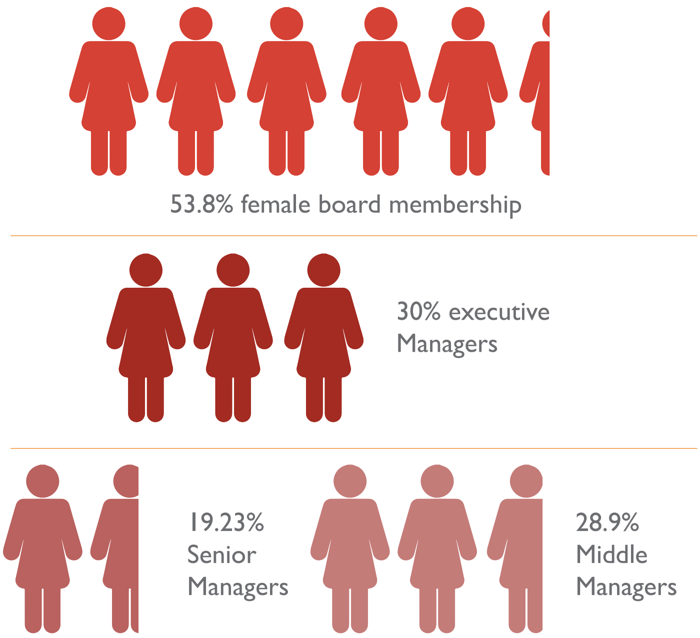
Profile by gender and employment type



Profile by gender and region

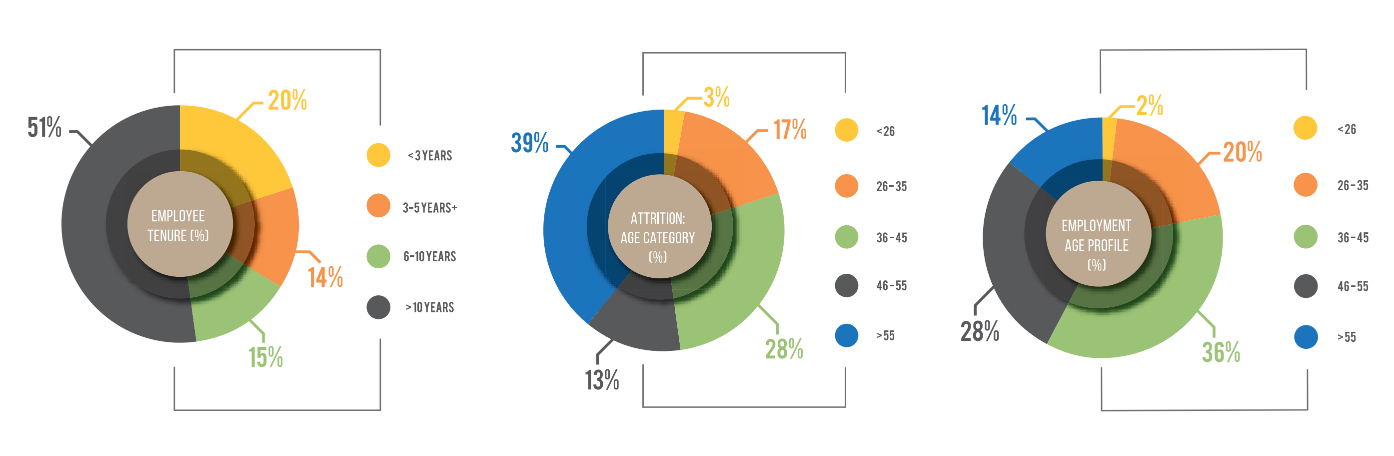


Profile by Female management - unsupervised



In respect of retention and tenure, more than 51% of the organisation's staff has been with the Bank for over 10 years and it has a well-balanced age profile providing opportunities for growth into the business.

Figure 5: Tenure, attrition and age profile of employees



Land Bank employee figures

In line with the organisational review, an expected higher number of staff exited the organisation during the FY2016 period.

Table14: Recruitment and terminations

	FY2016	FY2015	FY2014
Total number of employees: opening balance	565	580	580
Permanent employees at beginning of year	476	567	577
Recruitment	51	40	55
Terminations	116	50	69
Attrition rate (voluntary terminations)	13%	5.3%	8.2%

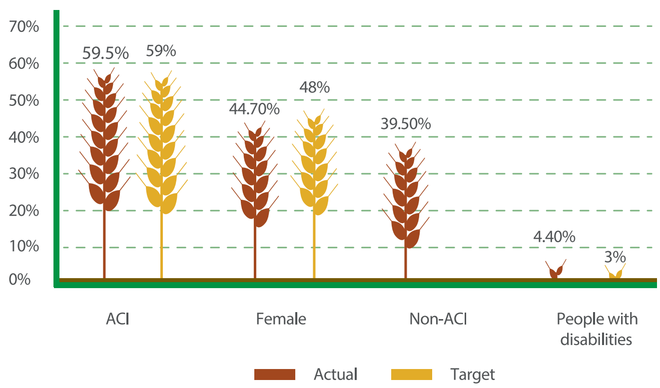
Employment equity

The Bank was successful in achieving its African, Coloureds, and Indians (ACI) Employment Equity (EE) annual targets of 59%. Of the 476 total staff complement, 59.5% comprise ACI, with females constituting 44.7%. People with disabilities accounted for 4.4 % while foreign nationals make up 1.1% of the total staff.

Table 15: Employment equity: As at 31 March 2016

People with disabilities			
Race	**Female**	**Male**	**Total**
African	9	3	12
Coloured	0	0	0
Indian	2	0	2
White	2	5	7
Foreign national	0	0	0
Total	**13**	**8**	**21**

Figure 6: Employment equity: Actual vs Targets



How we attract, acquire and retain talent

To ensure that Land Bank has the right skills, at the right time, and in line with our strategy to retool the business, we attract and acquire talent through three streams:

- The Bank partnered with a number of selected recruitment agencies who support us to recruit the relevant talent at competitive prices.
- Employees are usually encouraged to refer applicants who have the requisite skills, competencies and experience to apply for positions in the Bank. The candidates are then taken through an interview process and psychometric assessments (where required) - to assess their suitability for the roles.
- Talent pipeline – through bursars and learnerships.

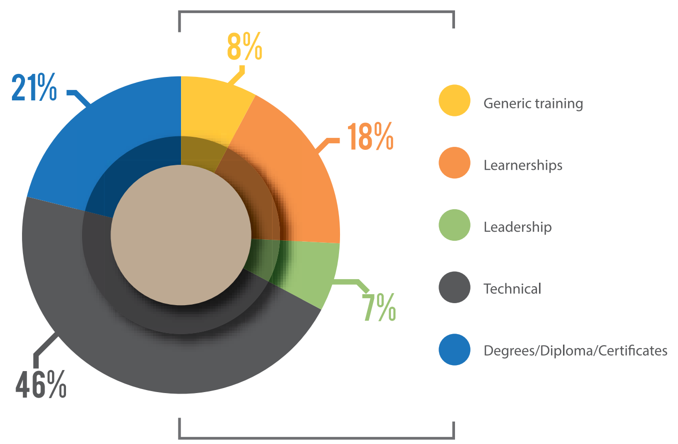
Remuneration, Performance and Rewards and Benefits

Matters of remuneration and reward are addressed through the relevant Board sub committee. During the implementation of the changes brought about by the organisational review, the Bank amended its remuneration approach. This will be followed by a review of the associated systems to manage this through appropriate performance management systems. Like all state-owned entities, we follow NT guidelines on benefits and employee support.

How we invest in our employees

As an organisation looking to deepen its skills set, we continually encourage and support our employees to enhance and develop their skills and competencies. During FY2016, the following training courses were undertaken to build and strengthen the capacity of our employees. Compared to training offered in the previous year, there was a marked decline in this reporting period due to the organisational review process.

Figure 7: Training breakdown



On average, the following hours were spent on training:

Table 16: Average training hours by occupational level in FY2016

Occupational level	Male	Females
Top Management	11.43	32
Senior Management	29.19	75.20
Professionally qualified, Middle Management	12.60	30.51
Skilled Technical, Junior Management	26.10	41.56
Semi-skilled	26.35	17.10
Unskilled	124.92	166.67

A total of 31.09% of employees participated in learning and development initiatives during FY2016.

Performance management

We continually embed a high performance culture through:

- Aligning performance management processes to the organisation's strategic intent and outcomes of the business;
- Assessing performance proactively; and
- Aligning the performance expectations early in the process.

Managing and building talent

We build our talent pipeline based on technical and behavioural skills needed by the business through:

- Identifying critical and scarce skills that need to be developed for the future;
- Developing and implementing focused programmes to build these skills internally including (learning and development, coaching, mentoring, etc.);
- Developing and implementing a graduate/learnership programme; and
- Implementing a talent management strategy for:
  - » Talent profiling/segmentation;
  - » Development and implementation of talent development plans;
  - » An increase in depth by closing skills gaps; and
  - » Development and implementation of a succession planning framework.

Occupational health and safety

Occupational health and safety (OHS) of our employees takes centre stage at Land Bank. To this end, we comply with all the relevant occupational health and safety laws and policies and we ensure that all indices are reported at all times.

The Bank experienced a number of minor *security and safety* incidents with very little material impact. There was however, a fire in the East London office that can be categorised as very serious as it resulted in a Compensation for Occupational Injuries and Diseases Act (COIDA) claim coupled with a temporary closure of the premises.

How we engage with our employees

We engage our staff both formally and informally. Our formal approach is aligned with the prescriptions of the Labour Relations Act. Our informal approach involves internal communication channels and initiatives such as Town Hall meetings, emails and communication via other media. Our management has an open door policy to encourage employees to engage them directly.

Employee relations management

Building positive stakeholder relationships between management, staff and organised labour, promoting a culture of pro-active engagement and corrective behaviour and minimising the risks of labour matters in the organisation are important to us. We ensure this through proper grievance management, misconduct procedures, management of sub-standard performance and allowing free collective bargaining.

Employee relations participation during the past year played a significant role in ensuring that the relationship with relevant union bodies remained amicable. A total of eight disciplinary matters were recorded in the financial year under review and all eight were concluded. Four disputes were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA). Three cases were settled and one case remains unresolved post a conciliation process and will be concluded in the new financial year. There were no CCMA judgements against the Bank.

In instances where the cause of an employee's sub-standard performance is identified as a result of mental or physical ill health, the Bank's "Incapacity Management Policy" caters for a process of medical boarding and/or salary subsidisation through a medical insurance policy, subject to the severity of the illness.

Collective bargaining

Land Bank currently has a collective bargaining agreement with the South African Society of Bank Officials (SASBO) trade union that has a majority membership within their stipulated bargaining unit. The bargaining unit consists of employees below management level (employees at P8 – grading level and below).

Besides SASBO's right to represent its members at grievance and disciplinary meetings, Land Bank and SASBO have also agreed to negotiate on wages and working conditions.

Management consults with the union before implementation of any new or amended policy or procedure that may have a direct impact on employees' working conditions.

Changes in labour legislation

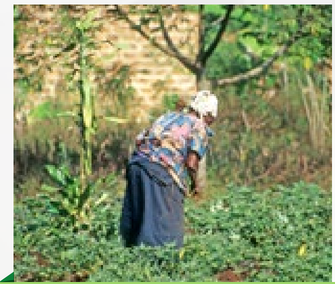
Land Bank remains up-to-date with all changes to legislation and monitors compliance with all relevant and applicable labour laws and regulations on a regular basis.

3.2. ADDING VALUE FOR OUR CLIENTS

We at Land Bank understand our mandate clearly and treat it with the utmost respect, because at the heart of it lies core livelihood issues of food security, employment, transformation and inclusivity. We acknowledge that our existence and relevance depends on our ability to sustainably deliver financial solutions to the agricultural sector to sustain these livelihood issues.

Our clients as stakeholders

Our clientele can be categorised into four distinct groups



Emerging/small/ new entrants

New to commercial farming with some access to markets, but with weak financial security.

Medium Farmers

Established commercial farmers with skills and access to markets

Large Farmers

Operate on large agricultural land, have capacity to influence/ dominate the market and have agro-processing capability

Co-operatives and agri-businesses

These are companies that provide services to farmers, use agri-produce as inputs and include large agriculture, corporates specialising in agriculture & on lenders, ie., intermediaries

What do they expect from us?

Due to their differences in terms of resource endowments and capacity, the emerging and established commercial farmers have different expectations from us as a business.

Table 17: Expectations by clients

Emerging/small/new entrants	Co-operatives, agri-businesses, large and medium farmers

• Fundamental and structural problems facing emerging farmers as a result of the country's agricultural history
• Access to land
• Access to infrastructure
• Limited access to funding to enable economically viable production
• Inherent financial challenges relating to normal credit practices, viz:
  ° Lack of collateral
  ° Limited financial history, little or no equity
  ° Relative lack of managerial, financial and/ or agricultural and technical skills
	• Improved customer services
	• Simplified application process
	• Improved communication
	• Increased access to funding for new growth
	• BBBEE compliance and transformation
	• Enhancing clients' relationships

Engaging with and responding to our clients concerns

Table 18: Engagements with clients

Emerging/small/new entrants		Co-operatives, agri-businesses, large and medium farmers	
How we engage	**How we respond**	**How we engage**	**How we respond**
Workshops and conferences with organised agriculture structures such as: • African Farmers Association of South Africa (AFASA); and • Grain Farmer Development Agency (GFADA); etc. • National African Farmers Union (NAFU); • National Emergent Red Meat Producers Organisation (NERPO);	• The current organisational design is aimed at increasing the Bank's focus on its development mandate. • Established focused business unit to drive the promotion of emerging farmers. • Engagement of pertinent government departments and select private sector strategic partners to drive development projects. • The Bank's objective is to become government's preferred partner when it comes to determining economic viability of farm property, including government acquired farms for land reform.	• Formal meetings • Sponsoring of sector events • Scheduled road-shows • Written and verbal communication • Formal visits to clients	• Regular written and verbal communication to clients. • Scheduled visits were held that were aimed at investigating potential deals for funding by the Bank and promoting transformation through BBBEE compliance. • Enhanced and more concise application documentation and streamlined credit process. • The Bank is looking at a number of options to automate the application process which is aimed at improving turnaround times.

3.3. ENSURING VALUE-FOR-MONEY FOR OUR INVESTORS

It is important for our investors to have confidence that we put their investments to good use for the sustainability of our business and enhancing resilience in the agricultural sector. We instil this confidence through continuous engagements that are aimed at understanding their expectations and making sure that these expectations are met.

Our investors' expectations:

- Continued and sustainable shareholder support;
- Improved capital adequacy/ gearing;
- Funding of development;
- Loan book quality and sustainability; and
- Credit rating management

How we engaged and responded to investor concerns

Table 19: Engagements with investors

How we engaged with investors during the FY2016	How we responded to their concerns
• Investor road- shows • Regular consultations • Written and verbal communication	• Held a non-deal specific investor road-show to share the new strategy • R2.7 billion government-guaranteed loan was syndicated • Listed bonds to the value of R500 million raised • Credit ratings were affirmed at AA+ (long term) and F1+ (short term) by Moody's and Fitch rating agency

3.4. CREATING VALUE FOR OUR SHAREHOLDER - GOVERNMENT

Land Bank is mandated to undertake agricultural development on behalf of our shareholder, the South African government. It is therefore important that we uphold and deliver on this mandate with excellence at all times. To ensure that we create value for our shareholder in a sustainable manner, we have to engage with both the national and provincial governments. These include:

- NT;
- DRDLR;
- DAFF;
- The Department of Trade and Industry (**the dti**);
- Gauteng Department of Agriculture and Rural Development (GDARD);
- Eastern Cape Department of Rural Development and Agrarian Reform;
- Western Cape Department of Agriculture; and
- Free State Department of Agriculture and Rural Development.

What do they expect from us?

- Promote inclusion of previously disadvantaged individuals (PDI's) in mainstream agriculture;
- Fulfilment of the mandate;
- Sustainable models for funding to development famers;
- Ensure food security; and
- Facilitate job creation.

How we engage with government

Table 20: Engagements with government

How we engaged with government during FY2016	How we responded to their concerns
• Formal consultative sessions • Participating in relevant portfolio committees • Relevant policies and plans (Land Reform Act, NDP, Black Industrialist Policy, APAP) • Written and verbal communication	• Shareholder engagement sessions with national departments. • MoU was signed between Land Bank and DRDLR to collaborate on implementation of initiatives. • MoU was drafted between the dti and the Bank for the Black Industrialists Programme. • MoU was drafted between GDARD and the Bank to collaborate on implementation of provincial initiatives Land Bank participates in the MINMECs and serves on the National Agri-Parks Advisory Council (NAAC). • The Bank reports to NT on corporate governance requirements.

Delivering on development mandate

To ensure successful delivery on our mandate, and intensify our developmental impact in support of government priorities, it is imperative that we continuously assess and measure the impact of our investment on the intended mandate. For this purpose we use the reputable South African Social Accounting Matrix (SA SAM) model. In partnership with the Development Bank of South Africa (DBSA), we piloted the model in February 2011 and refined it by adjusting it for inflation in December 2012. SAM-based models are widely used by DFIs and other development organisations to measure development impact.

In alignment with government policies and priorities, we include our BBBEE footprint in our assessment and measurement of development impact.

How we maximise our development impact

During the FY2016, we paid particular attention to the optimisation of our development footprint, which culminated into redefining our development philosophy, as well as our development policy and impact indicators. The policy provides a basis for our role in agriculture and rural development. The section on "our total development impact" in the pages that follow articulates the micro- and macro-economic and social indicators that we use to measure our development impact.

How we offer sustainable farming solutions to emerging farmers through CDB

To help graduate resource poor farmers from low to commercial scale of production, we source strategic funding to support low scale producing farmers.

These are typically black emerging farmers engaged in primary agriculture, but are unable to secure funding (to uplift production and returns) from commercial financial institutions due to lack of collateral and good credit history. Our intention is to assist this category of famers until they are commercially viable and ready to borrow from commercial or corporate banking avenues.

The support is offered through special purpose funding vehicle by Commercial Development Banking (CDB) specifically tailored to meet the emerging farmers' requirements. CDB offers a unique value proposition and emerging famers access finance at concessionary rates, and receive skills transfer through the Bank's intermediaries, including input suppliers and off-takers.

Unique value proposition offered by CDB

Through CDB the Bank has developed a product called the Wholesale Finance Facility (WFF), implemented in collaboration with agricultural intermediaries. This fund is aimed at transforming the agricultural sector by promoting inclusivity of previously disadvantaged farmers to be active and meaningful role players in the agricultural economy. These are mainly Black emerging farmers and agricultural businesses.

Figure 8: Employment generated by category for the Lona Group

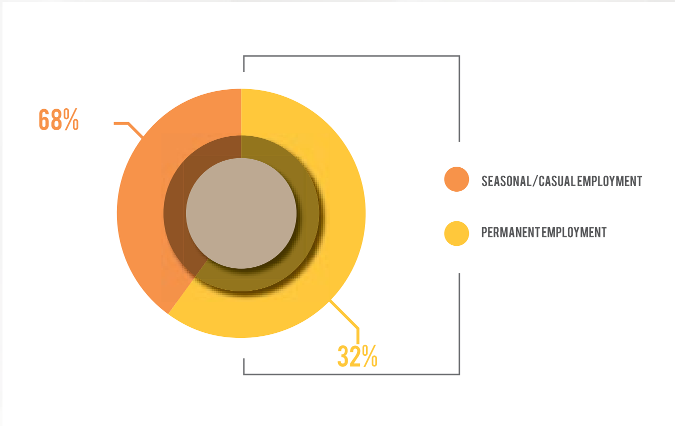
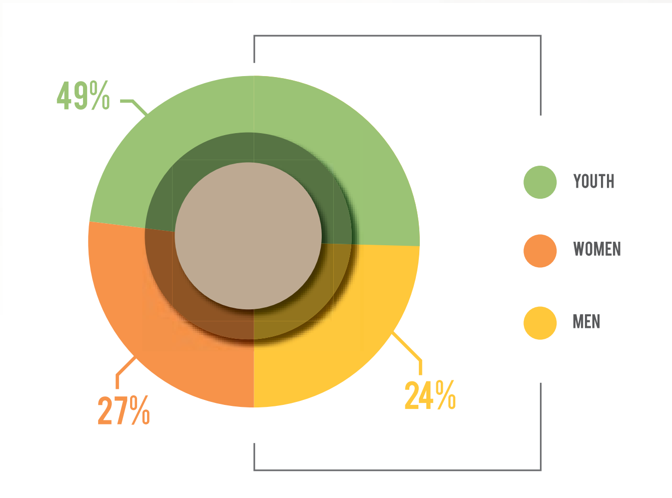


Figure 9: Employment generated by demographic the Lona Group



Through WFF, the Bank on-lends funds to intermediary organisations, who are able provide credit to emerging farmers at concessionary rates, provide end to end on-field support to farmers and be off takers of the produce generated. All things being equal, the beneficiaries' (farmers) performance is closely monitored until the farm ers have developed to their full potential within a period of five to seven years. As part of the process, a regime of progressive interest rate increases is applied. These increases are designed to ease the farmers into market rates before they transition into commercial farmers. The Lona Case in the Box 1 gives an example of the successes of the concessionary funding offered by CDB. During FY2016, CDB disbursed a total amount of R841m funding with the following development impacts:

Table 21: Development impacts

Category of support	Amount
Amount approved for disbursement	R810 million
Number of farmers financed	358
Beneficiaries impacted	54 779
Hectares farmed: leased/communal	254 909
Farmers receiving mentorship	1432
Farmers who attended training programmes	1967
Increase in asset value	R146m
Increase in farm turnover	R224m

BOX 1: EMPOWERING THE LONA GROUP THROUGH SUSTAINABLE FUNDING SULUTIONS

- The Lona Group was established in 1996 and comprises a number of entities and joint ventures that successfully contribute to agricultural development in South Africa through the complete value chain of citrus production and distribution. Lona's main business is exporting of citrus to international markets (Europe and Far East Asia).
- Lona engaged with the Land Bank to access finance for their black emerging farmers in 2012/2013 - utilising the WFF.
- Lona is well established in the export and local markets.
- The Land Bank initially approved a credit facility over 4 financial years due to the progression of the black emerging farmers towards commercialisation.
- Lona's support was essential to the farmers.
- Lona currently has 20 black emerging farmer partners who have received finance. Projects under the Lona citrus facility are in the citrus areas of the Eastern Cape, KwaZulu-Natal, and Limpopo and Mpumalanga provinces. The funding of these farming activities by the Bank had the following impact:
  - 2400 jobs created (permanent and casual);
  - 18 000 beneficiaries;
  - 2598 ha of citrus land of which 1714 ha are planted, with an expansion potential of 884 ha under the current funding; and
  - Lona provides financial, technical and management mentorships, as well as training to farmers and workers.
- Lona also encourages farmers to adopt improved farming and innovation practices. 13 farmers have adopted:
  - Automated irrigation systems;
  - Energy substitution through the use of solar systems; and
  - High yield cultivars.
- The non-performing loans under Lona equates to 0.0% of the facility
- Lona also has three social programmes:
  - 'Kidz2Kidz' projects that support institutions that provide homes for abandoned, neglected and abused children, edu-care centres and feeding schemes;
  - 'Soil for life' that educates and trains people in food production on small pieces of land; and
  - HELP provides support to children with reading writing, numeracy and life skills.

Our total development impact - SAM Model

The SAM model estimates the direct, indirect and induced development impact of the Bank's lending on the economy and also estimates the economic and socio-economic impact ("potential impact" presented by approvals of loans and "actual impact" presented by disbursements).

Direct impact on agriculture refers to the impact occurring within the agriculture sector.
Indirect impact occurs in diverse economic sectors (those that link to the agriculture sector due to the supply of intermediate inputs).
Induced impact is the chain reaction triggered by salaries and profits (less retained earnings) in the form of private consumer spending in the economy. In other words, it measures the direct impact each Rand makes once it has been disbursed from the Land Bank into various investment platforms.

The Bank's sustainable development impact is estimated by adding the construction phase development impact to a one-year operational phase development impact, thus estimating the impact only for the year under consideration. This SA SAM estimation of the Land Bank's contribution towards employment does not distinguish between creating new employment opportunities and sustaining current employment. Therefore, in the absence of the Bank's funding, the number of employment opportunities lost is considered equal to the number of employment opportunities maintained and/or created, as reported below.

The variables selected to estimate the development impact of the Bank's lending are as follows:

- GDP (value added to the national economy);
- The employment opportunities created or maintained – where employment creation implies the creation of jobs (person years) during the construction phase and the number of permanent jobs created during the operational phase for the year under consideration (production phase);
- Capital utilisation (the use of machinery, transport, equipment, buildings and other social and economic infrastructure);
- Additional income accrued to households; and
- Additional government revenue.

The SAM model is defined as a presentation of the System of National Accounts in a matrix format, which elaborates on the linkages between supply and demand and sectors' accounts. It reflects the economic relationship between sectors of the economy by identifying monetary transactions (expenditure and receipts) between them.

The Bank has found it a valuable tool to determine its development impact as a result of its lending activities, because it links the traditional macroeconomic indicators, such as GDP, to indicators of socio-economic development, for example, job creation and income distribution. These measures all have a social dimension by estimating social parameters, such as job creation and income generation.

Land Bank funding

The estimated *SAM potential* impact analysis for FY2016 is based on loans approved during the year, irrespective of whether all conditions precedent have been complied with or the loan offer has been accepted. It furthermore assumes disbursement of the approved amount within the year of approval. The estimated *SAM actual impact* analysis for FY2016 is based on all amounts disbursed, irrespective of year of approval, and inclusive of second and further disbursements (re-advancements) on active loans. It should be noted that while the impact is generated in the year of approval and/or disbursement, the actual impact may accrue over subsequent years.

During FY2016, the Bank approved loans to the value of R11.4 billion. Disbursements during the same period increased to R34.8 billion. The composition of the loans respectively approved and disbursed by the Bank for FY2016 is depicted in the graphs below:

It should be noted that the estimated development impact is determined by the long-, medium- and short-term values of the loan book. The development loans portfolio, approved and/or disbursed by the Bank for FY2016 , is included under the B&CB, RCB and REM book respectively, for purposes of estimating the development impact on the South African economy.

Table 22: Land Bank funding

Indicator	FY2016	
	New Approvals	Disbursements
Total Land Bank funding disbursed (R billion)	11 403	34 761
Impact on GDP (R billion)	12 051	39 130
Capital Employed (R billion)	35 446	121 842
Household Income (R billion)	8 519	25 140
Low Income Households (R billion)	1 464	4 595
Medium Income Households (R billion)	1 736	5 111
High Income Households (R billion)	5 319	15 434
Government Revenue (R billion)	4 055	12 318
Job opportunities (Numbers)	80 026	2 89 779
Skilled Labour	*11 205*	*32 725*
Semi-Skilled Labour	*33 878*	*1 21 634*
Unskilled Labour	*34 944*	*1 35 420*
Nature of jobs (Numbers)		
New jobs (Numbers)	*24 072*	*22 130*
Maintenance of jobs (Numbers)	*55 954*	*2 67 649*

- *Impact on GDP:* The potential impact of the Bank's lending approvals on GDP is estimated at R12.1 billion, whereas the actual estimated development impact of the Bank's disbursement on GDP is estimated at R39.1 billion. Economic growth alleviates poverty because it supports a general improvement of welfare.

- *Impact on capital employed:* Capital injection is crucial in stimulating the economy. Capital, natural resources, labour and entrepreneurship are basic elements needed for production in the economy.

To support economic activity sparked by the Bank's lending approvals during the period under review, a capital amount of R35.4 billion had to be used directly and indirectly in the economy. The estimated capital employed in the amount of R35.4 billion includes the Bank's loan approvals of R11.4 billion. The indirect capital employed in the economy to the value of R24.0 billion therefore could be leveraged by the Bank's loan approvals to support economic production.

The Bank's disbursements during FY2016 required a capital amount of R121.8 billion to be employed directly and indirectly in the economy. The estimated capital employed in this amount includes the Bank's disbursement of R34.8 billion.

The indirect capital employed in the economy to the value of R87.081 billion could therefore be leveraged by the Bank's disbursement to support economic production.

- *Impact on household income:* The potential increased economic activity (through the linkages in the economy) arising from the Bank's loan approvals results in estimated additional potential income in the form of salaries, wages and profits to households to the value of R8.519 billion. The estimated actual value is R25.140 million for FY2016 . Potential impact can be accrued to low-, medium- and high-income households, as defined by the household income levels published by Statistics South Africa.

- *Impact on government revenue:* The fiscus receives additional revenue from economic sectors as a result of increased economic activity due to the Bank's funding. The Bank's funding has an indirect impact on additional government spending. The potential increase in state revenue resulting from the Bank's loan approvals is estimated at R4.055 billion. The actual increase is R12.318 billion and could result in greater government expenditure on social services and general service delivery. This development impact estimate excludes the Bank's disbursement impact on social services provision (health, education, etc.).

- *Impact on employment:* Labour is a primary factor in economic production. Given prevailing levels of unemployment and poverty in South Africa, the Bank's shareholder prioritises the maintenance and creation of jobs. The Bank is therefore obligated to report on its contribution toward employment in a national context. For FY2016 , the impact of the Bank's approval on job opportunities is estimated at 80026, comprising 24072 new employment opportunities and 55954 employment opportunities that were sustained. The actual estimated impact of the Bank's disbursements is 289779 employment opportunities and comprises 22130 new opportunities and 267649 employment opportunities that were sustained. One employment opportunity constitutes 240 days worked per year.

The estimated potential impact on skilled employment is 11205 or 14% of the total estimated opportunities created and/or sustained by the Bank, and the total estimated actual impact is 32725 (11.3%). The estimated potential impact on semi-skilled employment is 33878 (42.3%), and the total estimated actual impact on employment is 121634 (42.0%). The estimated potential impact on unskilled employment is 34944 (43.7%), and the total estimated actual impact on employment is 135420 (46.7%).

The estimated potential impact in the unskilled category is higher than in other categories. Providing job opportunities for the unskilled directly affects poverty alleviation and the availability of food in households, because workers in this category are most likely to be unemployed. The estimated employment impact may be used broadly to measure contributions to poverty alleviation and food security.

Our BBBEE footprint

When Government gazetted the BBBEE Codes of Good Practice at the beginning of 2007, it made the implementation of black economic empowerment and consequently transformation a legal reality for South African business. Accordingly, the Land Bank has made empowerment an integral part of its business strategy and growth.

BBBEE is the cornerstone of the South African government's efforts to educate and train the large sector of the population that was previously disadvantaged under apartheid rule. It aims to accelerate the participation of black people in the economy by encouraging change.

BBBEE Achievement

The Land Bank Board approved the BBBEE policy review in pursuance of the new codes and the strategic plan in order to realise achievable targets. At the time of reporting, however the old codes were applied as this fell within **the dti** timeframe for use of old codes.

The Bank achieved a Level 2 (BBBEE rating for FY2016). This achievement is above average as per the benchmark of SOCs.

Table 23: A summary of the BBBEE achievement per element for the FY2016

BBEEE elements	Target Score	Score FY2016
Management Control	15 points	13.50 points
Employment Equity	15 points	10.64 points
Skills Development	20 points	19.21 points
Preferential Procurement	20 points	19.20 points
Enterprise Development	15 points	15 points
Socio-Economic Development	15 points	8.06 points

Our approach to achieving meaningful transformation goes beyond compliance with national requirements, seeking to embed equity, fairness and diversity in the very fabric of our business. We want this culture to be a tangible, everyday reality for our stakeholders and clients we serve.

3.5. MEETING REGULATORY STANDARDS

As a government owned DFI, we have to comply with a multitude of regulations to ensure that our business operates within the confines of the South African laws. Our regulators consist of:

- National Credit Regulator (NCR);
- Financial Services Board (FSB);
- Financial Intelligence Centre (FIC);
- NT; and
- Parliament.

Table 24: Expectations by regulators

Their Expectations
• Good governance • Transparency • Reporting as per provided guidelines • Compliance with: - National Credit Act (NCA) and conditions of registration - Financial Advisory & Intermediary Services Act (FAIS) - Long and Short Term Insurance Acts - The Use of Official Languages Act - Financial Inteligence Centre Act • Tax Administration Act and other relevant legislation

How we engage and respond to regulators' concerns

Table 25: Engagements with regulators

How we engaged with regulators during FY2016	How we responded to their concerns
• Continuous interaction through meetings • Written and verbal communication	• Adequate systems and procedures were implemented through the Bank to ensure compliance with all applicable legislation. • Presentation of results to the media and tabling of the Land Bank annual report in Parliament. • Continuous and regular reporting in terms of the reporting requirements provided in the relevant legislation.

3.6. NURTURING RELATIONSHIPS WITH OUR PARTNERS IN AGRICULTURE

To help deliver on our mandate and enhance sustainability and resilience, we need to leverage the support from our partners and nurture our relationships with them. Our partners are:

Organised agriculture	Land Bank Chairs	Strategic Joint Ventures	DFIs
• AgriSA • GrainSA • AFASA • Transvaal Agricultural Union of South Africa • (TAU SA) • Agriculture Sector Unity Forum (ASUF) • National Emergent Red Meat Producers' Organisation (NERPO)	• University of Venda • North-West University • University of Fort Hare • University of Limpopo	• Witzenberg PAL Project • Country Bird Holdings • Vinpro & Capital Harvest Project • Grain Production Project	• Industrial Development Corporation (IDC) • Public Investment Corporation (PIC) • African Development • Bank • World Bank • DBSA

How we engage and respond to our partners' concerns

Table 26: Engagements with partners

	How we engaged with partners during FY2016	How we responded to their concerns
Organised agriculture	• Formal consultative sessions • Sponsoring of sector events • Participating in programmes and special committees and working groups • Written and verbal communication	• The Bank continued with consultative sessions with organised agriculture where the Bank presented its plans for sector transformation. • Clarity was offered on various forums on how the Bank is funded to be able to finance development and the funding constraints it is facing in this regard. • The Bank repeatedly reassured its commitment in financing commercial farmers during sponsored events. • The Bank sponsored a number of important events such as annual general meetings (AGMs) and national agricultural shows, organised by these associations. During these events, the Bank had the opportunity to present its strategy.
Land Bank Chairs	• Formal meetings • Sponsoring of sector events • Written and verbal communication • Formal visits • Formal meetings	• The Bank continued funding for agricultural innovation, capacity building and the provision of support for farmers in previously disadvantaged institutions of higher learning. • The research topics were guided by business needs with the aim to provide useful intelligence.
Strategic Joint Ventures	• Written and verbal communication • Participating in programmes and special committees and working groups	• The Bank entered into a collaborative agreement for the provision of business support for development clients in the grain sector. • A new opportunity for grain production was identified. The Bank is investigating a special purpose vehicle (SPV) to facilitate the project implementation. • A number of presentations on finding innovative and collaborative solutions for supporting black farmers were conducted.
Commercial banks and DFIs	• Due-diligences on the Land Bank • Annual ratings review	• Systems and procedures in place. • Managing the Land Bank's balance sheet. • Presentation of results via media. • Increased development impact, including levels of funding to different priority sectors, in line with mandate.

Ensuring compliance with governance structures and good practice protocols

Doing our business within the confines of the law and in compliance with good business practices as expected by our stakeholders are major imperatives of Land Bank. To accomplish this, we maintain constant engagement with the following stakeholders:

- Auditor-General of South Africa (AGSA), who provides assurance of our work;
- The Parliament Portfolio Committee (PPC) that provides oversight of our work;
- The Rating Agencies' Standard and Poor's and Fitch and Moody's, that rate us against global financial performance standards; and
- The Media that provides a critical analysis of our work and informs the public.

These stakeholders may vary from time to time. Their expectations of us are outlined below:

AGSA	PPC	Rating Agencies	Media
• Compliance with: ◦ PFMA; ◦ Treasury Regulations; ◦ Land Bank Act; ◦ NCA; and ◦ FAIS	• Promote inclusion of PDI's in mainstream agriculture • Innovative and appropiate models for funding development farmers • Ensure food security • Facilitate job creation	• Moderate profit expectations • High reliance on investment portfolio • Capital support from authorities • Fast loan growth • Asset quality can be volatile • Single sector focus • Uncertain prospects of land reform • Reliance on market funding	• Land Bank accessible • Coverage based on news issues.

3.7. HOW WE ENGAGE WITH COMPLIANCE STAKEHOLDERS

Table 27: Engagement with compliance stakeholders

	How we engaged with compliance stakeholders during FY2016	How we responded to their concerns
AGSA	• Planning meetings • Stakeholder audit • Closeout meetings • Audit and Finance Committee	• Formal engagements were proposed. • Formal management responses were made to audit findings. • Appropriate corrective measures were actioned accordingly.
PPC	• Formal consultative sessions • Participating in relevant portfolio committee meetings • Written and verbal communication	• The Bank successfully responded to all parliament questions. • The Bank participates in and has presented to the relevant portfolio committee meetings.
Rating agencies	• Official meetings with the Land Bank and shareholder • Follow up conference calls • Final review of draft report before publication • Email requests	• The CFO engaged directly with the rating agencies according to the project schedule. • The rating agencies visited the Bank and interviewed Finance, Treasury, Risk and Operations. • Land Bank was affirmed AA+, with a stable outlook.
Media	• Written and verbal communication • Interviews • Email requests • Media briefings	• Brand reputation enhancement, the balanced narration of the Land Bank story, and fair reporting on Land Bank initiatives.

3.8. HOW WE IMPACT ON THE ENVIRONMENT AND COMMUNITIES

Environment and communities (E&C) are unique stakeholders as they are primary inputs into agricultural production and at the same time consumers of agricultural output.

What do E&C expect from us?

In summary, environment and communities expect Environmental and Social Sustainability (ESS) from us.

Table 28: Expectations by EC

Environment	Communities
• Environmental stewardship including conservation and preservation on natural resources such as: - Water, air, soil, ecosystems, biodiversity	• Good corporate citizenship, including the enhancement of communities welfare

How we engage and respond to environmental and community expectations

The E&C impact on our business directly by providing resources for agricultural production such as water, soil, ecosystems and biodiversity and labour, respectively. As such, both E&C expect us to utilise them sustainably to be able to sustain production.

We respond to Environmental and Social Sustainability (ESS) according to the five focus areas identified by our materiality analysis in Section 3. These are:

- Sustainable Finance,
- Social responsibility;
- Corporate Culture (covered under creating value for stakeholders above);
- Greening the Value Chain; and
- Green Research

3.8.1. OUR IMPACT ON SUSTAINABLE FINANCE

In FY2016, we sought to achieve the following through sustainable finance:

- Improve our mechanisms for assessing and managing environmental and social risks associated with our lending;
- Drive growth and resilience through environmental and social sustainability; and
- Investigate and gain an improved understanding of how environmental risks affect agriculture and thus, our business.

Environmental and social risks assessment and management

To strengthen our environmental and social risks due diligence, we developed the Environmental and Social Management System (ESMS), with implementation guidelines and tools. The ESMS was piloted in the Western Cape and implementation will be scaled up during the FY2017.

Driving growth and resilience through ESMS

Climate change is the biggest risk that agriculture is exposed to and its effects are already being felt by farmers across South Africa. The drought experienced during the period under review, dubbed the worst ever, bears testimony to the fact that we cannot afford to downplay and underestimate the impact of climate change any longer. The regions where many of our clients are located in Kwazulu-Natal, Mpumalanga, North West, Limpopo and Free State provinces were declared drought disaster areas by government. These areas suffered massive production losses, especially of staple maize.

Our efforts for relief to drought- stricken farmers

To help alleviate the effects of the drought, enhance resilience and return to viability in the long run, we developed a drought relief fund to extend loans to drought-stricken farmers at concessional rates. In this initiative we collaborated with our sister DFI, IDC to raise R400 million which will be made available to farmers.

Building climate resilience

The drought experience showed us that we can no longer be complacent about climate related risks. It also taught us that we need to help improve our farmers' resilience to climate change to maintain growth and a competitive edge – and that this priority has to take centre stage. To this end, we are in the process of establishing a Green Credit Line, which will be a special purpose funding vehicle, for financing initiatives specifically aimed at enhancing climate resilience.

Informing the Bank about environmental and social risks



We successfully completed a study on how water scarcity affects agriculture and thus the business of the Bank. The study was the second of a series of studies we are conducting for the following reasons:

- To improve our understanding of the extent to which environmental and social risks affect us;
- To enhance our capacity to continue providing sustainable finance;
- To understand how to improve our responses to water scarcity; and
- To enhance resilience and continue providing sustainable financial solutions to agriculture.

Table 29: Highlights from the water scarcity study

Study objective	To investigate the extent to which water scarcity, on the one hand, and water legal and policy framework, on the other, affect agricultural production and, thus, the business of the Bank
Findings	• South Africa is a water scarce country and the scarcity problem will increase into the future due to climate change • In addition, the problem will be exacerbated by degradation of water supply sources by users, including farmers (supply side) and exploitative water use or poor demand management practices of farmers (demand side) • The long turnaround time for emerging farmers to secure water rights certificates negatively affects access to credit, which indirectly prevents and constrains our mandate to finance development
Recommendations – water scarcity	
Increasing supply	**Reducing demand**
Farmer/clients should be encouraged to: • Use agricultural land productively and use sustainable farming practices to avoid soil erosion, pollution and disruption of the water cycle. • Engage in efforts to implement water stewardship, restoration and land-care initiatives in their areas of production. • Remove invasive alien plants and replace it with indigenous vegetation. • Restore and protect wetlands (remove alien plants, control burning and grazing, do not cultivate). • Leave at least a 30–40 m natural vegetation buffer zone between cultivated land and a river, and a 25–70 m buffer around a wetland. **Land Bank to:** • Introduce incentive-based instruments to encourage clients to adopt sustainable agricultural practices. • Demonstrate leadership, engage in the same through CSI projects. • Partner with other government departments such as ARC and DAFF to create awareness among Land Bank clients on water sources' threats and corrective actions.	**Farmer/clients should be encouraged to:** • Build up soil organic matter to reduce evaporative water loss and maximise the soil's water-holding capacity. • Use more efficient irrigation systems, such as drip irrigation. • Ensure efficient irrigation techniques that take into account soil type, crop type, soil water status and weather conditions. • Maintain irrigation systems regularly. • Where necessary, register water use with the Department of Water and Sanitation (DWS). • Record actual water use to compare against registered use. • Implement water-harvesting and water-recycling techniques where possible. • Use drought-resistant crop and livestock varieties. **Land Bank to:** • Introduce incentive-based instruments to encourage clients to adopt sustainable agricultural practices
Recommendations – water policy/legislation	
To minimise or eliminate the hurdles involved in the issuance of water rights, it is recommended that:	• DWS and the Bank to create a forum for discussing issues constraining access to water by farmers with a view to speed up DWS' administration process, turnaround time and how volume of water allocated can be aligned with projects and importance of water rights regarding property valuation. • DWS to enable the Land Bank to handle administration process for Land Bank client applications. This could be done through a MoU to allow the Bank to undertake this and streamline the processing of loans. • Water regulatory requirements to be included on Land Bank marketing instruments to make farmers aware of compulsory regulatory requirements which might pose constraints when applying at the Land Bank.

3.8.2. OUR IMPACT ON COMMUNITIES

Agriculture, and thus our business, depends greatly on the communities within which we operate. As such, we place a high premium on our contribution to societal welfare. Our responsibilities in this regard, can be divided into three areas:

- Corporate Social Investment (CSI);
- Shared value creation (SVC); and
- BBBEE procurement practices.

Corporate social investment

As a good corporate citizen, we endeavour to always invest in our social responsibility to enhance the welfare of the society within which we operate. The focus areas of our CSI projects are aligned to our mandate and can be summarised as follows:

- Rural development;
- Education;
- Agriculture-based community projects aimed at food security; and
- Health interventions.

Our support is rendered either through direct financial investment (CSI), or through employee Community Outreach Programmes.

Financial support

During FY2016 we committed an amount of R1.7m to spend on the Bank's flagship CSI projects, as well as the Land Bank University Agricultural Chairs Programme. Flagship projects were focussed on integrated community development in areas within which the Bank operates. These communities are supported up to a point where they can sustain themselves.

The Land Bank University Agricultural Chair Programme is a university research funding scheme in the field of agriculture and rural development. The overall aim of the initiative is to improve research capacity at previously disadvantaged institutions through the provision of funding, predominantly for the empowerment of historically disadvantaged lecturers and students in agriculture. The main support areas are: agricultural research; capacity building; innovation and farmer support. The Bank offers employment opportunities to beneficiaries of this programme whenever there are vacant positions. During the FY2016 we supported the following universities:

- University of Limpopo;
- University of Venda;
- University of North West; and
- Fort Hare University.

Employee Community Outreach Programmes

In celebration of Mandela Day, Land Bank employees visited Buhle Farmers Academy in Delmas. The Academy was established in 2000 to close a gap between unskilled land owners and successful commercial farmers. Through the academy, aspiring farmers are trained in crop, vegetable, livestock and poultry production. The Bank donated classroom projectors, chairs and paint to the project. The employees complemented the Bank's investment by volunteering their services in various activities including ploughing and rearranging irrigation pipes and equipment on oat and lucerne plots, respectively.

The Bank aims to continuously support the project to ensure its sustainability in line with our vision to promote development of emerging farmers. Our employees from the various branches also raised funds and purchased goods and groceries which they donated to different community development projects across the country.

The table below provides details of our investments in flagship projects, as well as employee community outreach programmes:

Table 30: Investment initiatives

Initiative	Details
Bank's CSI	• Donated 2 classroom projectors, 200 chairs & paint to Buhle Academy in Delmas
Head Office and AFC's employee community outreach initiatives	• Painted recreational room • Milling of maize cobs • Cleaning the premises • Ploughing using a tractor • Moving irrigation pipes in the oat plot • Moving the centre pivot in the lucerne plot • Donation of stationery to Babbel & Kreybel Playschool, Masobane Centre • Donation of groceries, at Huis Boesmanland Old Age Home, Caritas, Middelburg Care Village & Sizokuhle crèche in Imbali • Supported Boikhutso Health Care Centre, Huis Eden Ministries & Tentmaker organisation

Shared value creation

We believe that we need to create value for ourselves and our stakeholders to remain sustainable and enhance resilience. For this reason, all our initiatives are underpinned by the principle of shared value creation.

Procurement Practices

As a good corporate citizen, our procurement policy is aligned to BBBEE requirements. The table below shows our spend on such companies in FY2016.

Table 31: Procurement Spend On BBBEE Service Providers In FY2016

	FY2016 R million	%
Spend on 50% black-owned companies	R 44.0	40.0
Spend on 30% women-owned companies	R 29.0	26.3
Spend on BBBEE qualified small enterprises (QSEs)	R 10.1	9.1
Spend on BBBEE exempted micro enterprises (EMEs)	R 19.5	17.7
Other spend	R 7.3	6.6
TOTAL SPEND	**R 109.8**	**100**

3.8.3. OUR IMPACT ON THE ENVIRONMENT

At Land Bank we believe in "walking the talk" of sustainability by ensuring our internal operations has a minimal environmental footprint. We do this by reducing material consumption and cutting down on unnecessary travel to reduce carbon emissions. The table below shows the targets we set for ourselves in FY2016.

Table 32: Environmental impact

Material	Target	Activities
REDUCE MATERIAL CONSUMPTION TO CONTAIN COSTS AND PRESERVE ENVIRONMENT		
Water	Reduce consumption by 5%	- Continuous identification and timely repair of all water leaks.
Energy: electricity and fuel	Reduce consumption by 5%	- Piloting of the use of alternative green energy resources such as solar energy. - Tracking the use of fuel consumption and mindful of load shedding which increases fuel use.
Paper	Reduce consumption by 5%	- Paperless meetings. Currently it is only the Risk Credit Committee (RCC) which has fully adopted the paperless meeting concept.
Paper waste management	Dispose waste paper in an environmentally friendly manner	- Introduction of recycling bins. The bins were placed in every business unit and are emptied monthly for shredding and recycling of waste paper.
MINIMISE CLIMATE CHANGE EFFECTS THROUGH REDUCED CARBON EMISSIONS		
CO_2 emissions	Monitor and track emissions from travel emissions	- Monitoring and tracking of CO2 emissions to develop a baseline.

[1] Non-compliant and large companies (above 50 millions turnover)

Material Consumption – paper, water, energy

To reduce paper consumption and sustainably dispose of waste paper, we introduced paper re-use, reduce and recycle initiatives. To minimise electricity use, we converted to energy saving technologies in all buildings, such as fluorescent bulbs, energy saving printers, laptops and cooling systems. In addition, the Bank is in the process of conducting a feasibility study on the use of alternative green energy resources such as solar energy.

To reduce water consumption, we intensified our efforts to timeously identify and repair all water leaks. To further support our objective to utilise water more efficiently, our Facilities Department also rolled out a number of campaigns to create awareness on efficient water usage. These efforts are already paying off as reflected by a decline in energy consumption. Contrary, paper consumption increased sharply during the FY2016 - compared to the year before. This increase can be ascribed to the organisational transformation we underwent which necessitated a lot of printing of reports and communication material.

Table 33: Material consumption: FY2014-FY2016

	FY2014	FY2015	FY2016	% change from FY2015
ENERGY CONSUMPTION				
Total electricity consumption (kWh)	4 038 406	2 916 300	2 234 457	(23%)
Per capita electricity consumption (kWh)	7 211	5 208	4 694	
Fuel consumption (L)	172 469	170 750	104 447	(39%)
WATER CONSUMPTION				
Total water consumption (L)	20 344	10 581	11 821	12%
Per capita water consumption (L)	36	19	25	
PAPER CONSUMPTION				
Total paper usage (boxes)	9 199	2 970	7 597	156%
Per capita paper usage	16	5	16	

Our carbon footprint also increased sharply during this past year, again due to activities related to organisational transformation. During this period there was massive travel, through both air and road between head office and branches and vice versa due to required engagements between management and staff to ensure comprehensive consultation processes.

Table 34: CO_2 emissions: FY2015 – FY2016

	FY2015				FY2016					
AIR TRAVEL										
No of flights	Distance (km)	Emissions Factor	Total CO_2 (Kg)	Total Carbon (kg)	NNo. of flights	Distance (km)	Emissions Factor	Total CO_2 (Kg)	Total Carbon (kg)	% change
Short Haul(1 hr)34	15 368	0.18	2 766	754.43	287	129 724	0.18	23 350.32	6 368.27	744%
Medium Haul (2hrs) 147	249 900	0.13	32 487	8 860	1024	1 740 800	0.13	226 304	61 719.27	597%
LongHaul (6-8hrs) 2	13 600	0.11	1 496	408	10	51 000	0.11	5 610	1 530	275%
Total	278 868		36 749	10 023		1 921 524		255 264.32	69 617.54	595%
CAR TRAVEL										
Car Rentals	22 200	0.22	4 749	1295		85 600		18 310	4 994	285%
Private Cars	64 845	0.22	12 197	3326		265 230		73 443	19 930	499%
Total	87 045		16 946	4621		350 830		91 753	24 924	439%
FLEET CARS										
Medium cars	315 1600	0.22	592 816	161 677						
Total	315 1600		592 816	161 677						
GRAND TOTAL	**3 517 513**		**646 511**	**176 321**		**2 272 354**		**347 017.32**	**94 541.54**	

CASE: E-WASTE MANAGEMENT AT THE LAND BANK - RECYCLING OF PRINTING CARTRIDGES

We are committed to zero landfill, which ensures that products such as cartridges are disposed of in an ethical and environmentally friendly manner. To demonstrate and fulfil this commitment, the Bank entered into a contract with Konica Minolta for the supply of printing supplies in 2015. Incorporated in the agreement is provision for ethical disposal and where possible - recycling of certain consumables. In recognition of the Bank's efforts, Konica Minolta provided the Bank with a certificate of acknowledgement of our contribution towards the "recycling of 12 490.2 kg toner cartridges, waste cartridges and imaging units." 100% of this waste was completely recycled.

In an effort to reduce material consumption as well as costs, ICT implemented a system in Head Office that manages the printer settings of all network printers by forcing default settings to double sided printing and black/ white printing. In addition to this, staff members need to swipe a card at the printer before a document is released for printing. As a result, there is a notable improvement in user behaviour.

In 2013 it was estimated that appriximately 40 million metric tons of electronic waste (e-waste) was produced globally each year. This includes discarded televisions, computers, cell phones, and other electronics. Informal recycling practises often include shredding, burning, and dismantling of this e-waste in "backyards", with discarded components often ending up in landfills. Due to the toxic nature of these materials which include lead, mercury, cadmium, arsenic, and PVC, all of these components are hazardous to human health and the environment. To do our part in curbing this waste, the Bank contracted Tshwane e-Waste Company for the disposal of redundant electronic equipment in an environmentally friendly manner. The equipment written off included items that were either obsolete or not cost effective to repair. In recognition of this initiative, the service provider presented the ICT Business Unit with a Certificate of Destruction of 32 PCs, 23 laptops and 10 servers.

3.8.4. HOW WE GOVERN SUSTAINABLY

EXCO/Board
Vision – Governance - Oversight

REMCO Committee

AUDIT AND FINANCE COMMITTEE

ESS Auditing and Validation

Risk Committee
ESS Risk management oversight

ESS Coordination represented in the Social & Ethics committee and Task Team members may be co-opted from time-to-time whenever necessary

ORCO

ESS Risk Management

ESS Advisory Committee
Advisory and implementation

- Advise the Bank on ESS issues
- Coordinate and integrate ESS in own Business Units
- Coordinate and monitor implementation of ESS in own Business Units
- Coordinate provision of ESS information for sustainability reporting

Advisory consists of champions representing different Business Units in the Bank and the team meets on monthly basis, chaired by ESS coordination

ESS Coordination
Policy – Strategy – Monitoring and Evaluation – Advisory –Green research – Reporting to various committees and sustainability reporting

SECTION 5

"The Land Bank plays a pivotal role in the South African economy as the financier of agriculture and rural development to achieve food security and drive economic growth and development."


LAND BANK
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Whilst the Land Bank as a DFI is measured by its delivery of the shareholder's mandate, it is judged by the financial contribution it makes to the agricultural sector.

The year under review focused on the success of the banking function of the business, and how this function contributed to delivery of its mandate of business, and transformation.

4.1. PERFORMANCE REVIEW

The performance of the Bank is assessed annually and managed through performance reviews across the organisation.

Performance highs and lows

Overall corporate performance highs

- The cost to income ratio target was set at <66.7% and a 56.0% (excluding the organisational review cost) ratio was achieved.
- The funding programme was successfully rolled out and a R2.7 billion syndicated loan was secured in December 2015.
- Growth in the SLA at R2.1billion against the set target of R1.95 billion.
- A turnaround time of less than 12 days for response was consistently achieved (From credit analyst to RCC).
- A working agreement was formalised with DAFF and DRDLR.
- A BBBEE Level 2 status was achieved against a target of level 5.
- The organisational skills competency audit was completed.
- LBIC CAR (SAM basis) achieved at 1x and LBLIC achieved at 3.8 x

Overall corporate performance lows

- Review and enhancement of compliance processes and standards not finalised as it is dependent on the approval of the Amendment Act by parliament.
- Stakeholder strategy and policy dependent on Organisational Review.
- LBIC and LBLIC: GWP at R411.2 million against the set target of R520 million due to the drought.
- Investment value (LBIC& LBLIC) at R1.334 million against the target of R1.627 million.

In addition to the areas covered above, the Bank undertook an extensive organisational review designed to maximise effectiveness of the institution.

The overall assessment of the Bank's performance was largely positive and any areas of concern will be addressed as part of the ongoing review of the Bank.

4.2. BANKING OPERATIONS

In the year under review, the Land Bank undertook a measured step to manage the exponential growth of the loan book to ensure its continued ability to focus on impactful growth.

Achievement

The division made good progress in growing the business, as more entrepreneurs recognised the opportunities in the sector. The business continued to foster strategic partnerships with SLA partners to bolster the Land Bank's footprint, and to reach and support emerging farmers meaningfully.

A financial target of R1.95 billion was set for the SLA book growth in the FY2016 and this target was achieved. The Bank however recorded negative growth of R892.9 million in committed facilities. This figure was affected by our decision to manage the growth of the book accordingly.

Supporting emerging farmers

The Retail Emerging Market (REM) facility improved the Land Bank's ability to provide support to an unsupported sector of the market. In its third year, this support also entailed the provision of a comprehensive and seamless flow of funding to smaller farmers. The long term objectives of the fund are premised on shared goals of sustainability and independence for farmers participating in the scheme. Ultimately, through the REM, the Land Bank aims to support the development of commercial farmers and agri-businesses over a period of five to eight years.

The WFF continued to be the most appropriate financing vehicle for partnering with intermediaries to serve the emerging farmer segment and to reach medium scale operations.

The Land Bank was able to offer appropriate financing support intermediated through our partners, coupled with extensive technical support to ensure sustainability.

In this light, our support to emerging farmers increased to R982.2 million during the year under review, against a target of R700 million.

It is expected that the Land Bank's innovative mechanism for financing of emerging farmers will be utilised even more substantially through other structures, in the financial year that lies ahead.

As part of the organisational review imperatives, it was considered a priority to take a more thorough approach to growing the Bank's book in an inclusive manner. This transformational imperative was reiterated in the strategic positioning of the organisational review.

Going forward, the REM will not function as a stand-alone business area any longer. Instead, the facets of REM related to sustainability and inclusion will be integrated in all financing applications - across the Bank's financing operations.

4.3. LAND BANK INSURANCE COMPANY (LBIC) AND LAND BANK LIFE INSURANCE COMPANY (LBLIC)

Performance at a glance

Our business

The way that LBIC operates is as a subsidiary of Land Bank. LBIC and LBLIC are both licensed short-term and long-term insurance companies that consist of two core operating segments namely; insurance and investment activities.

The reason for existence of these two organisations is to pursue the objectives of the Land Bank Act no 15 of 2002 and to cover insurance gaps in the agricultural sector. The exit of ABSA Insurance Company in the crop insurance market was one of the developments that compelled LBIC to demonstrate and justify its existence by stepping in and provide insurance capacity in a precarious insurance market that is categorised by highly systemic risk.

The measure of key performance in the insurance activities is based on gross written premium as a measure of growth; with net underwriting result, net insurance result and combined operating activities as measures of profitability.

Investment activities and investment-related activities are all undertaken and measured on net investment income for profitability and investment income for growth.

4.3.1. SHORT-TERM INSURANCE ACTIVITIES

Crop insurance

LBIC wrote a gross written premium of R405.9 million, from an initial budget of R509.1 million in the current financial year, with a net written premium of R113.4 million, from an initial budget of R124 million, through its underwriting management agency on the crop insurance portfolio - with a reinsurance cession of 70% of its gross written premium. The reduction in gross written premium was largely due to the severe drought from the El Nino phenomenon that led to fewer farmers planting as a result of reduced soil moisture. The overall performance was however relatively positive as a result of good and consistent underwriting.

Asset insurance

The agricultural asset insurance portfolio wrote R2.2 million net written premium from insurance and inward reinsurance portfolios from its first year of offering asset insurance.

4.3.2. LONG-TERM INSURANCE ACTIVITIES

Credit life activities

Established in 1954 as a wholly owned subsidiary of the Land and Agricultural Bank of South Africa, LBLIC has been offering credit life insurance products to the Land Bank client base since its inception. 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 the Land Bank.

Historically, it was mandatory for individuals to have an LBLIC credit life policy if they were granted a loan from the Land Bank and the insurance premium was capitalised to the loan accounts annually, in arrears.

With the introduction of the National Credit Act 2005, (Act 34 of 2005) with reference to the introduction of freedom of choice, the company had to develop new credit life products and offer clients an attractive value proposition to compete fairly with other industry players.

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 derived mainly from the investment returns.

LBLIC wrote R5.3 million gross written premium, from an initial budget of R10.9 million, in the current financial year with a net written premium of R2.4 million, from an initial budget of R6 million, through credit life offerings with a reinsurance cession of 50% of its gross written premium.

4.4. RISK MANAGEMENT

In seeking to support the Land Bank's increased risk appetite, it became a critical priority for us during the year to understand the nuances of our risk environment.

Greater emphasis also had to be placed on the development of the appreciation of risk as an integrated discipline during the course of the FY2016.

For the year that ended March 2016, the enterprise risk management (ERM) department embarked on a journey to make risk management even more robust and forward looking and proceeded to explore the maturity of the risk elements.

Extensive work was undertaken to support an end-to-end credit process that was redesigned to create a more robust credit environment and to allow for a greater level of innovation in our banking products.

In seeking to create greater granular focus on our operating environment and as part of the organisational review, the decision was made to split the risk management function into two areas:

- Risk management

With a focus on intuitive credit risk and development of credit risk models

- Portfolio management

With a focus on post investment support and execution and the establishment of early warning systems through predictive credit modelling.

The early adoption of IFRS 9 has also enabled the Bank to be a lot more proactive in the assessment of impairments and supporting the risk culture.

During the year under review, there were significant achievements in the growth of the book. The results for this year support the position that the Land Bank is poised to build upon these achievements in FY2017. FY2016 provided a solid platform from which these changes can be undertaken.

SECTION 6

"One of the highlights of the finance and treasury environment as a result of the organisational redesign - is the fact that the Bank was able to proactively lengthen its funding maturity profile to reduce its reliance on short-term funding."


LAND BANK
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5.1. FINANCIAL OVERVIEW

Despite a challenging year, the Bank managed to meet all its financial corporate targets, save for the gross interest margin, which fell short of the 31.8% threshold by 0.4% in absolute terms. Cost containment coupled with revenue growth (despite a relatively flat earnings base) enabled the Bank to maintain operational efficiency as reflected in the cost to income ratio of 56.0% (FY2015:54.9%). Government support continues to play a pivotal role as reflected by strong capital adequacy / gearing ratio of 33.2% (inclusive of the government guarantees and excluding the impact of the early adoption of IFRS 9). The Bank managed to keep its distressed loans within acceptable levels relative to its portfolio size. With the adoption of IFRS 9, the Bank is comfortable that adequate levels of provisions for doubtful debt are provided for. The Bank is however wary that should the adverse weather and economic conditions prevail, its distressed loans could increase in the short- to medium term.

5.2. BANKING OPERATIONS

Table 35: Analysis of banking results

	Published basis		Like-for-like basis	
	FY2016 R million	FY2015 R million	FY2016 R million	FY2015 R million
Statement of profit and loss and other comprehensive income				
Gross interest income	3,543.8	3,106.7	3,543.8	3,106.7
Net interest income	1,111.3	1,059.9	1,111.3	1,059.9
Fair value (losses)/gains	(0.4)	9.2	50.4	9.2
Investment income	**14.9**	**242.9**	**14.9**	**42.9**
Net impairment charges	**(74.2)**	**(166.7)**	**(74.2)**	**(166.7)**
Net impairments raised	(155.9)	(364.9)	(155.9)	(364.9)
Bad debt recoveries	15.8	11.5	15.8	11.5
Claims provisions	65.9	186.7	65.9	186.7
Non-interest income expense	**(240.6)**	**(189.1)**	**(240.6)**	**(189.1)**
Non-interest income	**48.7**	**58.6**	**48.7**	**58.6**
Operating expenses	(677.9)	(510.5)	(515.2)	(510.5)
Non-trading capital items	2.2	14.5	2.2	14.5
Loss from discontinued operations	(35.6)	(41.1)	(35.6)	(41.1)
Profit for the year	**94.0**	**439.6**	**307.5**	**239.6**
Other comprehensive income	(22.2)	(19.1)	(22.2)	(19.1)
Total comprehensive income	**71.8**	**420.5**	**285.3**	**220.5**
Statement of financial position				
Cash and cash equivalents	2,120.6	1,369.4	2,120.6	1,369.4
Capital and reserves	5,058.8	4,987.0	5,058.8	4,987.0
Net loans and advances	36,353.4	35,032.4	36,353.4	35,032.4

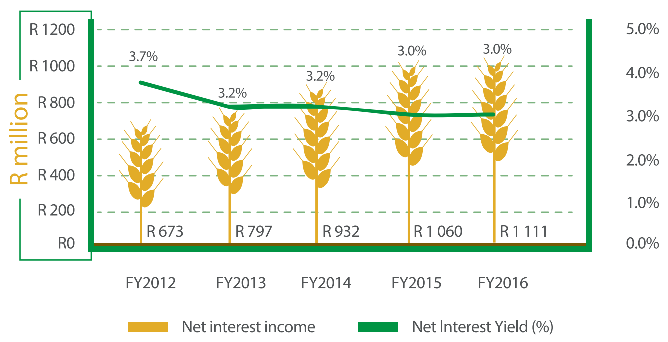
Excluding the once-off income and expenses, the Bank`s total comprehensive income increased by 29.4% to R285.3 million (FY2015: R220.5 million). The like-for-like basis strips out the following elements to allow for comparability:

a) FY2015: R200.0 million dividends from the insurance business;
b) FY2016: Elimination of fair value gains of R50.8 million, following the adoption of IFRS 9. The Bank opted to measure its funding liabilities on an amortised cost basis having previously used a fair value through a profit and loss basis; and
c) FY2016: Once-off organisational review costs of R162.7 million.

Net interest income

A key aspect of the organisational review was the consolidation of the Bank's earnings base. As a result the gross loan book grew by a moderate 3.2% which resulted in a marginal increase in net interest income of 4.8% to R1.111 billion (FY2015: R1.060 billion). Despite an increase in the Bank's cost of funding as a result of the lengthening of the funding maturity profile, the Land Bank managed to maintain its net interest margin in line with prior year levels of 3.0%. Further optimisation of the Bank's loan book and funding profile will see improvements in the net interest margins in the medium term.

Figure 10: Net interest margins



Impairments

As alluded to earlier, the Bank adopted IFRS 9 – Financial Instruments with effect from 1 April 2015. As a result, the Bank's financial assets impairment model changed from an "incurred loss" model under IAS 39 to an "expected credit loss" model under IFRS 9.

The table below aims to summarise the different impairment requirements / impacts at a statement of financial position, as well as statement of profit and loss and other comprehensive level:

Table 36: IAS 39 versus IFRS 9

	IAS 39		IFRS 9	
	Balance sheet R million	Income statement R million	Balance sheet R million	Income statement R million
FY2014	784.0	-	1,502.0	-
FY2015	1,085.0	301.0	2,764.2	1,262.2
FY2016	1,708.0	623.0	2,665.9	(98.3)

The net cumulative effect as at 31 March 2016 was an additional R1.16 billion to ensure that provisions for bad debt are appropriate, the bulk of which was adjusted to opening retained earnings.

Table 37: Impairments year-on-year

	FY2016 R million	FY2015 R million	Variance
Net impairment charges	(74.2)	(166.7)	55.5%

Non-interest income/(expense)

The Land Bank recorded a 16.9% decrease in its non-interest income (account admin, fees and property rentals) to R48.7 million (FY2015: R58.6 million). Excluding once-off sundries, non-interest income increased by 28.0% to R48.0 million (FY2015Y: R40.1 million).

Administration fees paid in the same period increased by R51.5 million or 27.2% to R240.6 million (FY2015: R189.1 million). The fees paid relate to acquired books administered by third parties on behalf of the Land Bank in return for a margin and admin fee. The non-interest summary is provided below.

Table 38: Non-interest income/expense

	FY2016 R million	FY2015 R million	Variance
Non-interest income	**48.7**	**58.6**	**(16.9%)**
Account admin fee and commission income	32.9	25.7	28.0%
Investment property rentals and income from properties in possession	15.1	14.3	5.6%
Sundry income	0.7	18.6	(96.2%)
Non-interest expense	**(240.6)**	**(189.1)**	**27.2%**
Account admin fee expenses	(235.3)	(189.1)	24.4%
Sundry expense	(5.3)	-	(100.0%)

Investment income

When excluding the R200 million intercompany dividend from the FY2015, investment income declined by R28.0 million to R14.9 million (FY2015: R42.9 million). Unrealised fair value losses of R15.4 million (FY2015: R15.2 million gain) as a result of volatility in the capital markets, resulted in an overall decrease in investment income.

Table 39: Investment income

	FY2016 R million	FY2015 R million	Variance
Unrealised fair value gains	(15.4)	15.2	(+100%)
[1]Dividends	6.5	206.1	(96.9%)
Realised gains	20.2	17.2	17.4%
Interest	5.6	6.2	(9.7%)
Investment management fees	(1.9)	(1.8)	5.6%
Total	**14.9**	**242.9**	**(93.9%)**

Operating expenses

Improving operational efficiency remains a critical success factor for the sustainability of the Land Bank. Total costs for the year; inclusive of once-off expenses relating to the organisational review amounted to R677.9 million).

When excluding the once-off expenses relating to the organisational review, costs related to normal operations remained flat at R515.2 million (FY2015: R510.5 million). Staff related costs declined by 3.0% to R334.0 million (FY2015: R344.2 million), mainly as a result of a number of vacancies not being filled due to a temporary head count freeze whilst the organisational review was underway. Professional fees increased by 103.24% to R36.9 million (FY2015: R19.2 million). Included in other operating expenses are computer and data expenses, repairs and maintanence and rates and taxes of R18.2 million, R7.4 million and R7.2 million respectively.

For the FY2016, the Bank recorded a cost-to-income ratio of 56.0% (excluding the once-off organisational review costs of R162.7 million)

Table 40: Operating expenses

	FY2016 R million	FY2015 R million	Variance
Notable movements			
Staff costs	334.0	344.2	(3.0%)
Amortisation computer software	6.3	6.0	5.0%
Professional fees	36.9	19.2	(22.9%)
Legal fees	14.2	10.3	37.9%
Other operating expenses	145.9	130.8	11.5%
Total costs from normal operations	**515.2**	**510.5**	**0.9%**
Organisational review costs	162.7	-	100%
Total operating costs for the year	**677.9**	**510.5**	**32.8%**

The organisational review expenses of R162.7 million came about by way of R72.5 million cash expenses incurred during the year, and a further R90.2 million provided for in terms of the requirements of IAS 37 – provisions, contingent liabilities and contingent assets. These costs can be split into four main categories:

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

Discontinued operations

Losses from the discontinued operations amounted to R35.6 million (FY2015: R41.1 million), declining by 13.4%. The losses primarily relate to the funding costs of the Land Development Finance Unit (LDFU) portfolio. 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. The Bank continues to explore commercially sound disposal options for the remaining assets.

Other comprehensive income

Table 41: Other comprehensive income

	FY2016 R million	FY2015 R million	Variance
Actuarial losses on post-retirement medical aid liability	(17.5)	(16.7)	4.8%
Revaluation of land and buildings	6.3	1.2	+100%
Losses on financial assets at fair value through other comprehensive income	(11.0)	(3.6)	+100%
Total	**(22.2)**	**(19.1)**	**16.2%**

Post-retirement medical aid liabilities

The Bank provides a post-retirement medical aid benefit to those who were employees or pensioners of the institution 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 R17.5 million (FY2015: R16.7 million) in the period under review, due to increased medical aid inflation, partly offset by increases in the discount rates.

The Bank has a standalone investment to hedge against the liability, which amounted to R357.0 million (FY2015: R356.7 million). Furthermore, the Bank is currently engaging post retirement specialists in a bid to manage the adverse effects of the liability.

[1] In the FY2015, the Banking operation received a dividend of R200.0 million from the insurance business. No dividend was received in the FY2016.

Revaluations of land and buildings

The annual revaluation of land and buildings yielded R6.3 million (FY2015: R1.2 million).

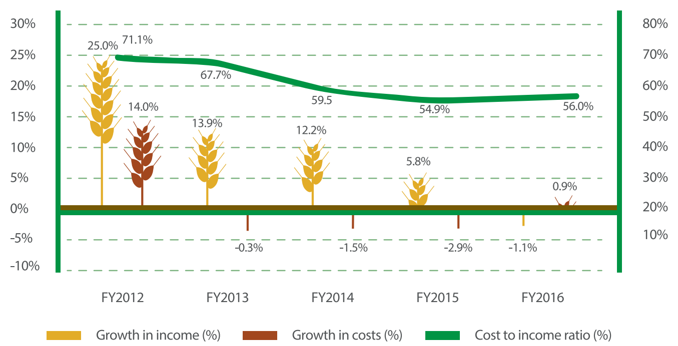
Financial Assets at fair value through profit and loss

During the year under review the Bank impaired a 10% equity investment resulting in a fair value loss of R11.0 million. Other fair value adjustments were negligible (FY2015: R3.6 million loss).

Cost to income

The Bank continues to manage its costs within acceptable levels while exploring revenue generating opportunities. When excluding the once-off organisational review costs of R162.7 million, the Bank recorded a cost-to-income ratio of 56.0% (FY2015: 54.9%). While the achieved result for the FY2016 is commendable, it is envisaged that the ratio will improve further in the medium term as the benefits of the organisational review begin to filter through.

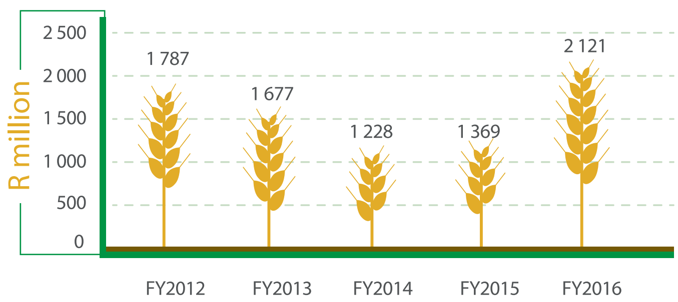
Figure 11: Cost-to-income ratio



Cash and cash equivalents

Cash balances are held to provide the Bank with a sufficient liquidity buffer to mitigate refinancing risk and prevailing operational demands. The Bank's cash and cash equivalents increased by 50% to R2.1 billion (FY2015: R1.4 billion), resulting in a very healthy liquidity position.

Figure 12: Cash and cash equivalents



The adoption of the Basel III liquidity cover ratio (LCR) and net stable funding ratio (NSFR) has further strengthened the Bank's liquidity risk management practices and has the following additional benefits to the organisation:

- It integrates liquidity risk management and balance sheet management, thereby promoting appropriate capital preserving mechanisms;
- It enables pricing to take liquidity risk costs into account; and
- It is aligned with market standards and this facilitates transparent risk based reporting as well as comparability amongst peers.

The LCR aims to address short term liquidity demands, ensuring sufficient liquidity is available to cover the net outflows of the next 30 days, while the NSFR aims to address longer term liquidity needs, ensuring sufficient long-term stable funding is available to support the operational requirements.

For the FY2016, the Bank achieved the following:

- LCR of 55.0% (FY2015: 29.0%), with the Bank's medium term target being 60%; and
- NSFR of 79.0% (FY2015: 72.0%), with the Bank's medium target being 80%.

Investments

Poor economic conditions resulted in a 1.9% decline in the overall value of the investments held. The portfolio is made up of assets earmarked for hedging against the post-retirement liability and unlisted equities acquired by the Bank through client debt restructuring initiatives, as well as capital injection of R200 million made to LBIC in FY2015 period. Assets associated with the post-retirement medical aid liability marginally increased to R357.0 million (FY2015: R356.7 million), while unlisted equities declined to R0.8 million (FY2015: R11.8 million). When compared to the value of the post-retirement liability of R323.6 million (FY2015: R297.8 million), the associated hedging assets were in surplus by R33.4 million (FY2015: R58.9 million) at year-end. The investments linked to the post retirement benefit are classified as "fair value through profit and loss" and are measured and disclosed at fair value while the unlisted equities are measured at " fair value through other comprehensive income".

Refer to Note 9.4 of the financials for further details on unlisted equities.

Loans and advances

During the year under review, the Bank opted for a moderate growth and consolidation strategy to ensure it could reach its aim of balance sheet optimisation under the organisational review. As a result, gross loans increased by 3.2% or R1.2 billion to R39.0 billion (FY2015: R37.8 billion), with CB contributing R1.14 billion, while the gross loan book of CDB (previously RCB and REM) increased by R77.0 million. Net loans and advances for the same period amounted to R36.4 billion (FY2015: R35.0 billion restated).

With the adoption of IFRS 9, the Bank now classifies its loans in three distinct stages:

- Stage 1: Performing loans (typically loans that are current, or overdue for less than 30 days)
- Stage 2: Under-performing loans (typically loans that are past due for more than 30 days); and
- Stage 3: Non-performing loans (typically loans that are past due for more than 90 days).

For the FY2016, the Bank reported the following:

- Stage 1: Performing loans of R30.5 billion, or 78.1% (FY2015: R30.7 billion or 81.3%);
- Stage 2: Under-performing loans of R5.1 billion, or 13.1% (FY2015: R3.4 billion, or 9.0%); and
- Stage 3: Non-performing loans of R3.4 billion or 8.8% (FY2015: R3.7 billion or 9.7%).

The IAS 39 non-performing loan position would have been 5.5%, or R2.14 billion.

Figure 13: Loan book profile based on IFRS9 stage classification

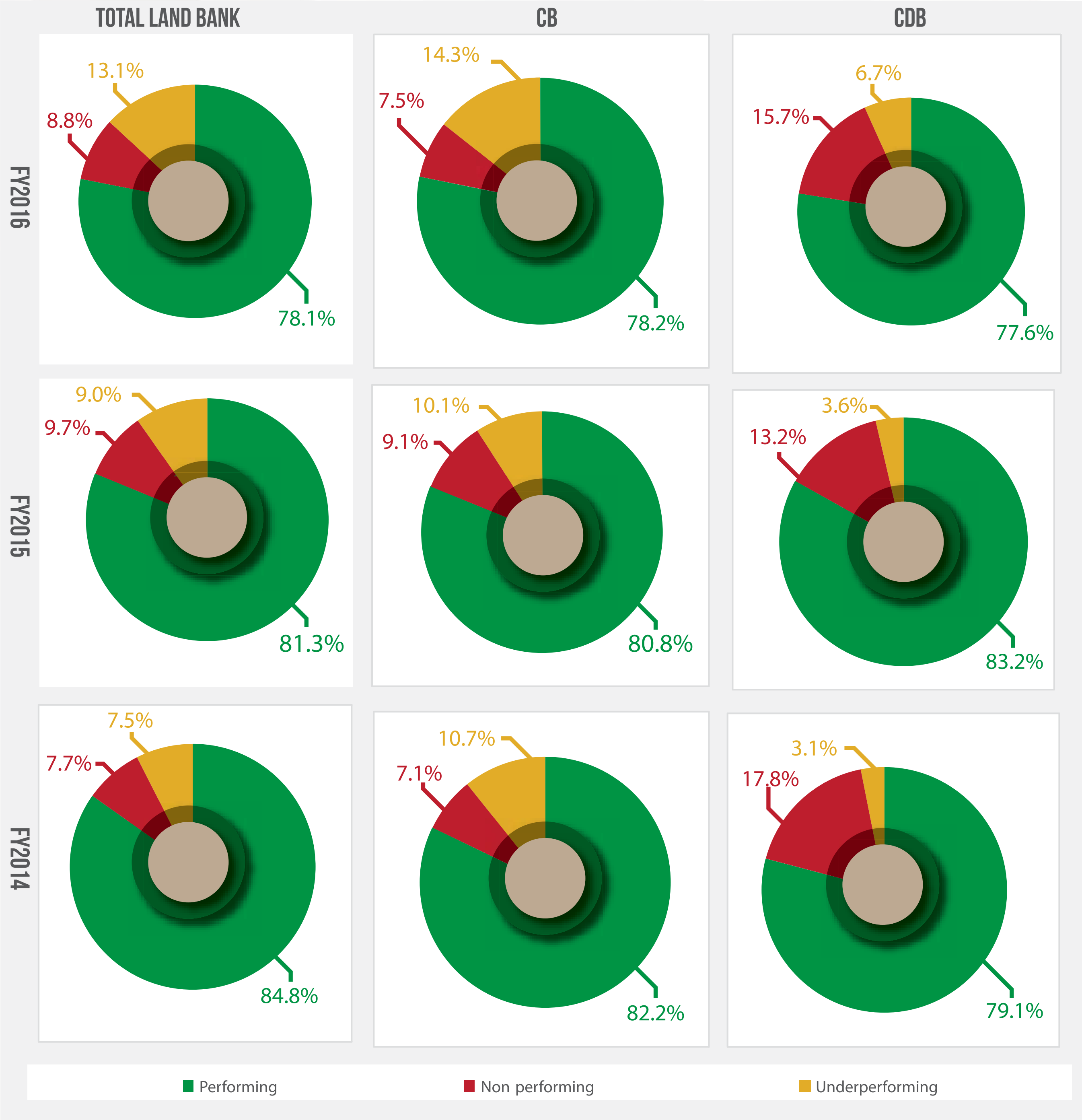


Figure 14: Impairments trend

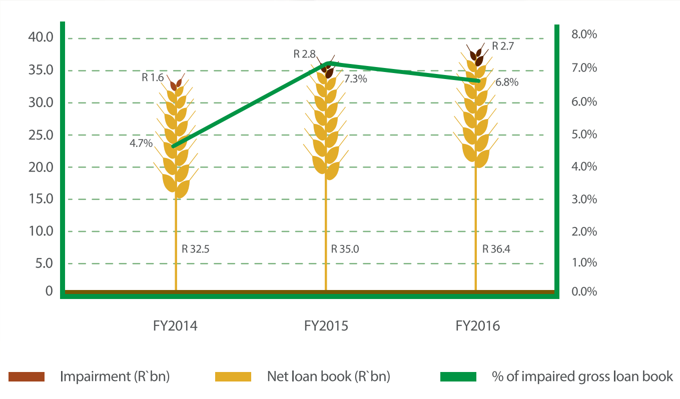
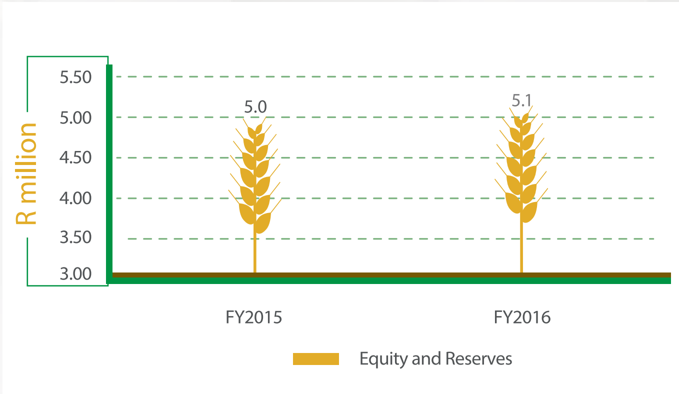


Figure 15: Capital and reserves



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 R7.7 million to R149.6 million (FY2015: R141.9 million). The increase was on the back of improved security against one of the loans which allowed the Bank 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 R317.0 million (FY2015: R280.0 million) and the forced sale value was estimated at R199.0 million. The Bank remains cautious in its judgement to ensure the carrying amounts of the portfolio do not exceed the net realisable values. Management continues to pursue viable options for disposing the portfolio in an economically viable manner.

Property and equipment

Net carrying values of property and equipment declined to R83.8 million (FY2015: R87.2 million). Disposals and additions amounted to R8.8 million (FY2015: R6.5 million) and R3.1 million (FY2015: R2.7 million) respectively. In the same period, reclassifications to investment properties amounted to R5.7 million (FY2015: R nil) while revaluations were R4.7 million (FY2015: R599 thousand FV loss). Disposals in the year mainly comprised computer equipment of R5.6 million (FY2015: R5.6 million) and furniture fittings of R2.8 million (FY2015: R922 thousand), while the new additions can be contributed mainly to computer equipment with additions amounting to R2.1 million (FY2015: R1.8 million).

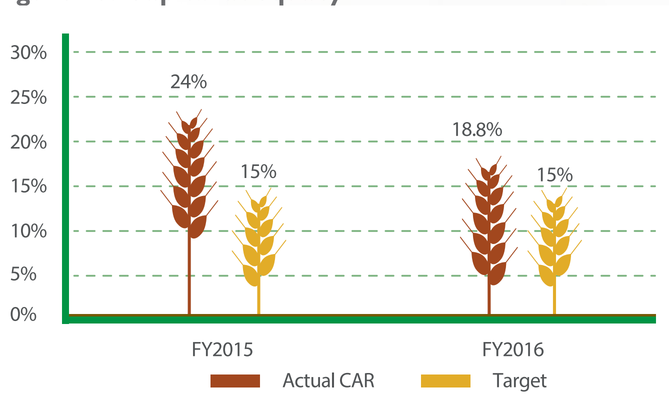
Capital and reserves

The Bank's capital and reserves base remains sound. Following the early adoption of IFRS 9, capital and reserves amounted to R5.06 billion as at 31 March 2016 (FY2015: R4.99 restated).

Capital Adequacy

To improve its balance sheet and capital risk management resilience, the Bank adopted a risk sensitive "Risk Weighted Assets" based capital adequacy ratio in terms of the Basel II Standardised Approach. Applying risk sensitive measures sets the right incentives for the Land Bank credit portfolio management by ensuring that its portfolios evolve to sustainable levels through reducing capital costs. This is achieved by reducing capital demand of low risk assets and increasing capital demand for high risk assets. Against this metric, the Bank achieved a very healthy total CAR of 18.8% (FY2015: 24.0%), which is well above the Bank's internal target of 20%. The decline in CAR year-on-year is as a result of the reduction of available guarantees which was R2.8 billion at 31 March 2016, down from R5.5 billion in the FY2015. The decline was brought about by the utilisation of R2.7 billion to secure longer term funding to address a number of refinancing risks faced in the Bank's funding portfolio. Further optimisation of the balance sheet is in progress and should see a more efficient allocation and application of capital throughout the organisation in future.

Figure 16: Capital adequacy



Funding liabilities (incl. LDFU)

Although the Bank receives government support in the form of recapitalisation and / or guarantees, its lending activities are funded from the open market through issuances of various instruments such as promissory notes, call bonds, bills, floating rate notes and debentures. At 31 March 2016, funding liabilities amounted to R33.1 billion (FY2015: R30.8 billion). During the year under review the Bank successfully reduced its reliance on short-term funding with funding maturities less than 12 months being 59.9% - having reduced from 69.0% in the prior reporting period (based on original term to maturity). A portion of this was due to long dated funding raised on the back of R2.7 billion guarantees. Notwithstanding this improvement, the Bank remains vulnerable to market liquidity. As such, the Bank continues to diversify its sources of funding to mitigate refinancing risks – figure 17 below shows how the Bank's investor base has changed over time.

Figure 17: Land Bank investor base profile

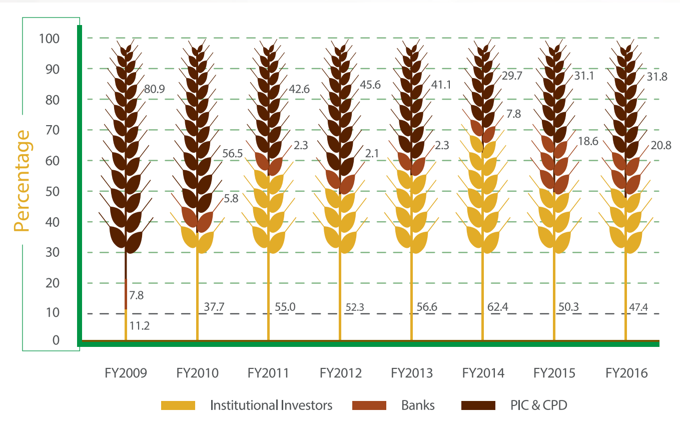


Table 42: Funding liabilities maturity profile[1]

	FY2016 R million	% of Total	FY2015 R million	% of Total
Callable	633.6	1.9%	497.4	1.6%
< 3 months	14,174.3	42.8%	10,228.1	33.2%
3 – 6 months	773.6	2.3%	4,513.7	14.6%
6 – 9 months	2,014.6	6.1%	2,912.8	9.4%
9 – 12 months	1,693.1	5.1%	4,311.8	14.0%
Total maturities < 12 months	**19,289.20**	**58.2%**	**22,463.8**	**72.8%**
1 – 5 years	9,328.0	28.1%	7,795.6	25.3%
> 5 years	4,538.9	13.7%	587.7	1.9%
Total – continuing operations	**33,156.1**	**100%**	**30,847.1**	**100%**
Discontinued operations	868.1		824.8	
Total	**34,024.2**		**31,671.8**	

[1]Maturity profile based on remaining term to maturity

The Land Bank continues to increase its long term debt as part of managing its liquidity risk. The table above highlights the progress made from FY2015 to FY2016.

Provisions

Overall, operating provisions increased by 5.2% to R204.8 million (FY2015: 194.6 million). Provisions raised amounted to R165.2 million (FY2015: R87.0 million), of which restructuring costs, staff incentives and leave pay contributed R68.0 million, R22.5 million and R19.4 million respectively. Utilisations and reversals for the same period amounted to R61.1 million and R93.9 million respectively. The reversals of provisions relate largely to provisions for "administration and penalty fees" and "leave pay" of R73.6 million and R11.8 million respectively. Utilisations during the year were mainly driven by staff incentives of R34.6 million and leave pay of R4.1 million.

Provision for restructuring costs

During the year under review, and in terms of IAS 37 – provisions, contingent liabilities and contingent assets, the Bank raised provisions for restructuring costs that amounted to R68.0 million, and a further R22.0 million relating to a project which is integral to the success of the final implementation of the organisational review.

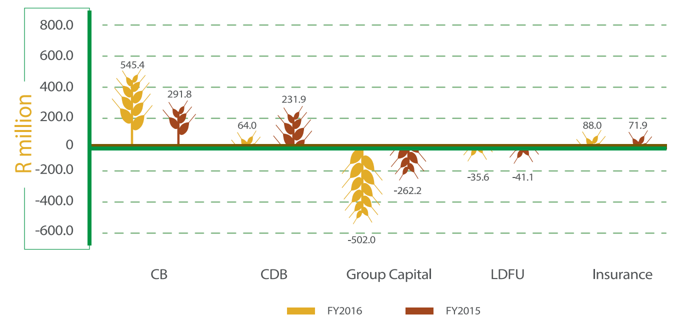
Table 43: Provisions summary

	FY2016 R million	FY2015 R million	Variance
Labour disputes	1.2	3.3	(63.6%)
Leave pay	19.4	16.0	21.3%
Staff incentives	22.5	40.0	(43.8%)
General	23.2	0.7	+100%
Legal fees	43.6	38.5	13.2%
Admin and penalty fees	26.9	96.2	(72.0%)
Restructuring costs	68.0	-	100%
Total	**204.8**	**194.6**	**5.2%**

Divisional performance

The graph below provides a snapshot of the segmental performance for FY2016 and FY2015 .

Figure 18: Profit contribution



Corporate Banking (CB) continues to be the main contributor to the profitability of the Land Bank, having recorded a net profit of R545.4 million (FY2015: R291.8 million). Losses in Group Capital increased to R502.0 million (FY2015: R262.2 million) mainly due to the once once-off organisational review costs discussed earlier.

Table 44: Banking operations segmental performance

	FY2016 R million	FY2015 R million	Variance
Net operating income/(loss)			
Corporate Banking	556.4	295.4	88.4%
Commercial Development Banking	64.2	231.9	(72.3%)
Group Capital	(438.9)	(222.9)	96.9%
Net operating income	**181.7**	**304.4**	**(40.3%)**
Non-trading and capital items	2.4	14.5	(83.5%)
Indirect taxation	(54.3)	(38.3)	41.8%
Net profit from continuing operations	**129.6**	**280.6**	**(53.8%)**

Corporate Banking

The CB division mostly provides wholesale funding to agricultural co-operatives and businesses which often on-lend funds to their customer base. The division operates in Cape Town and Pretoria. The profile of the Business and Corporate Banking loan book portfolio is mainly concentrated in the short term maturity bracket.

Commercial Development Banking

This division was formed through consolidating the former RCB and REM units. It provides funding to individual farmers, commercial agri-businesses and previously disadvantaged farmers that ordinarily cannot access funding from conventional finance institutions. The division's loan portfolio is concentrated in the medium- to long term maturity bracket.

Group Capital

Group Capital provides support to business divisions through the following units: Treasury, Finance, Risk and Internal Audit, ICT, Strategy, HR, 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 and CDB divisions through an internal transfer pricing model.

Table 45: Group Capital financial performance

	FY2016 R million	FY2015 R million	Variance
Net operating loss	(438.9)	(222.8)	(+100%)

The loss reported under Group Capital increased to R438.9 million mainly as a result of the once-off organisational review costs of R162.7 million. Adverse movements in fair value gains due to liabilities being designated at amortised cost, low investment income and non-interest income also affected the overall Group Capital result.

LAND BANK INSURANCE COMPANIES

Table 46: Land Bank Life Insurance Company performance

	FY2016 R million	FY2015 R million	Variance
Gross premiums	5.3	6.0	(11.7%)
Net premium income	2.4	3.4	(29.4%)
Operating expenses	(6.9)	(12.8)	(46.1%)
Underwriting loss	(9.0)	(4.5)	100.0%
Investment income	78.4	108.9	(28.0%)
Net profit	74.3	114.9	(35.3%)
Investments	1,333.9	1,240.4	7.5%

Net profit for LBLIC declined by R40.6 million or 35.3% to R74.3 million (FY2015: R114.9 million). LBLIC's overall performance was affected by the poor performance of the investment portfolio that saw investment income decline 28.0% to R78.4 million (FY2015: R114.9 million).The Stock Market was generally subdued due to the unfavourable economic conditions. Gross premiums declined as the business did not grow in the year under review. The company is exploring possible partnerships to grow its business through buying existing business and making use of the banking operations platform. Operating expenses declined by 46.1% to R6.9 million (FY2015: R12.8 million). Total assets increased to R1.4 billion (FY2015: R1.3 billion) mainly on the back of the 7.5% growth in investments to R1.3 billion. LBLIC had a capital adequacy ratio of 3.8 times the required threshold as at the end of the period under review.

Table 47: Land Bank Insurance Company performance

	FY2016 R million	FY2015 R million	Variance
Gross premiums	405.9	138.4	+100%
Net premium income	113.5	88.3	28.5%
Operating expenses	(11.4)	(6.2)	83.9%
Underwriting loss	(3.7)	(46.2)	(92.0%)
Net profit/(loss)	13.6	(43.0)	+100%

The short term insurance company, LBIC's performance improved significantly in its second year of operation by recording a profit of R13.6 million (FY2015: R43.0 million loss). Gross interest premium increased by more than 100% to R405.9 million (FY2015: R138.4 million). In the prior year, LBIC operated for four months, while, in the current year under review, operations covered a full financial period. The short term business currently does not have any investment portfolio, hence no investment income. Total assets increased to R667.8 million (FY2015: R276.7 million) while the capital adequacy ratio was at the required minimum level.

5.3. KEY PERFORMANCE INDICATORS

LAND BANK APR FY2016			
Key performance area	**Key performance indicator**	**Status**	**Status indicator 31 Mar 2016**
Guarantee conditions			
Guarantee conditions	As a basis for the provision of a government guarantee, Land bank was tasked with key perfomannce areas related to its operations which had to be underatken.	All the key perfomance areas were achieved.	Achieved
Financial Sustainability and Affordable funding			
Financial sustainability and affordable funding	Cost to income ratio < 66.7%	56.0% (excluding organisational review costs of R162.7 million).	Achieved
	Capital adequacy ratio: Including guarantee > 30.0% Excluding guarantee > 20.0%	CAR as follows based on assumptions: • Incl. R 5.5bn guarantee & excl. IFRS 9: 33.2% • Excl. R 5.5bn guarantee & IFRS 9: 17.3% CAR as reported: • Incl. R 2.8bn guarantee & IFRS 9: 22.6% • Excl. guarantee & incl. • IFRS 9:14.6% Based on standardised approach methodology the total CAR based on these rules was 18.8%	Achieved the target including the Government Guarantee
	Gross interest margin > 31.8%	31.4%	Not achieved
	Net interest margin > 3.0%	3.0%	Achieved
	Diversification of income streams (year on year increase of R28.5 million)	R8.0 million	Not achieved
	Reduce non-performing loans: Maintain NPL below 7.0% of the loan book	5.5% based on the IAS 39 definition of NPL, (used as a target) 8.8% based on the early adoption of IFRS 9 requirements	Achieved
	Liquidity : Cash balance > 5.0% of Short Term Debt	13.5%	Achieved
Land Bank Facilities Funding	SLAs (Strategic Wholesale Clients): Growth in SLA loan book of R1.95 billion	R2.1bn	Achieved
	Committed Facilities (Direct Commercial Clients) : Growth in committed facilities of R1.06 billion	Negative growth R892.9m. Against the background of the liquidity risk that the Bank was exposed to, this is not an area of concern.	Not achieved
Development			
	Emerging Sector Support (New Development Loans) : Disbursement target of R700.0 million	Actual disbursement of R982.2 million as at FY2016.	Achieved
	Emerging Farmer Support Facility (EFSF) : 29 farms targeted for resuscitation	• 5 farms were succesfully resuscitated • 3 accounts were resolved • 5 farms were recapitalised • 6 farms in negotiations with DRDLR	Not achieved
Service Delivery Improvement			
Retail Credit Turnaround time	12 - Working days maximum loan application response time: From credit analyst in the hub to Retail Credit Committee (RCC) credit decision	12 working days maximum loan application response time	Achieved
Research and Innovation			
Scanning of environment for Land Bank business	Publication of market and business intelligence information through insights and presentations on monthly and quarterly basis	Market and business intelligence information through insights and presentations have been published	Achieved

LAND BANK APR FY2016			
Key performance area	**Key performance indicator**	**Status**	**Status indicator 31 Mar 2016**
Advice and advocacy	Increase participation in policy and technical discussions.	Strategic engagements with key Ministries i.e DAFF, DRDLR and **the dti** were held during the year. MoU with DRDLR was signed and is being implemented. Land Bank serves on the DRDLR National Agricultural Parks Advisory. Land Bank is participating in **the dti** Black Industrialist Programe. MoU under consideration.	Achieved
Research publications	Publish climate change, water scarcity and energy consumption report	Climate change and water scarcity publications were delivered and energy consumption report was not delivered.	Not achieved
Enhance product offering	Annual internal product review competitiveness	Product development analysis was conduscted for competitiveness and full implementation took place in FY2016.	Achieved
	Develop an insurance product for small holder farmers	1 product developed	Achieved
Information and Communication Technology			
Enable the business through the implementation of appropriate technologies	Automation of various manual processes and implement suitable workforce collaboration tools:	BPC processes implemented	Achieved
	• Implementation of market intelligence mining (Phase 1) • Develop an agricultural information portal	These projects did not take off as a result of new business requirements following the organisational review and will be considered for implementation during future years. It was therefore not possible to achieve the KPI	Not achieved
Partnerships and stakeholder Engagement			
Stakeholder platforms and channels	Enhanced distribution systems across media platforms (introduction of quarterly media briefing)	This objective was impacted upon by the organisational review project.	Not achieved
	Implementation of the stakeholder engagement framework within the bank by developing quarterly reports	2 quarterly reports were submitted due to finalisation of organisational structure	Not achieved
	Inclusion of stakeholder engagement in the Bank's annual report	Stakeholder engagements were published in FY2015 integarted annaul report	Achieved
	Develop a stakeholder engagement strategy	The revised stakeholder strategy was placed on hold pending confirmation of the final location of the resposnibility after approved structures after the Organisational Review. A revised stakeholder strategy has been developed which aligns with vision 2020 for FY2017	Not achieved
Formalise service delivery partnerships	Increase partnership in finance, development and agriculture sector.	The Bank entered into a number of partnerships in finance, development and agriculture sector through MoUs.	Achieved
Transformation			
Implementation of transformation initiatives	Achieve a level 5 rating based on the new BBBEE Codes.	Level 2 rating achieved	Achieved
Governance, Risk Management and Compliance			
Integrate Enterprise Wide Risk Management	Enhance systems for risk management for early warning and monitoring. 1a) Maintain operational risk registers. 1b) Maintain and Monitor the existing process level risk assessments. 1c) Continuous risk management awareness (2 workshops)	a) Updated risk registers maintained b) Progress tracked and monitored through the CURA risk system. c) Risk management awareness workshops were conducted.	Achieved

LAND BANK APR FY2016			
Key performance area	**Key performance indicator**	**Status**	**Status indicator 31 Mar 2016**
Ensure statutory and regulatory compliance	Enhance compliance monitoring: Review and Enhance compliance processes and standards. • Review and update of Compliance Manual in line with best practice.	Review and updated of Compliance Manual in line with best practice was conducted.	Achieved
	Review compliance Universe and risk ratings.	Compliance universe developed and updated continuously.	Achieved
	Develop and roll out compliance monitoring plan for 10 high risk legislation.	Legislation was prioritised. CURA compliance system has been implemented and compliance risk assesement has been developed for rollout in FY2017.	Not Achieved
	Compliance awareness in terms of compliance training plan.	Compliance training plan was developed and compliance awareness will be undertaken as part of the org review implementation in FY2017.	Not Achieved
	2x electronic ethics awareness.	Ethics awareness was rolled out during the year.	Achieved
	Review development of policies: • Reviewing current (94) to align with banks operations and best practice; • Review applicable frameworks in line with policy for policy formulation (2years)	The Guideline for Policy Formulation was revised and approved in Oct 15. Policies reviewed and approved include: accounts payable, petty cash, asset management, corporate travel, procurement, ICT. Comprehensive policy review was on hold to align with org review	Not Achieved
	• Develop procedure manuals • Company Secretariat; • Recruitment; • Properties in possession; • Debt collection; • Legal Recoveries	Procedure manuals were updated & processes were mapped.	Achieved
Identify and Quantify Relevant Strategic and Operational Risks	• Maintenance and monitoring of risk quantitative models. Re-calibration of credit risk scoring and pricing models. • Annual review of risk appetite thresholds in line with the FY2016 target.	New Basel II quantitative risk models were developed based on standardised approach principles (Basic Indicator Approach).	Achieved
	Improvement in specific risk measures, metrics and monitoring and integration with KPI reporting. • Review of existing strategic risk register. • Regular monitor and quarterly reporting on strategic risk register to EXCO and NT.	• Strategic risk register was reviewed and aaproved • Quarterly reports were provided to Risk committee.	Achieved
	Continuous monitoring of implementation of IT Governance implementation plan: i) Review the IT – related Risks on the Risk Register and recommend remedial actions where necessary ii) Identify Key Controls and breakdown in Information Controls by monitoring the Information Security Reports iii) Ensure that an up to date systems and applications master list with achievable IT Recovery time objectives and Recovery point objectives are in place Review and testing of Business Continuity Plans.	ICT monitoring for related risk and key controls was undertaken. Recovery time objectives were identified and icluded in the Business Continuity Management Plan.	Achieved
New Job Opportunity Created			
Social Accounting Matrix (SAM) reporting.	Through its lending activities, the bank has committed to create a 110 000 job opportunities by FY2016.	T. 133 214 jobs were created by 2016.	Achieved
Human Capital			
Entrench leading employee relations practices.	i)100% success rate at CCMA	100% success rate registered.	Achieved
	ii) 100% industrial relations disputes adjudicated internally	80% adjudicated internally	Not Achieved

LAND BANK APR FY2016			
Key performance area	**Key performance indicator**	**Status**	**Status indicator 31 Mar 2016**
Develop an integrated total rewards model.	Total rewards model aligned to industry best practice.	Process completed	Achieved
EE Targets			
Employment Equity target	EE target achievements: i) ACI 59%	i) ACI 59%	Achieved
	ii) PWD 3%	ii) PWD 4.4%	Achieved
	ii) Women 48%	ii) Women 44.7%	Not Achieved
Land Bank Insurance Company (LBIC & LBLIC)			
Financial Sustainability	Gross Written Premium (GWP) R520 million	R411.2 million	Not Achieved
	Net Premium Income (NPI) R130 million	R115.9 million	Not Achieved
	Growth % (45% - 55%)	NPI growth of 26%	Not Achieved
	Operating expenses (Opex) R22.737 million	Operating costs of R18.303 million	Achieved
	Combined operational ratio (incurred loss + expenses)/GWP = 105% or less	109% if measured to NEP 31% as reported to National Treasury	Substantially Achieved
	CAR (SAM Basis) 3-5x	3.8x LBLIC 1x LBIC	Achieved
	Liquidity Ratio 150%	543% There is adequate cash in both companies to meet current obligations	Achieved
	Investment value R1,626.634 billion	R1,333.899 billion	Not Achieved
	Investment income of R111.807 million	R78.379 million	Not Achieved
	Net Results R81.530 million	R88.212 million	Achieved
	Underwriting Loss (R7.540) million	(R12.631) million loss	Not Achieved
Operational efficiencies: Information technology	Automation of manual processes when it makes business sense and projects will be agreed before the beginning of each financial year	Data management and migration strategy were developed.	Achieved
	Automated data transfers from partners	Data management and migration strategy were developed.	Achieved

Land Bank Insurance Company (LBIC & LBLIC)			
Accessible distribution channels	3 Sales (fit and proper) consultants (LBIC & LBLIC)	3 Sales consultants appointed	Achieved
	50% of B&CB partners accredited to sell insurance products (LBIC target)	30% achieved	Not Achieved
	15 brokers in place to sell to emerging farmers (LBIC target)	9 brokers signed	Not Achieved
Human Capital Appointment of key positions	1x Sales Consultant 1x Risk Manager 1x Compliance Officer	Sales consultant and risk manager appointed	Achieved
Customer Centricity 1) A compelling value proposition for the client	Develop and implement a Treating Customers Fairly measurement tool. (LBIC & LBLIC)	Implementation will be phased in FY2017	Not Achieved
2) Penetration of REM client base	2) REM Loan book penetration Active REM policies / loans disbursed : 12.5% (LBLIC target)	REM penetration loan book is at 100%	Achieved
Governance, Risk Management, Regulations and Compliance (1) Statutory and regulatory compliance	Train staff in risk related disciplines of Fraud awareness, FICA, TCF and legislation	Staff training in risk related disciplines completed	Achieved
2) Relevant strategic and operational risks	2)Risk and Governance Framework as per Board Notice 158	Risk and Governance Framework fully developed, approved	Achieved
	b) Risk Appetite	A combined Risk Appetite was approved by the Audit and Risk Committee	Achieved
	3) Risk Register	Annual risk assessment is currently in place	Achieved
	4) Integrated Risk Management Matrix and Framework	The Integrated Risk Management report was submitted	Achieved
	5) ORSA policy	All policies listed on the corporate plan were approved	Achieved
	6) Development and approval of risk management policies i) Fit and proper ii)Remuneration iii)Asset and Liability Management iv)Underwriting Risk v)Concentration Risk vi)Operational Risk vii)Insurance Fraud Risk viii)Reinsurance, ix) Liquidity	All policies listed on the corporate plan were approved	Achieved

6. APPENDIX A: MATERIALITY ANALYSIS

Issue	Description	Link to Sustainability Focus Area
New products • concession/incentive loans for going green • products targeting vulnerable groups – women, youth and disabled • Group lending • Equity funding for sustainability • Overdraft facility	Innovative and new funding models to support ESS and improve the Bank's competitive resilience. These include products aimed at: • Promoting sustainable agriculture – loans for going green • Targeting vulnerable groups • Targeting groups where the Bank can finance a group of people working together, but on their individual capacity. For example, a group of people with access to shared land, growing various crops for selling to their respective local markets. This brings social cohesion and improves economies of scale for the group • Equity funding and overdrafts aimed at improving access to cash by clients	• Sustainable finance • Green research
Green finance from multilateral DFIs and government	Finance provided by multilateral DFIs to guard against environmental and social risks like climate change. These include finance for renewable energy, water conservation, rehabilitation of de-graded agricultural lands, etc.	• Sustainable finance
Partnerships with commercial farmers	Partnering emerging farmers who are poor resource and skills based with commercial farmers for managerial skills, capacity and technology transfer	• Social responsibility
Business models to improve service delivery in BUs and AFCs	Innovative models that can help improve service delivery at Head Office and AFCs to eliminate inefficiencies and improve loan application turnaround times	• Corporate culture
Material use efficiency	Reducing consumption of resources like energy, water, paper etc. to minimise costs	• Greening of value chain
Minimise turnaround time	Reducing the loan applications turnaround time	• Corporate culture
Clients awareness raising in ESS issues	Raising awareness about ESS issues among our clients with the objective of inducing sustainability behaviour. With increased awareness compliance will be easy and will lead to interest in green projects	• Greening of value chain • Sustainable finance • Social responsibility
Environmental and social due diligence	Compliance with environmental and social sustainability requirements as per the national laws and international protocols	• Greening of value chain • Sustainable finance
ESS research – soil, water, energy and food nexus	Research aimed at supporting and informing other ESS priority areas, but mainly targeting the Land Bank mandate of ensuring food security against the impending risks of eroded soil produc-tivity, increasing energy costs, water scarcity and climate change	• Green research
Green Procurements	Promote e-tendering to cut on paper usage and prioritise service suppliers who subscribe to sustainability principles as a way of indirect contribution to minimising carbon emissions and environmental and social protection	• Greening of value chain • Sustainable finance
CSI and outreach projects	Investing in community development	• Social responsibility • Corporate culture
Change management	Facilitating smooth integration of ESS in the Bank through change management	• Greening of value chain • Sustainable finance • Social responsibility • Corporate culture • Green Research
Stakeholder management and communication	Communicating the ESS strategy, outputs and outcomes and soliciting their inputs to continu-ously update the strategy to be responsive to their needs	
Sustainability Reporting	Reporting on ESS as requirement for integrated reporting	
Risk management	Managing ESS risks and ensuring compliance to national and international laws and protocols	
Legal compliance		

SECTION 7


LAND BANK
We stand by you

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for the year that ended 31 March 2016

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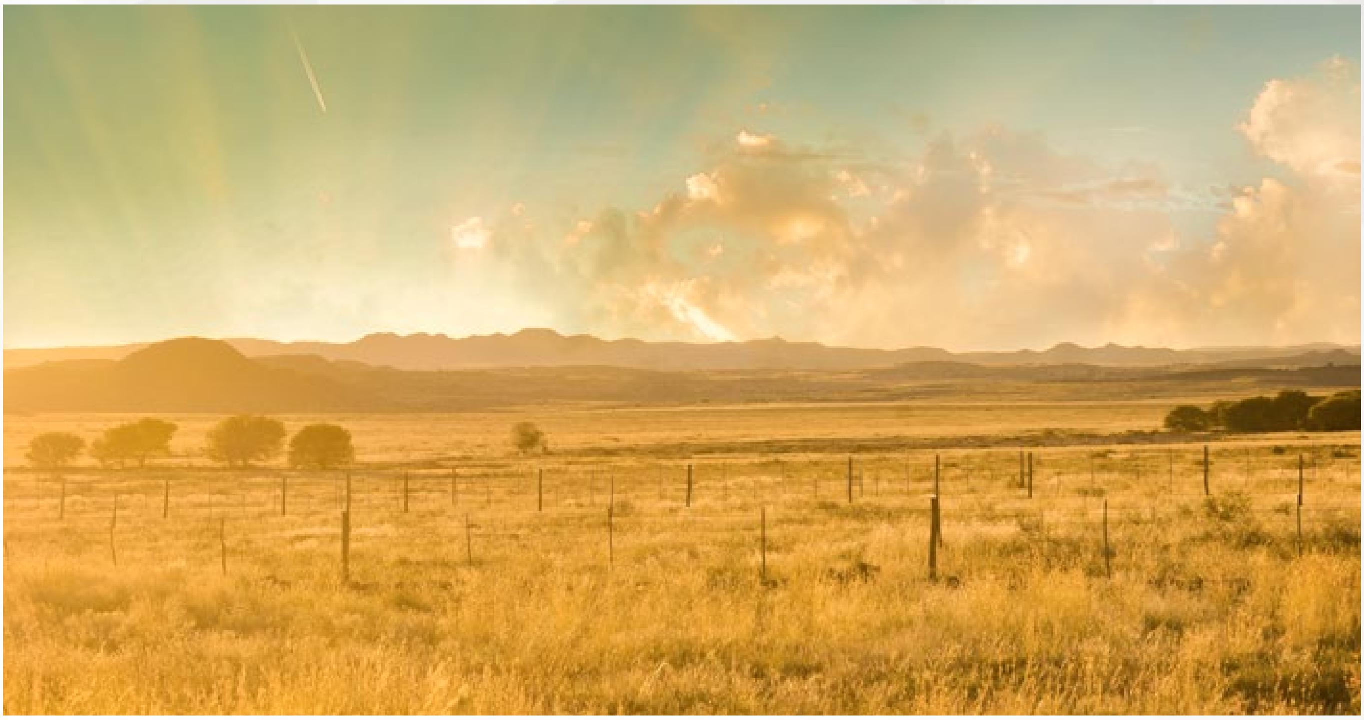
for the year that ended 31 March 2016



CONTENT

NOTES

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).

GENERAL INFORMATION

The following information pertains to the Land and Agricultural Development Bank of South Africa (the Land Bank) and its subsidiaries, Land Bank Life Insurance Company (SOC) Limited (LBLIC), Land Bank Insurance Company (SOC) Limited (LBIC) and Land Bank Insurance Services (SOC) Limited (LBIS)(dormant) which entities are consolidated in the annual financial statements and represent the Land Bank Group:

LAND BANK

Shareholder

National Treasury

Public entity

Governed by the Land and Agricultural Development Bank Act, 2002 (Act number 15 of 2002) and is a schedule 2 Public Entity in terms of the PFMA.

Auditor

The Auditor-General of South Africa

Bankers

First National Bank, division of FirstRand Limited

ABSA Bank Limited

Nedbank Limited

The Standard Bank of South Africa Limited

Financial year-end

31 March

Head office physical address

Block D Eco Glades 2

Witch Hazel Avenue

Ecopark

Centurion

0046

Postal address

P O Box 375

Tshwane

0001

Company secretary

Nazir Ebrahim[2]

Country of incorporation

South Africa

Business activities

The 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) and Land Bank Insurance Company (LBIC). LBLIC offers credit life insurance products and 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.

LAND BANK GROUP SUBSIDIARIES

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

Holding company
Land and Agricultural Development Bank of South Africa (the Land Bank)

Auditor
The Auditor-General of South Africa

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

Financial year-end
31 March

Head office physical address
Block D Eco Glades 2
Witch Hazel Avenue
Ecopark
Centurion
0046

Postal address
P O Box 375
Tshwane
0001

Public officer designate
Mpumi Tyikwe[2]

Company secretary
Nazir Ebrahim[2]

Country of incorporation
South Africa

Business 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.

[1] The Minister of Finance approved that LBIS, be dissolved and that Land Bank be the direct holding company of the two insurance companies in May 2014. As at 31 March 2016, LBIS is dormant but not yet dissolved.
[2] Please refer to Note 40 Events after statement of financial position date.

DIRECTORS' RESPONSIBILITY FOR THE GROUP ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation, integrity and objectivity of the annual financial statements of the Land and Agricultural Development Bank of South Africa and the group annual financial statements which conform to International Financial Reporting Standards (IFRS) and related information included in this annual report.

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 internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating with strict deadlines and an appropriate control framework.

As part of the system of internal control, the Group's internal audit function conducts operational, financial and specific audits. It is the responsibility of The Auditor-General of South Africa to report on the fair presentation of the financial statements.

The consolidated financial statements were 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 Directors believe that the Group will be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group annual financial statements.

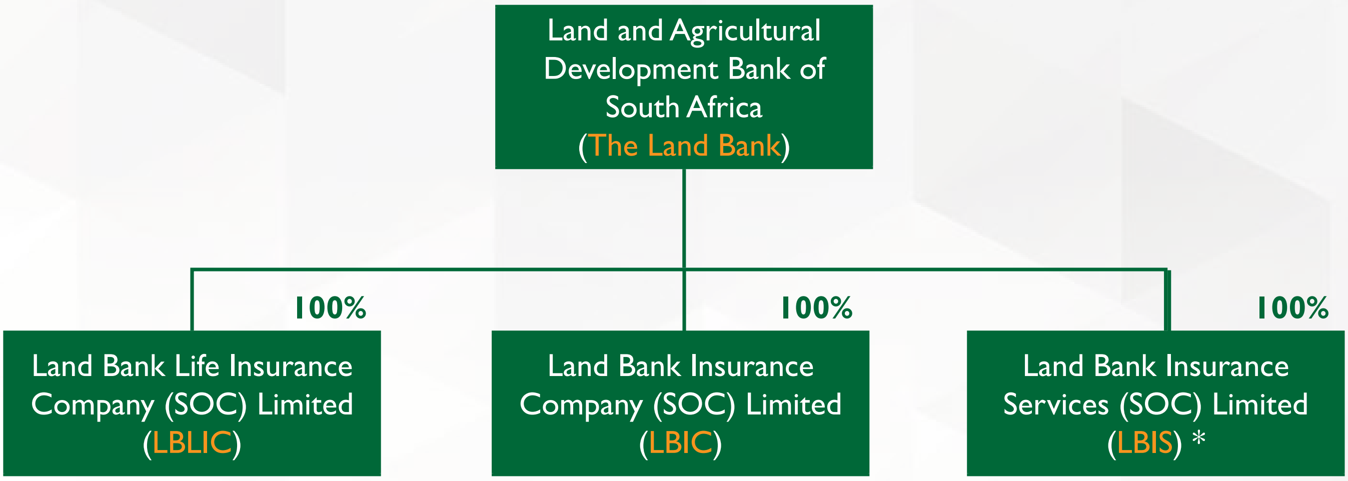
The Group annual financial statements for the year that ended 31 March 2016 as set out on 104 to 256 were approved by the Board in terms of section 55(1)c of the Public Finance Management Act, 1999 (Act number 1 of 1999) on 29 July 2016 and signed on its behalf by:

MA Moloto
Chairperson of the Board
Date: 29 July 2016

B van Rooy
Chief Financial Officer
Date: 29 July 2016

GROUP STRUCTURE

**The Land Bank Group
as at 31 March 2016**



*Dormant

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	Group 2016 R'000	Group 2015 Restated [1] R'000	Bank 2016 R'000	Bank 2015 Restated [1] R'000
Assets					
Cash and cash equivalents	4	**2 507 463**	1 605 673	**2 120 577**	1 369 418
Trade and other receivables	5	**174 419**	174 084	**331 007**	351 256
Short-term insurance assets	6	**206 916**	12 311		
Repurchase agreements	7	**14 706**	15 720	**14 706**	15 720
Inventory		**-**	240	**-**	240
Investments	9	**1 691 704**	1 608 987	**557 836**	568 624
Loans and advances	10	**36 353 418**	35 032 449	**36 353 418**	35 032 449
Assets of disposal group classified as held-for-sale	11	**149 620**	141 902	**149 620**	141 902
Long-term insurance assets	17.5	**661**	675		
Non-current assets held-for-sale	8	**47 622**	53 092	**47 622**	53 092
Intangible assets	12	**34 131**	37 162	**34 131**	37 162
Investment properties	13	**106 740**	99 800	**106 740**	99 800
Property and equipment	14	**83 955**	87 330	**83 844**	87 211
Total assets		**41 371 356**	38 869 425	**39 799 502**	37 756 874
Equity and Liabilities					
Capital and reserves		**6 098 413**	5 938 638	**5 058 817**	4 987 007
Distributable reserves	15	**5 963 341**	5 803 863	**4 923 745**	4 852 232
Other reserves	15	**135 072**	134 775	**135 072**	134 775
Liabilities					
Trade and other payables	16	383 547	647 720	188 180	605 648
Short-term insurance liabilities	6	299 009	82 454		
Long-term policyholders' liabilities	17	35 787	33 097		
Funding liabilities	18	33 156 039	30 847 066	33 156 039	30 847 066
Provisions	19	206 917	197 903	204 822	194 605
Post-retirement obligation	20	323 552	297 780	323 552	297 780
Liabilities of disposal group classified as held-for-sale	21	868 092	824 767	868 092	824 767
Total equity and liabilities		**41 371 356**	38 869 425	**39 799 502**	37 756 874

[1] FY2015 values reflect the adoption of IFRS 9 as the changes are required retrospectively. Only Loans and Advances and Distributable reserves values were effected.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year that ended 31 March 2016

	Note	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Continuing operations					
Net interest income		**1 130 278**	1 073 749	**1 111 343**	1 059 928
Interest income	22	**3 562 685**	3 120 531	**3 543 750**	3 106 710
Interest expense	23	**(2 432 407)**	(2 046 782)	**(2 432 407)**	(2 046 782)
Net impairment charges, claims and recoveries	10	**(74 225)**	(166 669)	**(74 225)**	(166 669)
Total income from lending activities		**1 056 052**	907 080	**1 037 118**	893 259
Non-interest expense	24	**(241 019)**	(189 110)	**(240 647)**	(189 110)
Non-interest income	25	**51 619**	57 863	**48 673**	58 649
Operating income from banking activities		**866 652**	775 832	**845 144**	762 797
Operating profit/ (loss) from insurance activities	26	**5 668**	(31 635)		
Investment income	27	**93 299**	151 768	**14 923**	242 915
Fair value (losses)/ gains	28	**(439)**	9 202	**(439)**	9 202
Operating income		**965 180**	905 170	**859 628**	1 014 916
Operating expenses	29	**(695 533)**	(528 844)	**(677 947)**	(510 515)
Net operating income		**269 647**	376 326	**181 682**	504 401
Non-trading and capital items	30	**2 223**	14 461	**2 223**	14 491
Net profit before indirect taxation		**271 871**	390 787	**183 905**	518 892
Indirect taxation	31	**(54 305)**	(38 263)	**(54 305)**	(38 263)
Net profit from continuing operations		**217 566**	352 524	**129 601**	480 629
Net operating income					
Share of after-tax loss of associated companies	32	-	-	-	-
Discontinued operations					
Net loss from discontinued operations	21	**(35 607)**	(41 060)	**(35 607)**	(41 060)
Profit for the year		**181 959**	311 464	**93 994**	439 569
Other comprehensive income [1]					
Items that will not be reclassified to the profit or loss component of the statement of comprehensive income					
Actuarial loss on the post-retirement obligation	20	**(17 481)**	(16 746)	**(17 481)**	(16 746)
Revaluation of land and buildings	14	**6 296**	1 197	**6 296**	1 197
		(11 186)	(15 549)	**(11 185)**	(15 549)
Items that are or may be subsequently reclassified to the profit or loss component of the statement of comprehensive income					
Net losses on financial assets designated at fair value through other comprehensive income	37.7.2	**(10 999)**	(3 557)	**(10 999)**	(3 557)
Total other comprehensive loss for the year		**(22 185)**	(19 106)	**(22 185)**	(19 106)
Total comprehensive income for the year		**159 774**	292 358	**71 809**	420 463

[1] Other comprehensive income are gross of tax. The Group is exempt from income tax in terms of sections 10(1)(cA)(ii) of the Income Tax Act, 1962 (Act No. 58 of 1962). Refer to note 34.4.4 for information regarding a tax contingent liability for the insurance Group.

STATEMENT OF CHANGES IN EQUITY

for the year that ended 31 March 2016

	Capital Fund R'000	General Reserve R'000	Insurance Reserve [3] R'000	MTM Reserve [1] R'000	Revaluation Reserve R'000	Discontinued Operations R'000	Total R'000
Group							
Balance at 31 March 2014	**3 897 655**	**2 202 684**	**1 229 736**	**10 404**	**126 731**	**(641 805)**	**6 825 405**
At 1 April 2014	3 897 655	2 202 684	1 229 736	10 404	126 731	(641 805)	6 825 405
Profit/(loss) for the year	-	280 599	71 924	-	-	(41 060)	311 463
Other comprehensive (loss)/income	-	(16 746)	-	(3 557)	1 197	-	(19 106)
Total comprehensive income/(loss)	**3 897 655**	**2 466 537**	**1 301 660**	**6 847**	**127 928**	**(682 865)**	**7 117 762**
Recapitalisation by National Treasury [2]	500 000	-	-	-	-	-	500 000
Balance at 31 March 2015 - as reported	**4 397 655**	**2 466 537**	**1 301 660**	**6 847**	**127 928**	**(682 865)**	**7 617 762**
Impact as a result of adoption of new accounting standards - IFRS 9	-	(1 679 124)	-	-	-	-	(1 679 124)
Balance at 31 March 2015 - restated	**4 397 655**	**787 413**	**1 301 660**	**6 847**	**127 928**	**(682 865)**	**5 938 638**
Balance at 1 April 2015 restated	4 397 655	787 413	1 301 660	6 847	127 928	(682 865)	5 938 638
Profit/(loss) for the year	-	129 601	87 965	-	-	(35 607)	181 959
Other comprehensive (loss)/income	-	(22 481)	-	(5 999)	6 296	-	(22 185)
Balance at 31 March 2016	**4 397 655**	**894 533**	**1 389 625**	**848**	**134 224**	**(718 472)**	**6 098 413**

[1] MTM = Mark-to-Market

[2] Refer to note 35.2.1(iii)

[3] The Insurance Reserve relates to the Retained Earnings of the Insurance Companies

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year that ended 31 March 2016

	Capital Fund R'000	General Reserve R'000	MTM Reserve [1] R'000	Revaluation Reserve R'000	Discontinued Operations R'000	Total R'000
Bank						
Balance at 31 March 2014	3 897 655	2 352 684	10 404	126 731	(641 805)	5 745 669
At 1 April 2014	3 897 655	2 352 684	10 404	126 731	(641 805)	5 745 669
Profit/(loss) for the year	-	480 629	-	-	(41 060)	439 569
Other comprehensive (loss)/income	-	(16 746)	(3 557)	1 197	-	(19 106)
Total comprehensive income/(loss)	3 897 655	2 816 566	6 847	127 928	(682 865)	6 166 132
Recapitalisation by National Treasury [2]	500 000	-	-	-	-	500 000
Balance at 31 March 2015 - as reported	4 397 655	2 816 566	6 847	127 928	(682 865)	6 666 132
Impact as a result of adoption of new accounting standards - IFRS 9	-	(1 679 124)	-	-	-	(1 679 124)
Balance at 31 March 2015 - restated	4 397 655	1 137 442	6 847	127 928	(682 865)	4 987 008
Balance at 1 April 2015 restated	4 397 655	1 137 442	6 847	127 928	(682 865)	4 987 008
Profit/(loss) for the year	-	129 601	-	-	(35 607)	93 994
Other comprehensive (loss)/income	-	(22 481)	(5 999)	6 296	-	(22 185)
Balance at 31 March 2016	4 397 655	1 244 562	848	134 224	(718 472)	5 058 817

[1] MTM = Mark-to-Market

[2] Refer to note 35.2.1(iii)

STATEMENT OF CASH FLOWS

for the year that ended 31 March 2016

	Note	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Net profit from continuing operations		**217 566**	352 524	**129 601**	480 629
Net loss from discontinued operations		**(35 607)**	(41 060)	**(35 607)**	(41 060)
		181 959	311 464	**93 994**	439 569
Adjustment to reconcile profit to net cash flows					
Non-cash items:[1]		**2 371 088**	1 652 408	**2 446 034**	1 564 744
Interest expense	23	**2 432 407**	2 046 782	**2 432 407**	2 046 782
Fair value movement (financial instruments)	28	**439**	(9 202)	**439**	(9 202)
Fair value movement (investments)	27	**(36 490)**	(108 123)	**(4 797)**	(32 398)
Dividend income	27	**(25 164)**	(24 291)	**(6 463)**	(206 109)
Interest income	27	**(42 217)**	(35 550)	**(5 580)**	(6 245)
Fund management fees	29	**10 571**	14 361	**-**	-
Depreciation and impairment of property and equipment	14	**6 662**	10 215	**6 628**	10 179
Amortisation and impairment of intangibles	12	**6 325**	5 986	**6 325**	5 987
Fair value adjustments (investment properties)	30	**(1 253)**	(15 400)	**(1 253)**	(15 400)
Fair value movement in policyholders' liabilities	17	**2 682**	(4 776)	**-**	-
Fair value adjustment on non-current assets held-for-sale	8, 30	**-**	982	**-**	982
Movement in provisions	19	**9 014**	(242 114)	**10 216**	(243 414)
Movement in post-retirement medical aid liability	20	**8 291**	13 581	**8 291**	13 581
Loss on disposal of property and equipment	30	**103**	(39)	**103**	35
(Profit)/ loss on disposal of properties in possession	30	**(951)**	30	**(951)**	30
Gain on recognition of investment in subsidiary	30	**-**	-	**-**	(30)
Foreign exchange gain		**(20)**	(27)	**(20)**	(27)
Impairment relating to loan commitments and guarantees	10	**791**	-	**791**	-
Impairment of other assets	30	**(102)**	(7)	**(102)**	(7)
Working capital adjustments:		**(242 297)**	436 855	**(396 978)**	411 784
Decrease / (Increase) in trade and other receivables	4	**(335)**	(24 816)	**20 249**	(9 256)
Decrease / (increase) in inventory		**240**	(240)	**240**	(240)
(Decrease) / Increase in trade and other payables	16	**(264 174)**	394 005	**(417 467)**	421 280
Increase in short-term and long-term insurance liability	5	**216 563**	73 482	**-**	-
Increase in short-term and long-term insurance assets	5	**(194 591)**	(5 576)	**-**	-
Cash flows from operating activities		**2 310 750**	2 400 727	**2 143 050**	2 416 097

STATEMENT OF CASH FLOWS (CONTINUED)

for the year that ended 31 March 2016

Cash flows from operations		**(3 752 584)**	(5 476 772)	**(3 752 584)**	(5 476 772)
Interest paid	23	**(2 432 407)**	(2 046 782)	**(2 432 407)**	(2 046 782)
Increase in funding to clients	10	**(1 320 177)**	(3 429 990)	**(1 320 177)**	(3 429 990)
Cash flow from investing activities		**(8 113)**	16 867	**8 956**	12 367
Proceeds from disposal of property and equipment	14	**275**	156	**275**	156
Purchase of property and equipment	14	**(3 050)**	(2 655)	**(3 050)**	(2 655)
Additions to intangible assets	12	**(3 294)**	(3 248 00)	**(3 294)**	(3 248)
Proceeds from sale of non-current assets held-for-sale	8	**1 331**	1 763	**1 331**	1 763
Proceeds from sale of financial instruments		**(2 357)**	22 005	**14 712**	17 505
Purchase of financial instruments		**(1 018)**	(1 154)	**(1 018)**	(1 154)
Cash flow from financing activities		**2 351 737**	3 189 997	**2 351 737**	3 189 997
Increase in funding	18	**2 351 737**	2 689 997	**2 351 737**	2 689 997
Capital injection from shareholder		**-**	500 000	**-**	500 000
Net decrease in cash and cash equivalents		**901 790**	130 819	**751 159**	141 689
Cash and cash equivalents at beginning of year		**1 605 673**	1 474 854	**1 369 418**	1 227 729
Cash and cash equivalents at end of year	4	**2 507 463**	1 605 673	**2 120 577**	1 369 418

[1] Profits/ gains are deducted, whilst losses are added back as reconciliation items.

[2] There are no restrictions on any of the cash balances. All cash and cash equivalents are available for use by the Group.

SEGMENT REPORTING

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2016	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of profit or loss and other comprehensive income								
Net interest income/(expense)	191 341	920 001	-	**1 111 342**	18 935	**1 130 277**	(43 334)	**1 086 943**
Interest income	548 890	2 994 860	-	**3 543 750**	18 935	**3 562 685**	-	**3 562 685**
Interest expense	(357 549)	(2 074 859)	-	**(2 432 408)**	-	**(2 432 408)**	(43 334)	**(2 475 742)**
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	804 782	-	**1 037 117**	18 935	**1 056 052**	(35 607)	**1 020 445**
Non-interest income/(expense)	15 199	(222 454)	15 281	**(191 974)**	2 574	**(189 400)**	-	**(189 400)**
Operating income/(loss) from banking activities	247 534	582 328	15 281	**845 143**	21 509	**866 652**	(35 607)	**831 045**
Operating profit from insurance activities	-	-	-	**-**	5 668	**5 668**	-	**5 668**
Investment income	-	-	14 923	**14 923**	78 377	**93 300**	-	**93 300**
Fair value loss	-	-	(439)	**(439)**	-	**(439)**	-	**(439)**
Operating income/(loss)	247 534	582 328	29 765	**859 627**	105 554	**965 181**	(35 607)	**929 574**
Operating expenses	(70 663)	(9 455)	(274 368)	**(354 486)**	(9 867)	**(364 353)**	-	**(364 353)**
Staff costs	(110 800)	(16 389)	(183 319)	**(310 508)**	(7 686)	**(318 194)**	-	**(318 194)**
Depreciation and amortisation	(1 903)	(117)	(10 933)	**(12 953)**	(34)	**(12 987)**	-	**(12 987)**
Net operating (loss)/income	64 168	556 367	(438 855)	**181 680**	87 967	**269 647**	(35 607)	**234 040**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2016	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group 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	556 363	(436 485)	**183 903**	87 967	**271 870**	(35 607)	**236 263**
Indirect taxation	-	-	(54 305)	**(54 305)**	-	**(54 305)**	-	**(54 305)**
Net profit/(loss)	64 025	556 363	(490 790)	**129 598**	87 967	**217 565**	(35 607)	**181 958**
Other comprehensive income								
Actuarial losses on the post-retirement obligation	-	-	(17 481)	**(17 481)**	-	**(17 481)**	-	**(17 481)**
Revaluation of land and buildings	-	-	6 296	**6 296**	-	**6 296**	-	**6 296**
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	545 364	(501 975)	**107 414**	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)**	2 574	**(189 400)**	-	**(189 400)**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2016	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of financial position								
Assets								
Segment assets	4 044 542	32 355 058	2 761 103	**39 189 552**	2 061 033	**41 250 585**	149 620	**41 371 356**
Working capital (incl. net loans and advances)	4 016 876	32 354 060	2 159 625	**38 559 410**	519 447	**39 078 857**	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". The FY2015 disclosures have been realigned.

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

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2015	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of profit or loss and other comprehensive income								
Net interest income[3]	225 362	834 565	-	**1 059 928**	13 821	**1 073 749**	(40 762)	**1 032 987**
Interest income	530 873	2 575 837	-	**3 106 710**	13 821	**3 120 531**	8	**3 120 539**
Interest expense	(305 511)	(1 741 272)	-	**(2 046 782)**	-	**(2 046 782)**	(40 770)	**(2 087 552)**
Impairment (charges)/releases on loans and advances	174 774	(341 443)	-	**(166 669)**	-	**(166 669)**	(298)	**(166 967)**
Total income/(loss) from lending activities	400 136	493 122	-	**893 259**	13 821	**907 080**	(41 060)	**866 020**
Non-interest income/(expense)	19 612	(172 532)	22 460	**(130 460)**	(785)	**(131 245)**	-	**(131 245)**
Operating income/(loss) from banking activities	419 748	320 590	22 460	**762 799**	13 036	**775 835**	(41 060)	**734 775**
Operating profit from insurance activities	-	-	-	**-**	(31 635)	**(31 635)**	-	**(31 635)**
Investment income	-	-	42 915	**42 915**	108 853	**151 768**	-	**151 768**
Fair value loss	-	-	9 202	**9 202**	-	**9 202**	-	**9 202**
Operating income/(loss)	419 748	320 590	74 577	**814 916**	90 254	**905 170**	(41 060)	**864 110**
Operating expenses	(71 611)	(10 603)	(168 188)	**(250 402)**	(10 581)	**(260 983)**	-	**(260 983)**
Staff costs	(114 375)	(14 483)	(115 078)	**(243 936)**	(7 713)	**(251 649)**	-	**(251 649)**
Depreciation and amortisation	(1 842)	(156)	(14 179)	**(16 177)**	(35)	**(16 212)**	-	**(16 212)**
Net operating (loss)/income	231 920	295 348	(222 868)	**304 401**	71 925	**376 326**	(41 060)	**335 266**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2015	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Non-trading and capital items	(35)	-	14 496	**14 461**	-	**14 461**	-	**14 461**
Net (loss)/profit before indirect taxation	231 885	295 348	(208 372)	**318 862**	71 925	**390 787**	(41 060)	**349 727**
Indirect taxation [2]	-	-	(38 263)	**(38 263)**	-	**(38 263)**	-	**(38 263)**
Net (loss)/profit	231 885	295 348	(246 635)	**280 599**	71 925	**352 524**	(41 060)	**311 464**
Other comprehensive income								
Actuarial losses on the post-retirement obligation	-	-	(16 746)	**(16 746)**	-	**(16 746)**	-	**(16 746)**
Revaluation of land and buildings	-	-	1 197	**1 197**	-	**1 197**	-	**1 197**
Gains on financial assets at fair value through other comprehensive income	-	(3 557)	-	**(3 557)**	-	**(3 557)**	-	**(3 557)**
Total comprehensive (loss)/income for the year	231 885	291 791	(262 184)	**261 493**	71 925	**333 418**	(41 060)	**292 358**
Interest income								
External customers	530 873	2 575 837	-	**3 106 710**	13 821	**3 120 531**	8	**3 120 539**
Non-interest income/(expense)								
External customers	19 612	(172 532)	22 460	**(130 460)**	(785)	**(131 245)**	-	**(131 245)**

SEGMENT REPORTING (CONTINUED)

Segment reporting per reportable segment for the year that ended 31 March 2016

Group - 2015	Commercial Development Banking[2] R'000	Corporate Banking[2] R'000	Group Capital and Inter-segment eliminations [1] R'000	Total Bank (Excluding LDFU) R'000	Insurance Operations[3] R'000	Total Group (Excluding LDFU) R'000	Discontinued Operations LDFU R'000	Total Group R'000
Statement of financial position								
Assets								
Segment assets	6 082 534	30 376 678	671 933	**37 131 145**	1 596 378	**38 727 523**	141 902	**38 869 425**
Working capital (incl. net loans and advances)[3]	6 053 155	30 364 593	67 538	**36 485 286**	342 880	**36 828 166**	141 902	**36 970 068**
Investments	-	11 848	356 746	**368 594**	1 240 393	**1 608 987**	-	**1 608 987**
Investment properties	24 725	-	75 075	**99 800**	-	**99 800**	-	**99 800**
Property and equipment	4 654	237	82 320	**87 211**	119	**87 330**	-	**87 330**
Non-current assets held-for-sale	-	-	53 092	**53 092**	-	**53 092**	-	**53 092**
Intangible assets	-	-	37 162	**37 162**	-	**37 162**	-	**37 162**
Insurance assets	-	-	-	-	12 986	**12 986**	-	**12 986**
Liabilities								
Segment liabilities	5 696 637	30 982 905	(4 734 443)	**31 945 099**	160 921	**32 106 020**	824 767	**32 930 787**
Working capital (incl. funding liabilities)[3]	5 579 436	30 978 128	(5 104 850)	**31 452 714**	42 072	**31 494 786**	824 767	**32 319 553**
Provisions	117 201	4 777	72 627	**194 605**	3 298	**197 903**	-	**197 903**
Post-retirement obligation	-	-	297 780	**297 780**	-	**297 780**	-	**297 780**
Insurance liabilities	-	-	-	-	115 551	**115 551**	-	**115 551**

[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". The FY2015 disclosures have been realigned.

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

Segment reporting (Business segments)

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 developing and commercial farmers.
- Corporate Banking, which consists of two branches, provides finance to the corporate agri-related businesses.
- Group capital which consists of treasury, finance and other central functions.
- Insurance Operations consisting of LBLIC and LBIC which provides Life and Short Term- and Crop Insurance respectively.
- LDFU, which was established to provide finance for the development of land. The activities of the division were discontinued in 2008.

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 as at 31 March 2016.

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.

SEGMENT REPORTING PER GEOGRAPHIC SEGMENTS

for the year that ended 31 March 2016

Group - 2016	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
Statement of profit or loss and other comprehensive income														
Northern region	2 711 013	(1 824 965)	886 048	59 796	(175 605)	-	16 827	(374 128)	(12 112)	(250 590)	150 236	(17 481)	(4 703)	128 052
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	**3 562 684**	**(2 432 408)**	**1 130 276**	**(74 225)**	**(189 401)**	**5 668**	**95 084**	**(418 658)**	**(12 986)**	**(318 194)**	**217 564**	**(17 481)**	**(4 703)**	**195 380**
Discontinued operation - LDFU	-	(43 334)	(43 334)	7 727	-	-	-	-	-	-	(35 607)	-	-	(35 607)
	3 562 684	**(2 475 742)**	**1 086 942**	**(66 498)**	**(189 401)**	**5 668**	**95 084**	**(418 658)**	**(12 986)**	**(318 194)**	**181 957**	**(17 481)**	**(4 703)**	**159 773**

SEGMENT REPORTING PER GEOGRAPHIC SEGMENTS (CONTINUED)

for the year that ended 31 March 2016

	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (incl. loans and advances)	Other assets	Total assets
	R'000	R'000	R'000	R'000
Statement of financial position				
Assets				
Northern region	628 054	29 755 817	-	30 383 871
Southern region	2 022	8 774 810	-	8 776 832
Insurance operations	1 334 009	519 447	207 577	2 061 033
Continuing operations	**1 964 085**	**39 050 074**	**207 577**	**41 221 736**
Discontinued operation - LDFU	-	149 620	-	149 620
	1 964 085	**39 199 694**	**207 577**	**41 371 356**

	Working Capital (incl. funding)	Other liabilities	Total liabilities
Liabilities	R'000	R'000	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**

SEGMENT REPORTING PER GEOGRAPHIC SEGMENTS (CONTINUED)

for the year that ended 31 March 2016

Group - 2015	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense)	Operating (loss) 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
Statement of profit or loss and other comprehensive income														
Northern region	2 388 815	(1 428 453)	960 362	(62 656)	(139 933)	-	66 596	(251 272)	(15 420)	(182 882)	374 795	(16 746)	(2 488)	355 561
Southern region	717 895	(618 329)	99 566	(104 013)	9 473	-	(18)	(37 393)	(757)	(61 054)	(94 196)	-	128	(94 068)
Insurance operations	13 821	-	13 821	-	(785)	(31 635)	108 853	(10 608)	(35)	(7 686)	71 925	-	-	71 925
Continuing operations	**3 120 531**	**(2 046 782)**	**1 073 749**	**(166 669)**	**(131 245)**	**(31 635)**	**175 431**	**(299 273)**	**(16 212)**	**(251 622)**	**352 524**	**(16 746)**	**(2 360)**	**333 418**
Discontinued operation - LDFU	8	(40 770)	(40 762)	(298)	-	-	-	-	-	-	(41 060)	-	-	(41 060)
	3 120 539	**(2 087 552)**	**1 032 987**	**(166 967)**	**(131 245)**	**(31 635)**	**175 431**	**(299 273)**	**(16 212)**	**(251 622)**	**311 464**	**(16 746)**	**(2 360)**	**292 358**

SEGMENT REPORTING PER GEOGRAPHIC SEGMENTS (CONTINUED)

for the year that ended 31 March 2016

Statement of financial position	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment	Working Capital (incl. loans and advances)	Other assets	Total assets
	R'000	R'000	R'000	R'000
Assets				
Northern region	643 564	27 914 674	-	28 558 238
Southern region	2 295	8 570 612	-	8 572 907
Insurance operations	1 240 512	342 880	12 986	1 596 378
Continuing operations	**1 886 371**	**36 828 166**	**12 986**	**38 727 523**
Discontinued operation - LDFU	-	141 902	-	141 902
	1 886 371	**36 970 068**	**12 986**	**38 869 425**

	Working Capital (incl. funding)	Other liabilities	Total liabilities
Liabilities	R'000	R'000	R'000
Northern region	22 785 443	492 384	23 277 827
Southern region	8 667 270	2	8 667 272
Insurance operations	42 072	118 849	160 921
Continuing operations	**31 494 785**	**611 235**	**32 106 020**
Discontinued operation - LDFU	824 767	-	824 767
	32 319 552	**611 235**	**32 930 787**

	2015	2016
	R'000	R'000
Additions to non-current assets		
Northern region	6 202	4 016
Southern region	**142**	1 958
LBLIC	-	-
Continuing operations	6 344	5 974
Discontinued operation - LDFU	-	-
	6 344	5 974

The geographical segments consist of 9 provincial offices and 16 satellite offices within the boundaries of the respective provinces of the Republic of South Africa according to the client's location. Group Capital is included in the Northern segment, as the head office is situated in Pretoria.

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.

Information about major customers

The Bank earned R218 million (FY2015: R417 million) in interest revenue from one of the Gauteng-based customers in the Corporate Banking Unit. This represents approximately 6.15% (FY2015: 13.4%) of the Bank's gross revenue.

1 Corporate information

The Land and Agricultural Development Bank of South Africa ("the Land Bank" or "the Bank") operates as a development finance institution within the full agricultural value chain. Its activities are regulated by the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002) (the "Land Bank Act") and the Public Finance Management Act, 1999 (Act No.1 of 1999) (the "PFMA") as amended. The Land Bank provides a range of finance options to a broad spectrum of clients within the agricultural sector. Financing products cater for wholesale as well as retail financing for various client groups, including developing and commercial armers, co-operatives and other agricultural enterprises. The Land Bank is a schedule 2 Public Entity in terms of the PFMA.

In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries, LBLIC and LBIC. LBLIC offers credit life insurance products and 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) and are schedule 2 Public Entities in terms of the PFMA.

The financial statements were authorised for issue by the directors on 29 July 2016.

2 Basis of presentation of financial statements

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 Bank'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 financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

3.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2015.

IFRS 7 Financial Instruments Disclosures

Amendments requiring disclosures about the initial application of IFRS 9.

The Group has applied the required disclosures (IFRS 7) due to the early adoption of IFRS 9.

IFRS 9 Financial Instruments (2014)- A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Group has completed a full assessment of IFRS 9's impact and is impact on the Bank's accounting treatment for certain types of financial liabilities. Certain financial liabilities previously classified as financial liabilities designated at fair value through profit or loss, as changes in fair value resulting from changes in the Group's credit risk, are now recognised at amortised cost. IFRS 9 has an impact on the Group's impairment calculations as the Group's impairment model has changed from "incurred loss" to "expected loss" models in line with the requirements. Refer to Note 41.

IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013)

Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

The Group has fully adopted IFRS 9, however the Group has no hedge accounting and therefore there is no impact on the Group's financial statements as a result of this update.

Annual Improvements now effective for the first time

IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
IAS 24 — Clarify how payments to entities providing management services are to be disclosed.
IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

3.2 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard or interpretation	Effective date
i) 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 the Land Bank is not a first time adopter of IFRS, this standard will not have an impact on the financial statements.	Effective for annual periods beginning on or after 1 January 2016
ii) IFRS 15 Revenue from Contracts with Customers The standard provides a single, principles based five-step model to be applied to all contracts with customer. The five steps in the model are as follows: - Identify the contract with the customer - Identify the performance obligations in the contract - Determine the transaction price - Allocate the transaction price to the performance obligations in the contracts - Recognise revenue when (or as) the entity satisfies a performance obligation. The Group is currently in the process of assessing IFRS 15's full impact and the related disclosures which will need to be given on first time adoption of IFRS 15.	Effective for annual periods beginning on or after 1 January 2019

iii) 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.	Effective for annual periods beginning on or after 1 January 2016
iv) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) The amendment includes 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The Group does not own any 'bearer plants' and as a result the amendment had no impact on the Group annual financial statements.	Effective for annual periods beginning on or after 1 January 2016
v) 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.	Effective for annual periods beginning on or after 1 January 2016
vi) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying certain points. The Group no longer has intermediate holding companies that would have been considered for consolidation exception and as a result the amendment has no impact on the Group annual financial statements.	Effective for annual periods beginning on or after 1 January 2016
vii) Investments in associates and joint ventures (amendments to IAS 28 Investments in Associates and Joint Ventures ("IAS 28")) 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.	Effective for annual periods beginning on or after 1 January 2016
viii) 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.	Effective for annual periods beginning on or after 1 January 2016
ix) 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 will consider these changes, but they are expected to be immaterial in nature.	Effective for annual periods beginning on or after 1 January 2016

Annual Improvements not yet effective

Standard or interpretation	Effective date
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.	Effective for annual periods beginning on or after 1 January 2016
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.	
IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.	

3.3 Consolidation

The consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which is currently dormant) and associate, Renaissance Brands (Pty) Ltd as at 31 March 2016.

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.

3.3.1 Subsidiaries

Subsidiaries are all entities over which the Bank has control. The Bank controls and hence consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank will only consider potential voting rights that are substantive when assessing whether it controls another entity. In order for the right to be substantive, the holder must have the practical ability to exercise that right. Subsidiaries are fully consolidated from the date on which control, as defined by IFRS 10, is transferred to the Bank. They are deconsolidated from the date that control ceases.

The consolidation of subsidiaries is considered at inception, based on the arrangements in place and the assessed risk exposures at that time.

The initial consolidation analysis is revisited at a later date if:

- The Bank acquires additional interests in the entity;
- The contractual arrangements of the entity are amended such that the relative exposures to risks and rewards change; and
- The Bank acquires control over the relevant activities of the entity.

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

The Bank uses the acquisition method of accounting to account for business combinations in accordance with IFRS 3 Business Combinations ("IFRS 3").

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the Bank.

3.4 Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following criteria must also be met before revenue is recognised:

3.4.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale, loans and receivables, 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.

3.4.2 Other income

3.4.2.1 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.

3.4.2.2 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.

3.4.2.3 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.

3.4.2.4 Penalty fee income

Penalty fee income is recognised when the event of default occurs and it is probable that economic benefits, as a result of the penalty fee, will flow to the Bank.

3.4.2.5 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'.

3.4.2.6 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.

3.4.2.7 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.

3.4.2.8 Insurance premium income

Refer to note 3.25.1 and note 3.25.2.

3.5 Expenses

3.5.1 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.

3.5.2 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.

3.6 Fruitless, wasteful and irregular expenditure

Items of expenditure which meet the requirements of the PFMA for fruitless and wasteful as well as irregular expenditure are separately disclosed in the notes to the financial statements. "Fruitless and wasteful expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised. "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.

"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.

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the 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.

3.7.1 The Group as lessee

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit and loss.

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread over the term of the lease.

3.7.2 The Group as a lessor

Leases where the Group 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 Employee benefits

3.8.1 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. The provisions for employee entitlement to wages, salaries and annual leave represents the amount which the Group has a present obligation to pay as a result of employees' services provided during the period under review. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

3.8.1.1 Leave pay liability

Accumulated leave is payable to employees upon termination of services. Provision for leave is calculated on the leave days outstanding at the end of the year multiplied by the remuneration rate. The remuneration rate is calculated in accordance with the employee's employment contract total cost to company multiplied by the normal hours of work.

3.8.1.2 Provision for bonuses

The provision for bonuses is calculated by using the employee's annual remuneration and by taking into consideration the overall performance of the Group, the performance of the business department and the employee's performance.

3.8.2 Post retirement benefits

3.8.2.1 Defined contribution plans

A defined contribution plan is a plan under which fixed contributions are paid into a separate entity. As a result, there is no legal or constructive obligation on the employer to pay further contributions. Obligations for contributions to defined contribution provident fund plans are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

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.

3.8.2.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan, and is a plan that defines a benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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.

3.8.2.3 Termination benefits

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

3.8.2.4 Short-term benefits

Short-term employee benefit obligations including annual leave are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9 Taxation

The 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 note 34.4.4 for additional disclosure regarding the possible contingent liability raised in this regard.

3.10 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/ or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The cost of an item of property and equipment is recognised as an asset if, and only if:

i) It is probable that future economic benefits associated with the item will flow to the Group; and

ii) The cost of the item can be measured reliably.

Land and buildings held for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken at least once every year by independent sworn appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the 'Revaluation Reserve' included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss and other comprehensive income, in which case the increase is recognised in the statement of profit or loss and other comprehensive income. A revaluation deficit is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. Leasehold improvements are depreciated on a straight-line basis over the period of the lease.

The estimated useful lives of the newly acquired assets are as follows:

Buildings	40 years
Furniture and fittings	5 years
Computer equipment	3 years
Motor vehicles	5 years
Leasehold Improvements	Period of the lease

The depreciation charge for each period is recognised in profit or loss.

An item of property and equipment and any significant part initially recognised is 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 statement of profit or loss and other comprehensive income when the asset is derecognised.

Residual values, depreciation methods and useful lives are reviewed annually and adjusted prospectively as a change in estimate. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Useful life is the period over which an asset is expected to be available for use by an entity.

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.

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 recognised as an asset when, and only when:

i) It is probable that future economic benefits associated with the investment property will flow to the Group; and

ii) The cost of the investment property can be measured reliably.

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 more than 50% of the lettable space of the property. This threshold was set due to the Group's intention to let out any excess office space which exists at the Group's properties.

3.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

Intangible assets are recognised as an asset when, and only when:

i) It is probable that future economic benefits associated with the asset will flow to the Group; and

ii) The cost of the intangible asset can be measured reliably.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

3.12.1 Computer software

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

During the prior financial year a change of estimate took place with respect to the useful life of the computer software. Previously the software was amortised over a period of 20 years however after the annual review of the estimated useful life of the software, it was decided that a useful life of 3, 5 and 10 years was more appropriate based on the tier of the intangible asset. The change was applied prospectively from 1 April 2014. The software is now be amortised using the straight-line method over a period as tabled below:

Tier 1 asset	10 years
Tier 2 asset	5 years
Other	3 years

3.12.2 Computer software licence fees

Computer software licence 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 licence agreement. Should the licence agreement extend beyond 12 months, the software licence would be capitalised as an intangible asset and amortised on a straight-line basis over the period of the licence agreement.

3.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

The calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Financial instruments

3.14.1 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 timeframe 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 the purpose of short term profit making. 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, commodities 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 Bank.

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. 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.

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;
- Those that the Group, upon initial recognition, designates as available for sale; 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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, 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.

3.14.2 Subsequent measurement

Subsequent to initial recognition, the Group classifies financial instruments as 'at fair value through profit or loss', 'loans and receivables' and 'other financial liabilities'.

Financial assets 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 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 loans and receivables. 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 finance costs.

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.

When the restructured loan's terms are materially altered, the original loan will be derecognised and a new loan will be recognised.

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 IFRS 9.

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.

3.14.3 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.

3.14.4 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 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 insufficient 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, and the expected credit loss model applied for the financial year ended 31 March 2016, while FY2015 comparatives were restated. Refer to Note 41 - Early adoption of new Accounting Standards: IFRS 9 Financial Instruments. 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 Bank's portfolio might meet the definition of low credit risk, the Bank opted not to apply this in application of its ECL methodology as given the nature of the Bank's business it is deemed not to be prudent not to consider whether a significant increase in credit risk exits.

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:

- **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.
- **Stage 2: Lifetime ECL - not credit impaired**

  For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.
- **Stage 3: Lifetime ECL - credit impaired**
  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 is mainly short-term in nature and as one of the 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 and reverses ant previously assessed significant increase in credit risk since origination, 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.

3.14.5 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.

3.14.6 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 Subordinated debt

Subordinated debt is measured at amortised cost using the effective interest rate method under IFRS 9.

3.16 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 counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to financial assets held for trading 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 held-for-trading and measured at fair value with any gains or losses included in net trading income.

3.17 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less.

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 note 33. These funds are not carried on the statement of financial position of the Group.

3.19 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.

3.20 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

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.

3.21 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.

3.22 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.

3.23 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.

3.24 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.

3.24.1 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 Reserve (UPR) is established to recognise the unexpired risk for which premiums have already been written. The UPR is set with reference to the remaining days of each the contracts as at the valuation date for assets and winter crops. This method is in line with the requirements of the Short-term Insurance Act.

For the "Hail Summer", "Multi Peril Summer" and "Horticulture" crop portfolios in the current reporting period, the UPR 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, the crop insurance was written as a reinsurance inwards agreement over a period of twelve months and the UPR was earned on the remaining days method. The change of earning the UPR on summer crops is a prospective change considering the change from crop being written as reinsurance inward agreement in the previous reporting period to an underwriting management agreement in the current reporting period.

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 brokerge 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 under loans and receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss and other comprehensive income. The Group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

3.24.2 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.

3.25 Segment information

The segment information is based on the information about the components of the Group that management uses to make decisions about operating matters. The operating segments are identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis. Finance cost and Finance Income are allocated based on gross loans to Business Units.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The principal segments of the Group have been identified on a business segment basis, namely:

- Group Capital, including Treasury (Investment) activities in equity, bonds and cash instruments;
- Commercial Development Banking;
- Corporate Banking;
- Land for Development; and
- Insurance operations, consisting of long-term and short-term insurance.

And on a geographical segmentation namely:

- Northern regions of South Africa; and
- Southern regions of South Africa.

These bases are representative of the internal organisational structure for management purposes. The source and nature of business risks and returns are segmented on the same basis.

Operating expenses are apportioned to a segment based on an apportionment ratio linked to the premium volumes of 85% declining term and 15% level term, unless they can be directly attributable to a specific segment. Assets and liabilities are allocated per the actuaries valuation and investment policy. Previously the operating segments reflected short-term run-off and long-term business with an allocation of assets, liabilities and operating expenses of 70% to long-term and 30% to short-term. Short-term business has now run-off so is no longer reported as a seperate segment. This is a prospective change so the prior year's allocations were not restated. Management reviews the appropriateness of this apportionment ratio annually.

3.26 Critical accounting estimates and judgments in applying accounting policies

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:

3.26.1 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 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 ad actual loss experience.

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.

The Group suspended the accrual of interest on all LDFU loans. No further disbursements were made since the last disbursement in October 2007. All the loans have since been regarded as non-performing. Refer to note 21 for information regarding this discontinued operation.

During 2015 and 2016 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. Where the valuations obtained exceed the carrying values, the directors opted to maintain the current values due to uncertainties surrounding the potential conditions of disposal and legalities. (Refer to note 11.)

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 34.4.1 the quantification of possible claims, if any, is not possible and as such no provision had been raised.

3.26.2 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 validated and periodically reviewed by qualified personnel independent of the area that created them. 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.

3.26.3 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 31 March 2016. 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 seperate 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 assets and winter crop policies. In the current reporting period, for the new crop policies written through the underwriting management agreement, the unearned premium for "summer hail", "summer multi-peril" and "horticultutre" is calculated according to the claims occurring patterns based on an historic claims analysis of claims incurred. In the prior reporting period, crops written through the reinsurance agreement were released according to the remaining days method over the period of the reinsurance treaty. This is a prospective change with the change in the nature of the underlying transaction from a reinsurance agreement to an underwriting management agreement.

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.

3.26.4 Classification and measurement of the floating and fixed rate notes, as well as the syndicated loans

The Group has elected to classify the floating and fixed rate notes, as well as the syndicated loans as held at amortised cost with all movements in the carrying value being accounted for in the statement of profit or loss and other comprehensive income.

3.26.5 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.

3.26.6 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.

3.26.7 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.

3.26.8 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.

3.27 Events after statement of financial position date

All adjusting events, both favourable and unfavourable, that occurred between statement of financial position date and the date when the financial statements are issued have been reported and adjusted in the financial statements.

No adjustments have been made for those events that are indicative of conditions that came into existence after the statement of financial position date.

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.

3.28.1 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.

3.28.2 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.

3.29 Change in accounting estimate

During the previous reporting period, the Bank revised the estimated useful lives of intangible assets from twenty years to ten, five and three years respectively, based on the core nature of the asset. The change in accounting estimate has been accounted for prospectively from 1 April 2014 in accordance with IAS 8. (Refer to note 12).

3.30 Inventory

The Group holds inventory in the form of branded merchandise which is sold at cost to employees. The inventory is recognised at historical cost less any write offs, and is measured at the lower of cost or net realisable value. The inventory cost is made up of the cost from the suppliers as well as any transport costs to get the inventory to the head office.

3.31 Capital and Reserves

3.31.1 General reserve

The General reserve comprises of accumulated retained earnings.

3.31.2 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.

3.31.3 Insurance reserve

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

3.31.4 Mark-to-Market reserve

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

3.31.5 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.

3.32 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, the Bank has elected to carry all of it's 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 in Funding Liabilities.

4 Cash and cash equivalents

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Cash at bank				
- Commercial banks	**1 830 607**	1 059 128	**1 443 760**	822 908
- Short-term deposits	**676 856**	546 545	**676 817**	546 510
	2 507 463	1 605 673	**2 120 577**	1 369 418

Classification of cash and cash equivalents

Measured at amortised cost

Cash at banks are primarily held as a liquidity buffer to mitigate the Group's refinancing/liquidity risk. Refer to note 37.2.1 for the credit risk ratings on the bank accounts.

The amount of undrawn borrowing facilities as at 31 March 2016 amounted to R 500 million (FY2015: R nil).

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.

5 Trade and other receivables

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Trade Receivables	**130 415**	120 471	**5 194**	30 244
Accrued investment income	**5 194**	22 184	**5 194**	22 184
Premium receivable	**99 490**	63 604	**-**	-
Reinsurance receivable [4]	**25 731**	26 623	**-**	-
REM debtors	**-**	8 060	**-**	8 060
Other Receivables	**44 004**	53 613	**325 813**	321 012
Fruitless and wasteful expenditure receivable (note 37)	**6**	1	**6**	1
LBLIC - intercompany balances [1]	**-**	-	**285 096**	283 797
Loans to current employees [2]	**682**	755	**682**	755
Loans to former employees [2]	**147**	186	**147**	186
- Gross loans	**481**	622	**481**	622
- Impairments	**(334)**	(436)	**(334)**	(436)
Prepaid expenses	**10 640**	8 681	**10 640**	8 681
Sundry receivables [3,5]	**32 529**	43 990	**29 242**	27 592
	174 419	174 084	**331 007**	351 256

5.1 Classification of trade and other receivables

Loans and receivables at amortised cost.

Group receivables amounting to R10.6 million (FY2015: R8.7 million) are expected to be recovered after more than 12 months.

5.2 Aging of past due receivables not individually impaired

	Less than 1 year R'000	More than 1 year less than 2 years R'000	More than 2 years R'000	Total R'000
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	-	-	-	-
Other				
Gross loan amount	161 585	10 564	1 108	173 256
Portion of gross loan amount past due but not impaired	-	54	-	54
Bank				
Other				
Gross loan amount	33 077	295 660	1 107	329 844
Portion of gross loan amount past due but not impaired	-	54	-	54
2015				
Group				
Loans to current employees				
Gross loan amount	33	33	689	755
Portion of gross loan amount past due but not impaired	-	-	-	-
Loans to former employees				
Gross loan amount	20	20	582	622
Portion of gross loan amount past due but not impaired	12	-	-	12
Other				
Gross loan amount	165 338	6 366	1 003	172 707
Portion of gross loan amount past due but not impaired [4, 5]	43 021	2 311	-	45 332
Bank				
Other				
Gross loan amount	58 713	290 163	1 002	349 878
Portion of gross loan amount past due but not impaired	-	2 311	-	2 311

[1] Refer to note 35.2.2 for detail on the intercompany loan.

[2] Loans to employees consists of home loans which are receivable between 7 years to 25 years with an average remaining period of 20 years. The interest rate on the employee home loans is fixed at 3% per annum and the fair value of the loans is R1.1 million (FY2015: R1.1 million). The practice to grant home loans to employees was discontinued during 1998.

[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] R22.5 million of the R26.7 million due from the reinsurers as at 31 March 2015 was received in April 2015. The remaining balance was received within 12 months.

[5] In FY2015, Sundry receivables from LBLIC was made up of R16 million due from SARS. This full balance was settled in April 2015.

	Group	
	2016	2015
	R'000	R'000
6 Short-term insurance assets and liabilities		
Short-term insurance liabilities	**298 900**	82 232
Outstanding claims	**170 635**	41 623
Incurred but not reported claims	**22 463**	6 207
Provision for unearned premiums	**78 789**	34 402
Unearned commission income	**27 013**	-
Less: Short-term insurance assets	**(206 834)**	(12 145)
Reinsurers' share of technical provisions	**(169 862)**	(5 211)
Outstanding claims	**(97 671)**	-
Incurred but not reported claims	**(13 678)**	-
Provision for unearned premiums	**(58 513)**	(5 211)
Deferred Acquisition costs	**(36 972)**	(6 934)
Net short-term insurance provisions	**92 066**	70 087

In the current reporting period, management has decided to calculate the summer crop Unearned Premium Reserve on the claims occurring basis for the published accounts, but have used the FSB approved straight line basis over the term of the policy for statutory purposes. In the prior reporting period the summer crop reserves were calculated on the straight line basis over the period of the reinsurance inward treaty. This is treated as a prospective change considering that new crop policies are issued each season, and with the change from a reinsurance inward arrangement to and underwriting managemnt agreement. Below are the reserves calculated according to the statutory basis.

	Statutory Basis Group 2016 R'000	Statutory Basis Group 2015 R'000
Short-term insurance liabilities	**407 782**	82 232
Provision for unearned premiums	**194 595**	41 623
Unearned commission income	**27 013**	6 207
Outstanding claims	**170 635**	34 402
Incurred but not reported claims	**15 539**	-
Short-term insurance assets	**(288 422)**	(12 145)
Reinsurance on provision for unearned premiums	**(144 955)**	-
Deferred acquisition costs	**(36 972)**	(6 934)
Reinsurance on outstanding claims	**(97 671)**	(5 211)
Reinsurance on Incurred but not reported claims	**(8 824)**	-
Net short-term insurance technical provisions : statutory basis	**119 360**	70 087

Unearned Premium Reserve movement

	Gross R'000	Reinsurance R'000	Net R'000
Balance as at 31 March 2014	-	-	-
Provision earned	-	-	-
Provision increased	34 402	-	34 402
Balance as at 31 March 2015	34 402	-	34 402
Provision earned	(34 402)	-	(34 402)
Provision increased	78 789	(58 513)	20 276
Balance as at 31 March 2016	**78 789**	**(58 513)**	**20 276**

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.

Claims development tables relating to LBLIC

Gross claims incurred

Accident year	2010 R'000	2011 R'000	2012 onwards[1] R'000	Total R'000
At end of accident year	107 778	219 070	132 134	
One year later	125 842	221 860	115 430	
Two years later	126 563	218 608	112 959	
Three years later	123 296	218 631	112 621	
Four years later	123 221	217 785		
Five years later	122 624			
Six years later	122 664			
Current estimate of gross cumulative claims incurred	**122 664**	**217 785**	**112 621**	**453 070**

Net claims incurred

Accident year	2010 R'000	2011 R'000	2012 onwards[1] R'000	Total R'000
At end of accident year	31 866	65 425	39 135	
One year later	37 476	62 517	34 272	
Two years later	37 948	61 273	36 219	
Three years later	36 958	61 355	35 968	
Four years later	37 027	60 761		
Five years later	36 581			
Six years later	36 593			
Current estimate of net cumulative claims incurred	**36 593**	**60 761**	**35 968**	**133 322**

Gross claims paid

Accident year	2010 R'000	2011 R'000	2012 onwards[1] R'000	Total R'000
At end of accident year	(86 490)	(137 059)	(73 467)	
One year later	(39 352)	(80 072)	(36 063)	
Two years later	(11)	(156)	(74)	
Three years later	(4)	(6)		
Four years later	(53)	-		
Five years later				
Six years later	(40)			
Current estimate of gross cumulative claims paid	**(125 950)**	**(217 293)**	**(109 604)**	**(452 847)**

Net claims paid

Accident year	2010 R'000	2011 R'000	2012 onwards[1] R'000	Total R'000
At end of accident year	(25 935)	(40 274)	(21 914)	
One year later	(11 806)	(24 740)	(10 819)	
Two years later	(4)	2 370	(22)	
Three years later	(1)	1 655	-	
Four years later	(16)	-		
Five years later	26			
Six years later	(12)			
Current estimate of net cumulative claims paid	**(37 748)**	**(60 989)**	**(32 755)**	**(131 492)**

[1] No new claims have been incurred since 2012.

Claims development tables relating to LBIC

Gross claims incurred

Accident year	2016 R'000	2015 R'000
At end of accident year	250 079	107 164
One year later		12 638
Current estimate of gross cumulative claims incurred	**250 079**	119 802

Net claims incurred

Accident year	2016 R'000	2015 R'000
At end of accident year	75 583	107 164
One year later		12 638
Current estimate of net cumulative claims incurred	**75 583**	119 802

Gross claims paid

Accident year	2016 R'000	2015 R'000
At end of accident year	(90 399)	(59 328)
One year later		(27 034)
Cumulative gross claims paid	**(90 399)**	(86 362)

Net claims paid

	2016	2015
Accident year	**R'000**	**R'000**
At end of accident year	(27 254)	(59 328)
One year later		(27 034)
Cumulative net claims paid	**(27 254)**	(86 362)

Outstanding claims movement

	Gross R'000	Reinsurance R'000	Net R'000
Balance as at 31 March 2014	-	-	-
Claims paid against provision	-	-	-
New provision raised	41 623	-	41 623
Balance as at 31 March 2015	41 623	-	41 623
Provision utilsed	(27 034)	-	(27 034)
New provision raised	156 046	(97 671)	58 375
Balance as at 31 March 2016	**170 635**	**(97 671)**	**72 964**

Incurred but not reported movement

	Gross R'000	Reinsurance R'000	Net R'000
Balance as at 31 March 2014	-	-	-
Claims paid against provision	-	-	-
New provision raised	6 207	-	6 207
Balance as at 31 March 2015	6 207	-	6 207
Provision utilsed	(3 242)	-	(3 242)
New provision raised	19 530	(13 678)	5 852
Balance as at 31 March 2016	**22 495**	**(13 678)**	**8 817**

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
7 Repurchase agreements				
Financial instruments purchased				
Republic of South Africa bonds				
- R 186	**5 471**	6 023	**5 471**	6 023
- R 208	**9 235**	9 697	**9 235**	9 697
	14 706	15 720	**14 706**	15 720

The Group enters into sale and repurchase agreements for periods of between one day and one month to cover any short positions that the Group may experience from time to time. Interest on these is disclosed in note 23.

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

8 Non-current assets held-for-sale

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Land and buildings	**-**	5 700	**-**	5 700
Properties in possession	**47 622**	47 392	**47 622**	47 392
	47 622	53 092	**47 622**	53 092

Analysis of non-current assets held-for-sale

8.1 Land and buildings

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Opening balance	**5 700**	5 700	**5 700**	5 700
Less: Disposals	**(5 700)**	-	**(5 700)**	-
Closing balance	**-**	5 700	**-**	5 700

In September 2009, the Minister of Finance approved the sale of various Land Bank properties, which were then classified as non-current assets held-for-sale on 7 March 2010.

The period to sell the Pietermaritzburg building (Erf 2413) was extended beyond 1 year as management was committed to the sale and the building was being marketed at a reasonable price (market value). During FY2015 the property was auctioned, yet the highest bidder subsequently withdrew his bid and the Bank had to then contact the second highest bidder in an effort to get this property sold. This property was sold during February 2016 for R7.3 million.

8.2 Properties in possession

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Opening balance	**47 392**	46 867	**47 392**	46 867
Plus: Additions	**610**	3 300	**610**	3 300
Less: Disposals	**(380)**	(1 793)	**(380)**	(1 793)
Fair value adjustment [1]	**-**	(982)	**-**	(982)
Closing balance	**47 622**	47 392	**47 622**	47 392

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 1938 located in Pietermaritzburg
- BP 2009 located in Potchefstroom
- BP 2039 located in Tzaneen
- BP 2102 located in East London
- BP 2107 located in North West
- BP 2110 located in Pietermaritzburg
- BP 2111 located in Gauteng
- BP 2112 located in Pretoria
- BP 2113 located in Pretoria

The following disposals took place and profits/(losses) recognised are:

	Carrying Amount R'000	Selling Price R'000	VAT R'000	Profit/(Loss) after tax R'000
2016				
Property in Possession: BP 2109 located in Hartbeespoort	**380**	**716**	**88**	**248**
Land and Buildings: Erf 2413 Pietermaritzburg	**5 700**	**7 300**	**896**	**704**
	6 080	**8 016**	**984**	**951**
2015				
BP 2107 located in North West	1 233	1 491	183	75
BP 2050 located in Polokwane	560	530	65	(95)
	1 793	2 021	248	(20)

[1] Refer to note 37.7 for the methods used to determine fair values for these assets.

9 Investments

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Investments held by subsidiaries	**1 333 898**	1 240 393	**-**	-
Assets earmarked for medical aid liabilities	**356 957**	356 746	**356 957**	356 746
Unlisted investments	**849**	11 848	**849**	11 848
Investment in subsidiary (LBLIC)	**-**	-	**30**	30
Investment in subsidiary (LBIC)	**-**	-	**200 000**	200 000
Investment in subsidiary (LBIS)	**-**	-	**-**	-
	1 691 704	1 608 987	**557 836**	568 624

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

Refer to the Group structure diagram on page 99.

Analysis of investments

9.1 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	
	2016	2015
	R'000	R'000
Equities	**474 424**	449 547
Commodities	**33 064**	26 170
Collective investment schemes	**354 568**	313 226
Bonds	**259 811**	259 204
Cash deposits and similar securities	**178 045**	147 942
Investment policy	**33 986**	44 304
	1 333 898	1 240 393

Designated at fair value through profit or loss

9.1.1 Equities

Equities comprise:

Ordinary shares listed on the JSE **	**450 769**	425 535
Preference shares listed on the JSE **	**23 655**	24 012
	474 424	449 547

Equities are classified as designated as at fair value through profit or loss.

9.1.2 Commodities

ETF's **	**33 064**	26 170

Commodities are classified as designated as at fair value through profit or loss.

9.1.3 Collective investment schemes ("CIS")

Equity - foreign unit trusts and hedge fund	**164 638**	144 016
Balanced fund - Foreign	**41 292**	21 433
Listed property collective investment schemes	**44 742**	52 345
Money market - Local	**103 896**	95 432
	354 568	313 226

CIS are classified as designated as at fair value through profit or loss.

** Investments at market prices per the JSE.

9.1.4 Investments in interest bearing assets

	Group 2016 R'000	Group 2015 R'000
Bonds #	**259 811**	259 204
Local/ Government	**117 669**	108 109
Parastatal and municipal	**12 396**	12 788
Corporate	**12 9 745**	138 307
Cash, deposits and similar securities	**178 045**	147 942
Deposits with banks - local	**113 996**	77 053
Deposits with banks - foreign	**10 775**	9 282
Money market instruments	**53 274**	61 607
	437 856	407 146
Classification of investments in interest bearing assets		
Designated as loans and receivables	**124 771**	86 335
Designated as at fair value through profit or loss	**313 085**	320 811

The comparative disclosures have been realigned to confirm to the FY2016 presentation.

9.1.5 Investment policy

	Group 2016 R'000	Group 2015 R'000
Investment policy		
Equity	**27 801**	33 929
Bonds	**-**	1 770
Cash	**2 049**	5 349
Property	**4 136**	3 256
	33 986	44 304

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 set up to monitor the performance and activities of the portfolio managers.

Register of investments

A register containing details of all investments is available for inspection at the registered office of LBLIC.

** Investments at market prices per the JSE.

9.2 Assets earmarked for medical aid liabilities

These are investments held with Coronation Asset Managers

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Listed investments	**328 122**	333 577	**328 122**	333 577
Local equity	**230 734**	212 177	**230 734**	212 177
Local bonds	**33 594**	62 185	**33 594**	62 185
Foreign equity	**63 794**	59 215	**63 794**	59 215
Commodities	**3 563**	13 051	**3 563**	13 051
Local ETF	**3 563**	13 051	**3 563**	13 051
Cash	**25 272**	10 118	**25 272**	10 118
Local	**25 272**	10 118	**25 272**	10 118
	356 957	356 746	**356 957**	356 746

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 held-for-trading 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 37 for more information on the related risks and mitigation strategies.

	Bank	
	2016	2015
Assets earmarked for medical aid liabilities are invested as follows:	%	%
Local equities		
Financial (excl. real estate)	14%	13%
Listed real estate	24%	24%
Basic materials	17%	24%
Industrials	2%	4%
Consumer goods	19%	17%
Healthcare	1%	0%
Consumer services	17%	16%
Telecommunications	4%	4%
Other securities	1%	0%

The post-retirement obligation is disclosed in note 20.

	Bank	
	2016	2015
	R'000	R'000
9.3 Investment in Associate		
49.9% Ordinary shares in Renaissance Brands (Pty) Ltd	-	-
	-	-

Renaissance Brands (Pty) Ltd

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

The investment does not constitute control however a significant influence is deemed to be held. As a result, Renaissance Brands (Pty) Ltd is accounted for as an associate.

During the 2014 financial year, the investment was impaired to Rnil. It remains at nil as at 31 March 2016.

Renaissance Brands (Pty) Ltd was valued as at 31 March 2016. The valuation was based on the Discounted Cash Flow (DCF), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple and the Price Earnings (PE) multiple. The output of the valuation indicated a negative equity value and therefore their was no reversal of the prior year impairment.

The Land Bank furthermore has credit risk exposure to Renaissance Brands (Pty) Ltd to the extent of R172.3 million (FY2015: R178.9 million). Included in this exposure is an amount of R16.4 million (FY2015: R16.4 million) relating to a non-interest bearing subordinated loan from the Land Bank. Total impairment of R26.6 million (FY2015: R18.13 million) is held against the credit exposure of the Group. Refer to note 32.

Refer to note 35.2.2 (ii) for the balances outstanding and impairments provided for with respect to the amounts owed by Renaissance Brands (Pty) Ltd.

9.4 Unlisted investments

	Bank	
	2016	**2015**
	R'000	**R'000**
Fair value		
10% Ordinary shares in Free State Maize (Pty) Ltd	-	11 416
19% Ordinary shares in Capespan Capital (Pty) Ltd	**849**	432
	849	11 848

Land Bank elected to apply its irrevocable right to designate these equity instruments at fair value through Other Comprehensive Income. The reason for the election is set out below:

Free State Maize (Pty) Ltd

The Land Bank acquired a 10% equity share in one of its corporate clients, Free State Maize (Pty) Ltd, for a nominal amount of R5 million. The investment relates to a debt restructuring agreement entered into between the Bank and Free State Maize (Pty) Ltd. The effective date of the restructuring agreement was 22 August 2011.

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.

The Free State Maize (Pty) Ltd investment was fully impaired as at 31 March 2016 as the entity is under Business Rescue. Land Bank's 10% share therefore amounts to R nil (FY2015: R11.4 million). A fair value loss adjustment of R11.4 million loss (FY2015: R3.7 million gain) was therefore recorded in other comprehensive income (R5 million) as there was insufficient Mark-to-Market Reserve available (R6.4 million).

The Land Bank furthermore has credit risk exposure to Free State Maize (Pty) Ltd Group to the extent of R464 million (FY2015: R397.8 million). Total impairment of R320 million (FY2015: R3.7 million) is held against the credit exposure of the Group.

The Bank was granted a Liquidation Order on 19 April 2016. Please refer to note 40 Events after statement of financial position date.

Capespan Capital (Pty) Ltd

The Land Bank acquired a 19% equity 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 2016. The valuation was based on the Net Asset Value (NAV) of the company. The NAV of the business amounts to R4.47 million (FY2015: R2.27 million), which results in an investment value of R0.85 million (FY2015: R0.4 million) for the Bank.

The Land Bank has credit risk exposure to Capespan Capital (Pty) Ltd to the extent of R68.3 million (FY2015: R55.5 million). Total impairment of R194 000 (FY2015: R59 000) is held against the credit exposure of the Group.

9.5 Investment in LBLIC (100%)

	Bank	
	2016	2015
	R'000	R'000
LBLIC shares (15,000 ordinary shares at par value of R2 each)	**30**	30
Actuarial valuation (LBLIC)	**1 069 676**	994 646

Up until 31 March 2014, the Land Bank indirectly held these shares through its 100% holding of the Land Bank Insurance Services (SOC) Limited (LBIS) which was the sole beneficial shareholder of LBLIC.

Effective 1 April 2014, the Land Bank acquired all the LBLIC shares from LBIS at R nil. LBLIC is therefore a direct subsidiary of the Land Bank.

The company provides life insurance cover to clients of the Land Bank under mortgage loans as well as short-term crop insurance. The company's actuarial value of the surplus as at 31 March 2016 amounted to R1.07 billion (FY2015: R994.6 million). In terms of the shareholder's agreement, the Land Bank guarantees the solvency of LBLIC. The 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.

9.6 Investment in LBIC (100%)

	Bank	
	2016	2015
	R'000	R'000
LBIC shares (1,100 ordinary shares at no par value)	**200 000**	-
Shareholder contributions	**-**	200 000
	200 000	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.

Effective 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 the prior reporting period. 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 prior reporting period, the Land Bank contributed R200 million capital as part of the shareholders' support towards the operations of LBIC. The contribution was converted into 100 no par value shares in LBIC in November 2015, therefore increasing the issued shares of LBIC from 1,000 to 1,100.

9.7 Investment in LBIS (100%) - dormant

	Bank 2016 R'000	Bank 2015 R'000
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.

10. Loans and Advances

Group and Bank	Gross loans R'000	Suspended interest and fees * R'000	Impairments R'000	Net loans R'000
10.1 Gross Loans per business segment				
2016				
Corporate Banking	32 752 884	(30 694)	(2 068 988)	30 653 202
Commercial Development Banking	6 266 437	(27 395)	(528 736)	5 710 306
Loan Commitments and Guarantees	-	-	(10 090)	(10 090)
	39 019 321	**(58 089)**	**(2 607 814)**	**36 353 418**
2015 [1]				
Corporate Banking	31 607 333	-	(712 671)	30 894 662
Commercial Development Banking	6 189 355	-	(372 444)	5 816 911
Impact as a result of adoption of new accounting standard - IRFS 9	-		(1 679 123)	(1 679 123)
	37 796 688	**-**	**(2 764 238)**	**35 032 449**

* The Group continues to accrue interest and fees, where appropriate, on doubtful debts when there is a realistic prospect of recovery. The interest and fees are charged to customer accounts but it is not recognised to income; and is placed in a suspense account - only to be recognised to income, if there ceases to be significant doubt about its recovery. Loans are transferred to a "non-accrual" status where the operation of the customer's account has ceased. This lending is managed by a specialist recovery departments and is written down to its estimated realisable value. Interest and fees are not added to the lending or placed in a suspense account as the recovery thereof is considered unlikely, is only recognised to income when received.

Loan type	Nature of interest rate	Average term of repayment	Average interest rate 2016	Average interest rate 2015
Short term loans	Variable	1 year	10.14%	9.27%
Medium term loans	Variable	1 to 5 years	11.42%	10.43%
Long term loans	Variable/ Fixed	> 5 years	11.00%	9.79%

[1] FY2015 values reflect the adoption of IFRS 9 as the changes are required retrospectively. Only the Loans and Advances, and Distributable reserves values were effected.

Group and Bank	2016 R'000	2015 R'000
10.2 Loans by maturity profile		
< 3 months	6 209 050	4 994 900
3 - 6 months	4 606 878	5 064 011
7 - 9 months	1 506 583	3 882 104
10 - 12 months	545 831	722 570
1 - 5 years	9 082 557	7 037 678
> 5 years	16 873 417	15 725 285
Total	**38 824 315**	**37 426 548**

Group and Bank	Performing loans R'000	Under performing loans R'000	Non performing loans R'000	Total R'000
10.3 Loans by credit quality				
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	-	-	(58 089)	(58 089)
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				222 352
Gross loan commitments and guarantees				**957 790**
Provision for doubtful debts				(10 090)
Net loan commitments and guarantees				**947 700**

	Performing loans	Under performing loans R'000	Non performing loans R'000	Total R'000
2015 [1]				
Corporate Banking	25 554 838	3 190 421	2 862 074	31 607 333
- As reported	30 791 905	-	815 428	31 607 333
- Impact as a result of adoption of new accounting standards - IFRS 9	(5 237 067)	3 190 421	2 046 646	-
Commercial Development Banking	5 147 105	224 418	817 832	6 189 355
- As reported	5 599 966	-	589 389	6 189 355
- Impact as a result of adoption of new accounting standards - IFRS 9	(452 861)	224 418	228 443	-
	30 701 943	**3 414 839**	**3 679 906**	**37 796 688**
Suspended interest and fees	-	-	(132 194)	(132 194)
Provision for doubtful debts				
- As reported				(952 921)
- Impact as a result of adoption of new accounting standards - IFRS 9[2]				(1 668 242)
Net loans	**30 701 943**	**3 414 839**	**3 547 712**	**35 043 331**
Guarantees				514 872
Loan commitments				322 170
Gross loan commitments and guarantees				**837 042**
Provision for doubtful debts				
- As reported				-
- Impact as a result of adoption of new accounting standards - IFRS 9				(10 880)
Net loan commitments and guarantees				**826 162**

[1] FY2015 values reflect the adoption of IFRS 9 as the changes are required retrospectively. Only the Loans and Advances, and Distributable reserves values were effected.
[2] The increase in impairment provision is as a result of the adoption of IFRS 9, and not a deterioration of the portfolio quality.

Group and Bank	2016 R'000	2015 R'000
10.4 Loans and advances past due not impaired		
0 to 30 days past due	348 123	164 798
31 to 90 days past due	540 907	256 060
90+ days past due	2 310 418	1 093 728
Total loans and advances past due but not impaired	**3 199 449**	**1 514 586**

Gross past due loans not impaired are covered in fulled by underlying collateral. Refer to note 10.7 for details on the collateral.

10.5 Provision for impairment: reconciliation of movement per business unit

Group and Bank	Corporate Banking R'000	Commercial Development Banking R'000	Loan Commitments and Guarantees R'000	Total R'000
2016				
Balance at the begining of the year - restated	2 166 277	454 886	10 880	2 632 044
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**	**528 735**	**10 089**	**2 607 811**
2015				
Balance at the beginning of the year	340 803	220 141		560 944
Movement for the year:				
Reclassification of interest in suspense to impairment	15 410	61 324		76 734
Credit losses written off:	(720)	(48 909)		(49 629)
- Statement of financial position (utilisation) / write off	-	(28 914)		(28 914)
- Statement of comprehensive income write off	(720)	(19 995)		(20 715)
Net impairment raised/ (released) to the statement of comprehensive income	341 982	22 890		364 872
Balance at the end of the year - as reported	**697 475**	**255 446**		**952 921**
Impact as a result of adoption - IFRS 9	*1 468 802*	*199 440*	*10 880*	*1 679 123*
Balance at the end of the year - restated	**2 166 277**	**454 886**	**10 880**	**2 632 044**

10.6 Impairment releases/ (charges), claims and recoveries

	Corporate Banking R'000	Commercial Development Banking R'000	Loan Commitment and Guarantees R'000	Total R'000
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**
2015				
Net impairments raised/ (released) to the statement of comprehensive income	341 982	22 890		364 872
Recoveries in respect of amounts previously written off	(539)	(10 986)		(11 525)
Claims Provision	-	(186 678)		(186 678)
	341 443	**(174 774)**		**166 669**

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 IFRS5. The carrying amount of collateral taken in possession during the year is R 0.6 million (FY2015: R3.3 million).

The Group has the following assets held as security against its loan portfolio:

Nature of assets	Estimated value %	2016 R'000	2015 R'000
Biological assets	10% - 100%	2 595 823	1 702 854
Commodities	50% - 90%	887 085	923 003
Debtors	30% - 70%	4 669 546	5 111 802
Deposits	90% - 100%	143 304	167 718
Guarantee	95% - 100%	2 938 115	991 800
Land and buildings[1]	10% - 75%	7 960 890	10 034 288
Office equipment and computers	10%	15 106	16 037
Plant and equipment	30% - 50%	1 353 803	1 510 867
Shares and investments	30% - 100%	652 578	2 329 024
Specialised infrastructure	50%	163 005	119 991
Stock	10%-70%	2 571 279	2 887 894
Subleases	75%	118 916	-
Trademarks	50%	1 026 412	682 912
Vehicles	30% - 50%	276 208	334 527
Suretyship	10%	-	-
Cessions held over unpaid shares	30%	5 894	5 939
Other	10%	2 661	6 992
Total		**25 380 625**	**26 825 649**

[1]The land and buildings are disclosed net of the collateral agreement limits.

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. Not withstanding 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 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 (FY2015: 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 (FY2015: R3.53 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.

Group and Bank	Gross loans	Suspended interest and fees	Loans net of suspended interest and fees	Total impairment	Net loans
	R'000	R'000	R'000	R'000	R'000
11.1 Analysis of loans per category					
2016					
Land for development	**630 605**	-	**630 605**	(480 985)	**149 620**
2015					
Land for development	**630 614**	(128 165)	**502 449**	(360 547)	**141 902**

	Non performing loans	Total
	R'000	R'000
11.2 Loans by credit quality		
2016		
Land for development	630 605	630 605
Gross loans and advances	**630 605**	**630 605**
Suspended interest and fees	-	-
Provision for doubtful debts	(480 985)	(480 985)
Net loans and advances	**149 620**	**149 620**

	Non performing loans	Total
	R'000	R'000
2015		
Land for development	630 614	630 614
Gross loans and advances	**630 614**	**630 614**
Suspended interest and fees	(128 165)	(128 165)
Provision for doubtful debts	(360 547)	(360 547)
Net loans and advances	**141 902**	**141 902**

Group and Bank	2016	2015
	R'000	R'000
11.3 Loans and advances past due not impaired		
0 to 30 days past due	-	-
31 to 90 days past due	-	-
90+ days past due	**142 077**	138 969
Total loans and advances past due but not impaired	**142 077**	138 969

Group and Bank	2016 R'000	2015 R'000
11.4 Provision for impairment: reconciliation of movement per business unit		
Balance at the beginning of the year	**360 547**	360 238
Impact as a result of IFRS 9	**128 165**	
Restated in terms of new accounting standards	***488 712***	*360 238*
Movement for the year:		
Net mpairment (released)/ raised to the statement of comprehensive income	**(7 727)**	309
Balance at the end of the year	**480 985**	360 547
11.5 Impairment (charges)/ releases, claims and recoveries		
Net impairments (released)/ raised to the statement of comprehensive income	**(7 727)**	309
	(7 727)	309
11.6 Collateral held as security		
Land and buildings	**199 350**	199 016

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 R317 million (forced sale value amounts to R199 million). On 10 December 2015 the Bank accepted an offer of R11 million with regards to the sale of one of the properties in the portfolio. The Bank received a 10% deposit and awaits final transfer of ownership.

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
12 Intangible assets				
Computer software				
Net carrying value	34 131	37 162	34 131	37 162
Cost at the beginning of the year	87 258	84 011	87 258	84 011
Accumulated amortisation	(56 422)	(50 097)	(56 422)	(50 097)
Additions/new developments - current year	3 294	3 247	3 294	3 247
Reconciliation of movement during the year				
Carrying value at the beginning of the year	37 162	39 900	37 162	39 900
Additions/new developments	3 294	3 247	3 294	3 247
Amortisation	(6 325)	(5 986)	(6 325)	(5 986)
Net carrying value at the end of the year	34 131	37 162	34 131	37 162

During FY2015 change of estimate took place with respect to the useful life of the computer software. Previously the software was amortised over a period of 20 years. However after the annual review of the estimated useful life of the software, it was decided that a useful life of 3, 5 and 10 years was more appropriate based on the tier of the intangible asset. As per IAS 8 the change has been applied prospectively from 1 April 2014. The software is now be amortised using the straight-line method over periods of 3, 5 and 10 years. Included in the cost of intangible assets are computer software that has been fully amortised however still in use with a historical cost of R18.3 million (FY2015: R16.9 million). The Group will reassess the useful lives of all the intangible assets at the beginning of the FY2017 financial year together with the review of the accounting policy in order to reflect the most correct estimated useful lives of all intangible assets.

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
13 Investment properties				
Balance at the beginning of the year	99 800	84 400	99 800	84 400
Reclassification from property and equipment [1]	5 687	-	5 687	-
Fair value adjustments [2]	1 253	15 400	1 253	15 400
Net carrying amount at the end of the year	106 740	99 800	106 740	99 800
Investment property comprises the following:				
Office buildings	106 740	99 800	106 740	99 800
Rental income derived from investment properties	15 050	14 330	15 050	14 330
Direct operating expenses generating rental income	(41)	(85)	(41)	(85)
Net profit arising from investment properties carried at fair value	15 009	14 245	15 009	14 245

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.

Owner occupied property is classified as investment property where the tenant occupies more than 50% of the lettable space of the property. This threshold was set due to the Bank's intention to let out any excess office space which exists at the Bank's properties.

The investment properties are measured at fair value subsequent to initial recognition. The entire fair value of the Group's investment properties at 31 March 2016 and 31 March 2015 has been determined based on valuations performed by independent valuators who hold a recognised and relevant professional qualification.

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.

Refer to note 37.7.1 for the fair value hierarchy.

[1] The R5.7 million in FY2016 relates to the following building that was reclassified from property and equipment to Investment Property:
- Bethlehem Land and Building on 22 January 2016 (refer to note 14) with a cost of R5.8 million and Accumulated depreciation of R112 thousand.

[2] Refer to note 37.7 for the methods used to determine fair values for these assets.

14 Property and equipment

Property and equipment was transferred from Land Bank to LBLIC during the 2015 and 2016 financial years at net carrying value.

2016	Land [1]	Buildings [1]	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
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)	(2 801)	(400)	-	(8 850)
Reclassification to investment property	(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**	**23 744**	**522**	**12 892**	**141 228**
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		(113)					(113)
Disposals	-	-	(5 639)	(2 519)	(314)	-	(8 472)
Accumulated depreciation and impairment losses at 31 March 2016	-	-	**24 954**	**19 830**	**400**	**12 089**	**57 273**
Net carrying value as at 31 March 2016	**16 145**	**59 503**	**3 468**	**3 914**	**122**	**803**	**83 955**

2015	Land [1]	Buildings [1]	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Open market value/cost at 1 April 2014	16 362	61 035	35 774	26 491	903	11 984	152 549
Additions	-	-	1 833	486	19	412	2 750
Disposals	-	-	(5 625)	(922)	-	-	(6 547)
Devaluation[1]			-	-	-	-	-
Revaluation[1]	1 139	(1 738)	-	-	-	-	(599)
Open market value/cost at 31 March 2015	**17 501**	**59 297**	**31 982**	**26 055**	**922**	**12 396**	**148 153**
Accumulated depreciation and impairment losses at 1 April 2014	-	-	27 356	20 472	644	10 209	58 681
Depreciation	-	1 795	5 085	1 661	41	1 678	10 260
Depreciation write-back as a result of the revaluation	-	(1 795)	-	-	-	-	(1 795)
Disposals	-	-	(5 529)	(794)	-	-	(6 323)
Accumulated depreciation and impairment losses at 31 March 2015	**-**	**-**	**26 912**	**21 339**	**685**	**11 887**	**60 823**
Net carrying value as at 31 March 2015	**17 501**	**59 297**	**5 070**	**4 716**	**237**	**509**	**87 330**

[1] Refer to note 37.7 for the methods used to determine fair values for these assets.

for the year that ended 31 March 2016

2016	Land [1]	Buildings [1]	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Leasehold improvements	Total
Bank	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
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)	(2 800)	(400)	-	(8 799)
Reclassification to investment property	(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**	**23 374**	**522**	**12 892**	**140 630**
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		(113)					(113)
Disposals	-	-	(5 577)	(2 501)	(314)	-	(8 392)
Accumulated depreciation and impairment losses at 31 March 2016	**-**	**-**	**24 788**	**19 509**	**400**	**12 089**	**56 786**
Net carrying value at 31 March 2016	**16 145**	**59 503**	**3 406**	**3 865**	**122**	**803**	**83 844**

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for the year that ended 31 March 2016

2015	**Land [1]**	**Buildings [1]**	**Computer equipment**	**Furniture, fittings and office equipment**	**Motor vehicles**	**Leasehold improvements**	**Total**
Bank	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Open market value/cost at 1 April 2014	16 362 -	61 035 -	35 604 -	26 152 -	903	11 984	152 040
Additions	-	-	1 759	484	19	412	2 674
Disposals	-	-	(5 551)	(922)	-	-	(6 473)
Revaluation[1]	1 139	(1 738)	-	-	-	-	(599)
Transfer to subsidiary	-	-	(74)	(3)	-	-	(77)
Open market value/cost at 31 March 2015	**17 501**	**59 297**	**31 738**	**25 711**	**922**	**12 396**	**147 565**
Accumulated depreciation and impairment losses at 1 April 2014	-	-	27 222	20 212 -	644	10 209	58 287
Depreciation	-	1 795	5 024	1 641	41	1 678	10 179
Depreciation write-back as a result of the revaluation	-	(1 795)	-	-	-	-	(1 795)
Disposals	-	-	(5 525)	(792)	-	-	(6 317)
Accumulated depreciation and impairment losses at 31 March 2015	**-**	**-**	**26 721**	**21 061**	**685**	**11 887**	**60 354**
Net carrying value at 31 March 2015	**17 501**	**59 297**	**5 017**	**4 650**	**237**	**509**	**87 211**

[1] Refer to note 37.7 for the methods used to determine fair values for these assets.

The land and buildings were valued by independent property valuators as at 31 March 2016. 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 2015 was written back to the carrying amount of buildings when revalued in terms of the net replacement value method.

Properties reclassified as investment properties

2016

Bethlehem Land and Building (Reclassified on 22 January 2016 - refer to note 13)	Land	Buildings	Total
	R'000	R'000	R'000
Cost	832	4 968	**5 800**
Accumulated Depreciation	-	(113)	**(113)**
	832	4 855	**5 687**

15 Capital and reserves

	Group		Bank	
	2016	2015 Restated [1]	2016	2015 Restated [1]
	R'000	R'000	R'000	R'000
Distributable reserves from continuing operations				
Capital fund	**4 397 655**	4 397 655	**4 397 655**	4 397 655
General reserve	**894 533**	787 413	**1 244 562**	1 137 442
Insurance reserve	**1 389 625**	1 301 660	**-**	-
Total distributable reserves	**6 681 813**	6 486 728	**5 642 217**	5 535 097
Less: Distributable reserves relating to the discontinued operation (note 21)	**(718 472)**	(682 865)	**(718 472)**	(682 865)
Distributable reserves from continuing operations	**5 963 341**	5 803 863	**4 923 745**	4 852 232
Other reserves	**135 072**	134 775	**135 072**	134 775
Mark-to-Market reserve	**848**	6 847	**848**	6 847
Revaluation of property	**134 224**	127 928	**134 224**	127 928
	6 098 413	5 938 638	**5 058 817**	4 987 007

[1] FY2015 values reflect the adoption of IFRS 9 as the changes are required retrospectively. Only the Loans and Advances, and Distributable reserves values were effected.

15.1 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 equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury. (Refer to note 35.2.1(iii)).

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 investments in Free State Maize (Pty) Ltd, Capespan Capital (Pty) Ltd and Renaissance Brands (Pty) Ltd. (Refer to note 9.3 and note 9.4).

Revaluation reserve

The Revaluation reserve represents the net surplus arising on the revaluation of properties.

16 Trade and other payables

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Accrued expenses	**69 587**	130 284	**62 460**	121 043
Amounts due to intermediaries	**17 822**	50	**-**	-
Amounts due to reinsurers	**170 335**	22 813	**-**	-
Client deposits for approved loans	**-**	715	**-**	715
Trade payables	**39 766**	41 634	**39 766**	31 739
Deferred income	**943**	1 056	**943**	1 056
Loan costs and fees received in advance	**40 233**	35 986	**40 233**	35 986
Premiums received in advance	**84**	73	**-**	-
Other	**44 778**	415 109	**44 778**	415 109
	383 547	647 720	**188 180**	605 648

As noted in the maturity analysis in note 37.3, Group payables amounting to R44.6 million (FY2015: R39.2 million) are expected to be settled after more than 12 months.

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.

	Group 2016 R'000	Group 2015 R'000
17 Long-term policyholders' liabilities		
Policyholders' liabilities under insurance contracts	**34 429**	31 747
Notified claims	**528**	-
Claims (incurred but not reported)	**830**	1 350
	35 787	33 097

17.1 Long-term policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims

	Group 2016 R'000	Group 2015 R'000
Present value of policy liabilities	**33 243**	30 726
Plus: Present value of future expenses	**22 335**	21 647
Less: Present value of future premiums	**(27 615)**	(28 921)
Liability excluding AIDS reserve	**27 963**	23 452
Plus: AIDS reserve	**1 211**	1 147
Plus: Expense overrun reserve	**5 255**	7 148
Total long-term policyholders' liability excluding IBNR and notified claims	**34 429**	31 747

17.2 Movement in the long-term policyholders' liability

	Group 2016 R'000	Group 2015 R'000
Balance at the beginning of the year	**31 747**	36 523
Movement in the long-term policyholders' liability	**2 682**	(4 776)
Balance at the end of the year	**34 429**	31 747

17.3 Movement in the IBNR

2016	Gross R'000	Ceded R'000	Net R'000
Opening balance	1 350	(675)	675
Movement in the IBNR	(520)	260	(260)
Balance at the end of the year	**830**	**(415)**	**415**

2015	Gross R'000	Ceded R'000	Net R'000
Opening balance	1 490	(745)	745
Movement in the IBNR	(140)	70	(70)
Balance at the end of the year	**1 350**	**(675)**	**675**

17.4 Movement in notified (outstanding) claims

2016	Gross R'000	Ceded R'000	Net R'000
Opening balance	-	-	-
Movement in the notified claims	528	(246)	282
Balance at the end of the year	**528**	**(246)**	**282**

2015	Gross R'000	Ceded R'000	Net R'000
Opening balance	2 052	(457)	1 595
Movement in the notified claims	(2 052)	457	(1 595)
Balance at the end of the year	-	-	-

17.5 Total long-term policyholders' liability

2016	Gross R'000	Ceded R'000	Net R'000
Long-term policyholder's liability	34 429	-	34 429
Notified claims	528	(246)	282
IBNR	830	(415)	415
	35 787	**(661)**	**35 126**

2015	Gross R'000	Ceded R'000	Net R'000
Long-term policyholder's liability	31 747	-	31 747
IBNR	1 350	(675)	675
	33 097	**(675)**	**32 422**

[1] Represents long-term insurance assets.

18 Funding liabilities

	Group		Bank	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
At fair value	-	6 303 298	-	6 303 298
At amortised cost	**34 024 131**	25 368 535	**34 024 131**	25 368 535
Less: Funding relating to the discontinued operation (refer to note 21)	**(868 092)**	(824 767)	**(868 092)**	(824 767)
Funding of continuing operations	**33 156 039**	30 847 066	**33 156 039**	30 847 066

Refer to note 37.3 for full disclosure on the maturity of the funding liabilities.

The carrying value of funding liabilities comprise of amounts measured at amortised cost and fair value. The total fair value of funding liabilities and contractual amounts owing are as follows:

18.1 Analysis of funding

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
At amortised cost				
Industrial Development Corporation of South Africa Limited	**77 083**	87 500	**77 083**	87 500
Promissory notes	**12 442 119**	12 790 477	**12 442 119**	12 790 477
Medium term promissory notes	**-**	47 277	**-**	47 277
Floating rate note - 1 year	**3 704 439**	3 380 688	**3 704 439**	3,380,688
Floating rate note - 2, 3 and 5 years	**2 649 405**	4 353 522	**2 649 405**	4 353 522
Bills	**758 995**	543 494	**758 995**	543 494
Call bonds overnight	**732 769**	1 039 050	**732 769**	1 039 050
Treasury overdraft facility	**1 507 142**	2 300 000	**1 507 142**	2 300 000
Agri-related businesses deposits	**365 744**	489 364	**365 744**	489 364
Small institutional deposits	**35**	33	**35**	33
Forced stock sale deposits	**485 637**	329 122	**485 637**	329 122
Department of Agriculture, Forestry and Fisheries fund	**4 600**	4 600	**4 600**	4 600
Employee deposits	**21**	3 408	**21**	3 408
Development financing institutions	**1 004 135**	-	**1 004 135**	-
Floating rate notes - LBK02	**-**	-	**-**	-
Floating rate notes - LBK03	**1 020 570**	-	**1 020 570**	-
Floating rate notes - LBK05	**754 610**	-	**754 610**	-
Floating rate notes - LBK06	**1 141 056**	-	**1 141 056**	-
Floating rate notes - LBK07	**388 429**	-	**388 429**	-
Floating rate notes - LBK08	**331 214**	-	**331 214**	-
Fixed rate notes - LBK11	**500 536**	-	**500 536**	-
Fixed rate notes - LBK12U	**201 775**	-	**201 775**	-
3 year syndicated loan	**1 014 510**	-	**1014 510**	-
5 year syndicated loan	**500 167**	-	**500 167**	-
Fixed rate notes - LBK13	**501 753**	-	**501 753**	-
Fixed rate notes - LBK14U	**500 125**	-	**500 125**	-
3 year Bullet Term Loan	**773 405**	-	**773 405**	-
6 year Bullet Term Loan	**1 593 410**	-	**1 593 410**	-
7 year Amortising Loan	**1 070 447**	-	**1 070 447**	-
	34 024 131	25 368 533	**34 024 131**	25 368 534

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Movement in the fair values				
Development Financing Institutions				
Opening balance	**500 168**	498 062	**500 168**	498 062
New issues	**500 000**	-	**500 000**	-
Fair Value adjustment	-	2 106	-	2 106
Accrued interest at year end	**3 967**	-	**3 967**	-
	1 004 135	500 168	**1 004 135**	500 168
Floating rate notes - LBK02				
Opening balance	-	1 343 274	-	1 343 274
Fair Value adjustment	-	(5 241)	-	(5 241)
Fund Repaid	-	(1 338 033)	-	(1 338 033)
	-	-	-	-
Floating rate notes - LBK03				
Opening balance	**1 001 584**	1 002 680	**1 001 584**	1 002 680
Fair Value adjustment	-	(1 096)	-	(1 096)
Accrued interest at year end	**18 986**	-	**18 986**	-
	1 020 570	1 001 584	**1 020 570**	1 001 584
Floating rate notes - LBK05				
Opening balance	**748 952**	499 985	**748 952**	499 985
New issues	-	252 000	-	252 000
Fair Value adjustment	-	(2 899)	-	(2 899)
Accrued interest at year end	**5 758**	-	**5 758**	-
Discount	**(100)**	(134)	**(100)**	(134)
	754 610	748 952	**754 610**	748 952
Floating rate notes - LBK06				
Opening balance	**1 134 679**	1 132 942	**1 134 679**	1 132 942
Fair Value adjustment	-	1 737	-	1 737
Accrued interest at year end	**6 377**	-	**6 377**	-
	1 141 056	1 134 679	**1 141 056**	1 134 679

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Floating rate notes - LBK07				
Opening balance	**387 308**	-	**387 308**	-
New issues	**-**	387 000	**-**	387 000
Fair Value adjustment	**-**	(416)	**-**	(416)
Accrued interest at year end	**1 415**	-	**1 415**	-
Discount	**(294)**	724	**(294)**	724
	388 429	387 308	**388 429**	387 308
Floating rate notes - LBK08				
Opening balance	**326 230**	-	**326 230**	-
New issues	**-**	325 000	**-**	325 000
Fair Value adjustment	**-**	1 230	**-**	1 230
Accrued interest at year end	**4 984**	-	**4 984**	-
	331 214	326 230	**331 214**	326 230
Fixed rate notes - LBK11				
Opening balance	**484 393**	-	**484 393**	-
New issues	**-**	490 000	**-**	490 000
Fair Value adjustment	**-**	(5 607)	**-**	(5 607)
Accrued interest at year end	**16 143**	-	**16 143**	-
	500 536	484 393	**500 536**	484 393
Fixed rate notes - LBK12U				
Opening balance	**199 860**	-	**199 860**	-
New issues	**-**	200 000	**-**	200 000
Fair Value adjustment	**-**	(140)	**-**	(140)
Accrued interest at year end	**1 915**	-	**1 915**	-
	201 775	199 860	**201 775**	199 860
3 year syndicated loan				
Opening balance	**1 020 083**	-	**1 020 083**	-
New issues	**-**	1 020 000	**-**	1 020 000
Prepaid Arranging fees	**(5 572)**	-	**(5 572)**	-
Fair Value adjustment	**-**	83	**-**	83
	1 014 511	1 020 083	**1 014 511**	1 020 083

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
5 year syndicated loan				
Opening balance	500 041	-	500 041	-
New issues	-	500 000	-	500 000
Fair Value adjustment	-	41	-	41
Accrued interest at year end	126	-	126	-
	500 167	500 041	500 167	500 041
Fixed rate notes - LBK13				
Opening balance	-	-	-	-
New issues	500 000	-	500 000	-
Accrued interest at year end	1 753		1 753	
	501 753	-	501 753	-
Fixed rate notes - LBK14U				
Opening balance	-	-	-	-
New issues	500 000	-	500 000	-
Accrued interest at year end	125	-	125	-
	500 125	-	500 125	-
3 year Bullet Term Loan				
Opening balance	-	-	-	-
New issues	775 000	-	775 000	-
Accrued interest at year end	1 227	-	1 227	-
Prepaid Arranging fees	(2 822)	-	(2 822)	-
	773 405	-	773 405	-
6 year Bullet Term Loan				
Opening balance	-	-	-	-
New issues	1 604 000	-	1 604 000	-
Accrued interest at year end	443	-	443	-
Prepaid Arranging fees	(11 033)	-	(11 033)	-
	1 593 410	-	1 593 410	-

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
7 year Amortising Loan				
Opening balance	-	-	-	-
New issues	1 096 000	-	1 096 000	-
Installment paid	(16 440)	-	(16 440)	-
Accrued interest at year end	308	-	308	-
Prepaid Arranging fees	(9 421)	-	(9 421)	-
	1 070 447	-	1 070 447	-

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
At fair value [1]				
Development financing institutions	988 611	500 168	988 611	500 168
Floating rate notes - LBK02	-	-	-	-
Floating rate notes - LBK03	1 001 630	1 001 584	1 001 630	1 001 584
Floating rate notes - LBK05	749 443	748 952	749 443	748 952
Floating rate notes - LBK06	1 133 677	1 134 679	1 133 677	1 134 679
Floating rate notes - LBK07	387 038	387 308	387 038	387 308
Floating rate notes - LBK08	324 974	326 230	324 974	326 230
Fixed rate notes - LBK11	473 290	484 393	473 290	484 393
Fixed rate notes - LBK12U	195 134	199 860	195 134	199 860
3 year syndicated loan	1 020 490	1 020 083	1 020 490	1 020 083
5 year syndicated loan	500 231	500 041	500 231	500 041
Fixed rate notes - LBK13	499 825	-	499 825	-
Fixed rate notes - LBK14U	500 000	-	500 000	-
3 year Bullet Term Loan	775 945	-	775 945	-
6 year Bullet Term Loan	1 599 968	-	1 599 968	-
7 year Amortising Loan	1 061 319	-	1 061 319	-
	11 211 574	6 303 298	11 211 574	6 303 298

[1] The fair value amounts are at the All-in Price

Development Financing Institutions

On 10 September 2012 a loan facility of R1.0 billion was obtained from the African Development Bank (AfDB). On 3 May 2013 the loan was drawn down by R500 million, therefore leaving a further R500 million available on the facility. On 20 October 2015 the Bank drew down the remaining R500 million from the facility. The purpose of the loan was to on-lend to the commercial and development clients of the Bank and the tenor of the loan is 15 years. The AfDB loan is a floating rate loan held at amortised cost.

The R20 billion Domestic Medium Term Note Programme

Listed floating rate notes

The R10 billion Domestic Medium Term Note Programme was increased on 23 November 2015 to a R20 billion Domestic Medium Term Note Programme.

The R500 million senior unsecured floating rate note (LBK02) that was issued on 26 March 2012, matured during the prior financial year on 26 March 2015.

On 26 September 2013 the Bank issued a R1.0 billion senior unsecured floating rate note (LBK03) due on 01 October 2016.

On 28 February 2013 the Bank issued a private placement of R500 million senior unsecured floating rate note (LBK05) due on 28 February 2019.

On 6 March 2014 the Bank issued a further R1.133 billion senior unsecured floating rate notes (LBK06) due on 6 March 2017.

Notes issued during the prior financial year:
On 16 September 2014 the Bank issued a 5-year R252 million floating rate note (LBK05 (TAP)) due on 16 September 2019.
On 16 September 2014 the Bank issued a 3-year R272 million floating rate note (LBK07) due on 16 September 2017.
On 30 October 2014 the Bank issued a 3-year R115 million floating rate note (LBK07 (TAP)) due on 30 October 2017.
On 30 October 2014 the Bank issued a 5-year R325 million floating rate note (LBK08) due on 30 October 2019.

Notes issued during the current financial year:
On 17 March 2016 the Bank issued a 1-year R500 million floating rate note (LBK 13) due on 17 March 2017.
On 31 March 2016 the Bank issued a 2-year R500 million floating rate note (LBK14U) due on 31 March 2018.

Listed fixed rate notes

A 5-year R490 million fixed rate note (LBK11) was issued on 28 November 2014, and is due on 28 November 2019 at a rate compounded semi-annually.

Unlisted fixed rate note issued through the Domestic Medium Term Note Programme

A 5-year R200 million fixed rate note (LBK12U) was issued on 25 February 2015 and is due on 25 November 2020 at a rate compounded semi-annually.

Syndicated bank loans

On 22 December 2014 a 3-year R1.0 billion loan and a 5-year R500 million loan was issued and will fall due on 22 December 2017 and 2019 respectively.

On 26 August 2015 R525 million and on 25 September 2015 a further R250 million of a 3-year bullet term loan was issued. This loan will fall due on 26 August 2018.

On 10 December 2015 a R1.604 billion 6-year bullet term loan was issued and will fall due on 3 December 2021.

On 10 December 2015 a R1.096 billion 7-year amortising term loan was issued with a final payment due on 5 December 2022.

Prior to 1 April 2015, the Bank elected to carry the floating and fixed rate notes, as well as the syndicated loans at fair value through profit or loss. Changes in fair value are attributable to interest rate fluctuations. There were changes in the fair value that were attributable to the change in credit risk as there was an upward movement in credit risk as per the rating agency. Funding liabilities that were previously designated at fair value through profit or loss have been reclassified to amortised cost on the initial application of IFRS 9 with effect from 1 April 2015.

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Average effective interest rate				
Short-term promissory notes	**7.24%**	7.21%	**7.24%**	7.21%
Bills	**6.75%**	6.84%	**6.75%**	6.84%
Call bonds	**6.21%**	6.04%	**6.21%**	6.04%

Loan: Industrial Development Corporation of South Africa Limited

On 31 March 2011 a loan of R250 million was obtained from the Industrial Development Corporation of South Africa Limited (IDC). On 31 March 2012 the loan was decreased by R150 million therefore amounting to R100 million. The purpose of the loan was to on-lend to farmers that were adversely affected by floods and drought during the 2010 and 2011 calendar years. The loan is interest-free, however in the event that the Land Bank derives any interest income from on-lending up to a maximum of 3.5% it shall repay an agreed variable portion to the IDC on 31 March each year. Advances and repayment terms of the loan are agreed upon between the IDC and the Land Bank. As at 31 March 2014 the R100 million loan was fully disbursed to qualifying farmers. In the current financial year an amount of R10.4 million (FY2015: R12.5 million) was paid towards the repayment of loan and remaining balance is repayable by 31 March 2022.

The loan was converted into a part of the R400 million drought relief loan that was concluded on 28 February 2016.

* The prior year figures have been restated due to the Funding liabilities that were previously designated at fair value through profit or loss have been reclassified to amortised cost on the initial application of IFRS 9.

19 Provisions

	Staff incentives	Leave pay	Labour disputes	Administration and penalty fees	Legal fees	Restructuring	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group								
At 31 March 2014	**75 448**	**16 214**	**6 643**	**300 240**	**36 329**	-	**5 143**	**440 017**
Additional provision raised [1]	42 693	16 513	1 265	18 000	6,006	-	5 787	90 264
Utilised	(73 883)	(1 273)	(626)	(21 374)	(2 912)	-	(10 280)	(110 348)
Reversal of provision	(1 500)	(14 940)	(3 955)	(200 692)	(943)	-	-	(222 030)
At 31 March 2015	**42 758**	**16 514**	**3 327**	**96 174**	**38 480**	-	**650**	**197 903**
Additional provision raised [1]	23 605	19 889	1 282	4 285	8 666	68 000	40 988	166 715
Utilised	(35 095)	(4 138)	(421)	-	(3 522)	-	(18 447)	(61 623)
Reversal of provision	(7 663)	(11 836)	(3 014)	(73 564)	-	-	-	(96 077)
At 31 March 2016	**23 605**	**20 429**	**1 174**	**26 894**	**43 624**	**68 000**	**23 191**	**206 917**
Bank								
At 31 March 2014	**73 883**	**15 782**	**6 643**	**300 240**	**36 329**	-	**5 143**	**438 020**
Additional provision raised [1]	40,000	15 974	1 265	18 000	6 006	-	5,787	**87 032**
Utilised	(73 883)	(1 246)	(626)	(21 374)	(2 912)	-	(10 280)	**(110 321)**
Reversal of provision	-	(14 536)	(3 955)	(200 692)	(943)	-	-	**(220 126)**
At 31 March 2015	**40 000**	**15 974**	**3 327**	**96 174**	**38 480**	-	**650**	**194 605**
Additional provision raised [1]	22 536	19 403	1 282	4 285	8 666	68 000	40 988	**165 160**
Utilised	(34 550)	(4 138)	(421)		(3 522)	-	(18 447)	**(61 078)**
Reversal of provision	(5 450)	(11 837)	(3 014)	(73 564)	-	-	-	**(93 865)**
At 31 March 2016	**22 536**	**19 402**	**1 174**	**26 894**	**43 624**	**68 000**	**23 191**	**204 822**

19.1 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. These discretionary performance bonuses are paid out in September each year.

19.2 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.

19.3 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.

19.4 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, has been raised for such fees recognised in prior periods.

19.5 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.

19.6 Restructuring

The Honourable Minister of Finance granted approval for a R4 billion Government Guarantee to be made available to the Land Bank on 24 March 2015. This Guarantee was approved on condition of inter alia the following:

- That the Land Bank finalises the organisational review within 8 months following approval of this guarantee, and
- That the Land Bank implement key recommendations from the organisational review by the end of the 2017 financial year.

The 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 Land Bank Board and approved on 31 August 2015.

The 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 amounting to R68 million based on the requirements of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

19.7 Other

Other provisions include the guarantee fee payable to the National Treasury, which is payable quarterly, as well as a R22 million (FY2015: nil) general provision raised for professional fees required for enhancing the Bank's credit processes informed by the organisational review.

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
20 Post-retirement obligation				
20.1 Medical benefit plan				
Movement in the present value of the benefit obligations:				
Defined benefit obligation at 1 April	**297 780**	267 453	**297 780**	267 453
Service costs	**4 204**	3 990	**4 204**	3 990
Interest cost	**23 202**	24 051	**23 202**	24 051
Recognised actuarial loss/(gain)	**17 481**	16 746	**17 481**	16 746
Curtailment	**(3 051)**	-	**(3 051)**	-
Benefits paid	**(16 065)**	(14,460)	**(16 065)**	(14 460)
Defined benefit obligation at 31 March	**323 552**	297 780	**323 552**	297 780
Components of net periodic medical benefit cost				
Current service cost	**(4 204)**	(3 990)	**(4 204)**	(3 990)
Interest cost	**(23 202)**	(24 051)	**(23 202)**	(24 051)
Total included in interest and staff costs	**(27 406)**	(28 041)	**(27 406)**	(28 041)
Recognised actuarial (loss)/gain	**(17 481)**	(16 746)	**(17 481)**	(16 746)
Benefits paid	**16 065**	14 460	**16 065**	14 460
	(28 822)	(30 327)	**(28 822)**	(30 327)

The defined benefit obligation plan is unfunded. However, the Group does have an investment earmarked specifically for this obligation (refer to note 9.2). The estimated medical aid contributions for the next year effective 1 April 2016 amounts to R18.7 million (FY2015: R15.9 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

Refer to note 37.3 for the maturity profile of the post-retirement obligation and to note 37.7 for the fair value assumptions used.

20.2 Maturity profile of members

	Membership profile 2016			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependants *
Actives	224	50.24	25.39	1.81
Pensioners	340	70.93	-	0.65
Total	**564**	**62.71**	**25.39**	**1.11**

	Membership profile 2015			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependants *
Actives	275	49.93	24.81	1.72
Pensioners	319	70.75	-	0.58
Total	**594**	**61.11**	**24.81**	**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 average number of dependants only reflects dependants who are receiving a medical scheme contribution subsidy.

21 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	2015	2016	2015
	Note	R'000	R'000	R'000	R'000
Net interest expense		**(43 334)**	(40 762)	**(43 334)**	(40 762)
Interest income	22	**-**	8	**-**	8
Interest expense	23	**(43 334)**	(40 770)	**(43 334)**	(40 770)
Impairment charge on loans and advances	11.4	**7 727**	(298)	**7 727**	(298)
Operating expenses	29	**-**	-	**-**	-
Net loss from discontinued operations		**(35 607)**	(41 060)	**(35 607)**	(41 060)

The major classes of assets and liabilities of the LDFU classified as held-for-sale as at 31 March 2016 are as follows:

	Note	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Assets					
Loans and advances classified as assets held-for-sale	11	**149 620**	141 902	**149 620**	141 902
Liabilities					
Liabilities directly associated with assets classified as held-for-sale	18	**(868 092)**	(824 767)	**(868 092)**	(824 767)
Net liabilities directly associated with disposal group		**(718 472)**	(682 865)	**(718 472)**	(682 865)
Equity and reserves of disposal group classified as held-for-sale		**(718 472)**	(682 865)	**(718 472)**	(682 865)

The net cash flows incurred by the LDFU are as follows:

Cash flows from operating activities				
Operating expenses	-	-	-	-
Cash flow from financing activities				
Interest income	-	8	-	8
Interest expense	**(43 334)**	(40 770)	**(43 334)**	(40 770)
Net cash outflow	**(43 334)**	(40 762)	**(43 334)**	(40 762)

22 Interest income

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Measured at amortised cost				
Interest from loans and advances	**3 448 218**	2 987 616	**3 448 218**	2 987 616
Interest on short-term deposits	**54 199**	68 229	**54 199**	68 229
Interest from banks	**60 267**	64 686	**41 332**	50 865
	3 562 685	3 120 531	**3 543 750**	3 106 710

23 Interest expense

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Funding deposits	**2 225 417**	1 916 462	**2 225 417**	1 916 462
Deposits and credit balances	**97 453**	71 994	**97 453**	71 994
Commercial banks	**68 353**	28 275	**68 353**	28 275
Government guarantee fee	**17 983**	6 000	**17 983**	6 000
Interest cost on post-retirement obligation (note 20)	**23 202**	24 051	**23 202**	24 051
	2 432 407	2 046 782	**2 432 407**	2 046 782

23.1 Interest expense incurred per class of funding

Designated at fair value through profit or loss	**26 779**	411 905	**26 779**	411 905
Interest on debentures	**141**	204	**141**	204
Interest hedging	**(1 200)**	(1 129)	**(1 200)**	(1 129)
Interest paid on Treasury Loan	**4 637**	-	**4 637**	-
Interest cost on post-retirement obligation (note 20)	**23 202**	24 051	**23 202**	24 051

Financial liabilities at amortised cost	**2 448 962**	1 675 647	**2 448 962**	1 675 647
Interest paid on deposits	**97 453**	71 994	**97 453**	71 994
Interest paid on call bonds	**51 201**	67 714	**51 201**	67 714
Interest paid on bills	**53 497**	9 496	**53 497**	9 496
Interest paid on promissory notes	**929 899**	805 358	**929 899**	805 358
Interest paid on floating promissory notes - 1 year	**261 832**	313 562	**261 832**	313 562
Interest paid on floating promissory notes - 2, 3 and 5 years	**287 219**	333 965	**287 219**	333 965
Interest paid - AfDB	**43 436**	31 670	**43 436**	31 670
Interest paid on floating rate notes - LBK02	**-**	95 281	**-**	95 281
Interest paid on floating rate notes - LBK03	**75 857**	71 972	**75 857**	71 972
Interest paid on floating rate notes - LBK05	**59551**	48 764	**59 551**	48 764
Interest paid on floating rate notes - LBK06	**85 746**	79 189	**85 746**	79 189
Interest paid on floating rate notes - LBK07	**29 379**	15 239	**29 379**	15 239
Interest paid on floating rate notes - LBK08	**26 991**	10 807	**26 991**	10 807
Interest paid on floating rate notes - LBK11	**47 655**	15 885	**47 655**	15 885
Interest paid on fixed rate notes - LBK12U	**19 526**	1 809	**19 526**	1 809
Interest paid on the 3-year syndicated loan	**82 655**	10 876	**82 655**	10 876
Interest paid on the 5-year syndicated loan	**40 838**	7 287	**40 838**	7 287
Interest paid on floating rate notes - LBK13	**1 753**	-	**1 753**	-
Interest paid on floating rate notes - LBK14U	**125**	-	**125**	-
Interest paid on 3-year Bullet Term Loan	**36 110**	-	**36 110**	-
Interest paid on 6-year Bullet Term Loan	**47 830**	-	**47 830**	-
Interest paid on 7-year Amortising Loan	**34 444**	-	**34 444**	-
Int paid on treasury overdraft	**49 628**	-	**49 628**	-
Fees paid on government guarantees	**17 983**	6 000	**17 983**	6 000
Interest paid - commercial banks	**68 353**	28 275	**68 353**	28 275
Total interest expense	**2 475 741**	2 087 552	**2 475 741**	2 087 552
Less: Interest expense relating to the discontinued operation (note 21)	**(43 334)**	(40 770)	**(43 334)**	(40 770)
	2 432 407	2 046 782	**2 432 407**	2 046 782

24 Non-interest expense

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Account administration fee expense [1]	**(235 301)**	(189 110)	**(235 301)**	(189 110)
Sundry expense[2]	**(5 719)**	-	**(5 347)**	-
	(241 019)	(189 110)	**(240 647)**	(189 110)

[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 22, note 23 and note 10.4 respectively.

The full amount of 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 fiducary 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.

25 Non-interest Income

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Fee and commission income	**32 176**	24 952	**32 893**	25 738
Account administration fee income [1]	**30 979**	23 802	**30 979**	23 802
Fund administration fees	**1 097**	990	**1 097**	990
Administration fee from LBLIC	**-**	-	**717**	786
Commission earned	**100**	161	**100**	161
Other	**19 442**	32 911	**15 780**	32 911
Income from properties in possession	**12**	1	**12**	1
Investment property rentals	**15 050**	14 330	**15 050**	14 330
Sundry income	**4 379**	18 580	**717**	18 580
	51 619	57 863	**48 673**	58 649

[1] Impact of the suspended fees: Charge of nil (2015: R0.5 million release).

An amount of R30.0 million was received from fee and commission income that related to financial instruments not measured at fair value through profit or loss and there was no fee and commission income derived from trusts and fiduciary activities emanating from holding or investing assets on behalf of individuals, retirement benefit plans and Trusts. Fee income from managing funds from other institutions amounted to R1.1 million.

26 Operating (loss)/profit from insurance activities

	Group 2016 R'000	Group 2015 R'000
Gross written premium earned	**366 788**	109 999
Long-term insurance contracts	**5 312**	6 179
Short-term insurance contracts	**361 476**	103 820
Gross written premium	**405 863**	138 222
Change in the unearned premium reserve	**(44 387)**	(34 402)
Less: reinsurance premium	**(250 914)**	(18 297)
Long-term insurance contracts	**(2 890)**	(2 664)
Short-term insurance contracts	**(248 024)**	(15 633)
Reinsurance premium written	**(301 326)**	(20 844)
Change in the unearned premium reserve	**53 302**	5 211
Net premium income	**115 874**	91 702
Net movement in the unearned premium reserve (published basis)		
Premium income	**44,387**	34,402
Reinsurance premiums paid	**(53 302)**	(5 211)
	(8 915)	29 191

	Group 2016 R'000	Group 2015 R'000
Net movement in the unearned premium reserve (statutory basis)		
Premium income	**160 193**	34 402
Reinsurance premiums paid	**(139 744)**	(5 211)
	20 449	29 191
Long-term insurance contract claims	**(1 945)**	(304)
Gross claims paid	**(3 467)**	(3 449)
Movement in the expected cost of outstanding claims	**(528)**	2 052
Reinsurance recoveries	**1 804**	1 550
Movement in the expected reinsurance ceded cost of outstanding claims	**246**	(457)
Short-term insurance claims	**(88 222)**	(106 667)
Gross claims paid	**(117 434)**	(59 328)
Incurred but not reported claims	**(16 271)**	(5 820)
Movement in the expected cost of outstanding claims	**(129 012)**	(40 228)
Reinsurance recoveries	**63 146**	(26)
Reinsurance: Incurred but not reported claims	**13 678**	(289)
Movement in the expected reinsurance ceded cost of outstanding claims	**97 671**	(976)
Net insurance claims	**(90 167)**	(106 971)
Movement in policyholders' liability	**(2 422)**	4 847
Net commission and administration fees	**(17 617)**	(21 213)
Operating profit/ (loss) from insurance activities	**5 668**	(31 635)

27 Investment income and fees

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Investment income from financial assets classified as at fair value through profit or loss:	**67 381**	59 842	**12 043**	212 354
Dividend income [1]	**25 164**	24 291	**6 463**	206 109
Interest income	**42 217**	35 550	**5 580**	6 245
	36 490	108 123	**4 797**	32 396
Realised gains	**78 950**	71 612	**20 202**	17 236
Unrealised fair value (losses)/gains	**(42 460)**	36 511	**(15 405)**	15 160
Investment management and performance fees	**(10 571)**	(16 196)	**(1 917)**	(1 835)
	93 299	151 768	**14 923**	242 915

[1] Refer to note 35.2.1 and 35.2.2

	Group		Bank	
	2016	2015	2016 [1]	2015
	R'000	R'000	R'000	R'000
28 Fair value gains				
Held-for-trading	**(439)**	(1 001)	**(439)**	(1 001)
Market-making assets	**(443)**	(505)	**(443)**	(505)
Instruments in (Repos)	**4**	(496)	**4**	(496)
Designated at fair value through profit or (loss)	**-**	10 203	**-**	10 203
AfDB loan	-	(2 106)	-	(2 106)
Floating rate notes - LBK02	-	5 242	-	5 242
Floating rate notes - LBK03	-	1 097	-	1 097
Floating rate notes - LBK05	-	2 899	-	2 899
Floating rate notes - LBK06	-	(1 737)	-	(1 737)
Floating rate notes - LBK07	-	416	-	416
Floating rate notes - LBK08	-	(1 231)	-	(1 231)
Floating rate notes - LBK11	-	5 607	-	5 607
Fixed rate note - LBK12U	-	140	-	140
3-year syndicated loan	-	(83)	-	(83)
5-year syndicated loan	-	(41)	-	(41)
	(439)	9 202	**(439)**	9 202

[1] As from 1 March 2015, Land Bank elected to revoke its initial designation of these liabilities at fair value through profit or loss due to to fair valuing of funding liabilities having no value to the business. These liabilities are carryied at amortised costs. See note 41.3

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
29 Operating expenses				
Amortisation – computer software	**6 325**	5 986	**6 325**	5 986
Audit fees (external audit)	**6 565**	9 520	**4 952**	8 304
Audit fees (internal audit)	**2 319**	2 379	**2 319**	2 495
Depreciation	**6 662**	10 215	**6 628**	10 179
Directors' emoluments	**16 283**	20 218	**12 374**	15 647
Executive directors	**10 189**	13 333	**7 695**	10 209
Non-executive directors	**6 094**	6 885	**4 679**	5 438
Leases	**29 271**	27 058	**29 271**	27 058
Actual payment	**28 266**	28 681	**28 266**	28 681
Effect of straight-lining	**1 005**	(1 623)	**1 005**	(1 623)
Legal fees	**14 227**	10 332	**14 227**	10 332
Management fees	**652**	645	**652**	645
Professional fees	**39 147**	21 899	**36 969**	19 174
Staff costs	**341 706**	351 836	**334 044**	344 245
Salaries and contributions	**337 133**	343 562	**329 651**	336 060
Other	**4 573**	8 274	**4 393**	8 185

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Cost of restructuring	140 398	-	140 398	-
Legal fees	18 609	-	18 609	-
Professional fees	21 446	-	21 446	-
Staff cost	98 382	-	98 382	-
Other operating expense	1 961	-	1 961	-
Other operating expenses	91 978	68 756	89 788	66 450
Computer and data costs	18 230	18 554	18 230	18 554
Repairs and maintenance	7 387	2 086	7 387	2 086
Rates and taxes	7 246	6 931	7 246	6 931
Travel and accommodation	8 060	8 059	7 443	7 842
Other [1]	51 056	33 126	49 483	31 037
	695 533	528 844	677 947	510 515

[1] This includes sundry operating expenses such as security, cleaning and marketing

30 Non-trading and capital items

Fair value gain on investment properties (note 13)	1 253	15 400	1 253	15 400
Foreign exchange gain	20	27	20	27
Gain on investment recognition (note 9)	-	-	-	30
Impairment of other assets	102	7	102	7
Non-current assets held-for-sale fair value adjustment (note 8)	-	(982)	-	(982)
(Loss)/profit on disposal of property and equipment	(103)	39	(103)	39
Profit/(loss) on disposal of non-current assets held-for-sale (note 8.2)	951	(30)	951	(30)
	2 223	14 461	2 223	14 491

31 Indirect taxation

Value added tax [1]	54 305	38 263	54 305	38 263

[1] Value-added taxation comprises the portion that is irrecoverable as a result of the interest earned in the South African financial services sector.

32 Income from associate

During the 2014 financial year the Land Bank acquired a non-controlling 49.9% holding in Renaissance Brands (Pty) Ltd. As a result of this, Renaissance Brands (Pty) Ltd is classified as an associate.

Earnings from associate	-	-	-	-

As at 31 March 2014, the investment in Renaissance Brands (Pty) Ltd was written off to Rnil (refer to note 9.3), and the position remains as at 31 March 2016.

During the period over which the company has been recognised as an associate (since 17 February 2014), the accumulated losses attributable to Land Bank amounted to R242 000 (FY2015: R1.8 million). The profits attributable to Land Bank for the period ended 31 March 2016 was R1.57 million (FY2015: R144 000). As a result of the investment being carried at a value of Rnil, and not yet cleared of the accumulated losses attributable to Land Bank, no profit/loss was recognised during the year.

An independent business review has been performed and it is expected that the business will turn around in the future. Unrecognised losses will be accumulated and profits only recognised once these losses have been reversed.

No liability has been raised as Land Bank does not have any constructive or legal obligations to make payments on behalf of Renaissance Brands (Pty) Ltd.

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
33 Funds under administration				
Asset				
Cash balance held for the funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)	**76 830**	59 598	**76 830**	59 598
Liabilities				
DAFF	**68 408**	43 696	**68 408**	43 696
DRDLR	**8 421**	7 939	**8 421**	7 939
GDARD	**-**	7 963	**-**	7 963
	76 830	59 598	**76 830**	59 598
33.1 Funds administered on behalf of the Department of Agriculture, Forestry and Fisheries (DAFF)				
Agri-BEE Fund	**59 018**	35 847	**59 018**	35 847
DAFF Administration Fund - Flood Relief	**32**	32	**32**	32
MAFISA Fund	**9 358**	7 817	**9 358**	7 817
	68 408	43 696	**68 408**	43 696
33.2 Funds administered on behalf of the Department of Rural Development and Land Reform (DRDLR)				
Land for Redistribution and Agricultural Development (LRAD) grant	**8 421**	7 939	**8 421**	7 939
33.3 Funds administered on behalf of Gauteng Department of Agriculture and Rural Development (GDARD)				
Gauteng Department of Agriculture and Rural Development	**-**	7 963	**-**	7 963
	76 830	59 598	**76 830**	59 598
33.4 Reconciliation of movement in funds under administration				
33.4.1 Agri-BEE				
Balance at the beginning of the year	**35 847**	3 763	**35 847**	3 763
Receipts	**40 134**	36 209	**40 134**	36 209
Accrued interest	**3 278**	1 763	**3 278**	1 763
Disbursements	**(20 241)**	(5 888)	**(20 241)**	(5 888)
Balance at the end of the year	**59 018**	35 847	**59 018**	35 847

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
33.4.2 DAFF Poverty Fund				
Balance at the beginning of the year	**32**	31	**32**	31
Accrued interest	**-**	1	**-**	1
Balance at the end of the year	**32**	32	**32**	32
33.4.3 MAFISA Fund				
Balance at the beginning of the year	**7 817**	2 524	**7 817**	2 524
Receipts	**1 051**	5 150	**1 051**	5 150
Accrued interest	**490**	143	**490**	143
Balance at the end of the year	**9 358**	7 817	**9 358**	7 817
33.4.5 LRAD grant				
Balance at the beginning of the year	**7 939**	7 587	**7,939**	7 587
Accrued interest	**482**	352	**482**	352
Balance at the end of the year	**8 421**	7 939	**8 421**	7 939
33.4.6 GDARD				
Balance at the beginning of the year	**7 963**	7,637	**7 963**	7 637
Accrued interest	**232**	432	**232**	432
Credit transfer	**(8 139)**	-	**(8 139)**	-
Disbursements	**(56)**	(106)	**(56)**	(106)
Balance at the end of the year	**-**	7 963	**-**	7 963

33.5 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 R20.2 million (FY2015: R5.89 million) were disbursed and an injection of R36.8 million (FY2015:R36.2 million) from DAFF and R3.4 million (FY2015: R nil) 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 R 1.05 million (FY2015: R5.15 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.

33.6 Emerging Farmers Support Facility & REM Wholesale Finance Facility

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Asset				
Cash balance held for the support facilities	**280 472**	290 701	**280 472**	290 701
Liabilities				
Emerging farmers support facility	**265 424**	250 178	**265 424**	250 178
REM wholesale finance support facility	**15 048**	40 523	**15 048**	40 523
	280 472	290 701	**280 472**	290 701

33.6.1 Emerging farmers support facility

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Balance at the beginning of the year	**250 178**	236 689	**250 178**	236 689
Accrued interest	**15 246**	13 489	**15 246**	13 489
Balance at the end of the year	**265 424**	250 178	**265 424**	250 178

33.6.2 REM wholesale finance support facility

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Balance at the beginning of the year	**40 523**	18 691	**40 523**	18 691
Receipts	**-**	50 000	**-**	50 000
Accrued interest	**1 949**	1,430	**1 949**	1 430
Disbursements	**(27 424)**	(29 598)	**(27 424)**	(29 598)
Balance at the end of the year	**15 048**	40 523	**15 048**	40 523

33.7 Description of the Emerging farmers support & REM wholesale finance support facility

Emerging Farmers Support Facility

The 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 the Land Bank and the Bank can only access the guarantee 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

The Land Bank received R30 million from the Department of Rural Development and Land Reform on the 27th of October 2012 under this facility. The transfer is meant to subsidise interest payable to the Land Bank and appointed intermediaries by Retail Emerging Market farmers under the wholesale finance facility. The 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. There was no injection in the current financial year (FY2015: R50 million from the National Revenue Fund), and R27.4 million (FY2015: R29.6 million) was disbursed.

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000

34 Commitments, guarantees and contingent liabilities and assets

34.1 Commitments

Loan commitments and guarantees

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Guarantees[1]	**735 437**	287 265	**735 437**	514 872
Loan commitments	**222 352**	34 905	**222 352**	322 170
	957 789	322 170	**957 789**	837 042

[1] The above guarantees are included in the clients' approved facility limits and it is unknown when the guarantees will be presented for payment.

Debentures/ stock purchased

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Repo's				
- R186 (Nominal value: R5 million)	**5 471**	6 023	**5 471**	6 023
- R208 (Nominal value: R10 million)	**9 235**	9 697	**9 235**	9 697
	14 706	15 720	**14 706**	15 720

34.2 Lease commitments

34.2.1 Operating leases

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 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Payable within one year	**23 353**	23 227	**23 353**	23 227
Payable between one to five years	**18 631**	42 938	**18 631**	42 938
	41 984	66 165	**41 984**	66 165

Operating lease commitments - Group as lessor

	Group 2016 R'000	Group 2015 R'000	Bank 2016 R'000	Bank 2015 R'000
Receivable within one year	**8 332**	8 901	**8 332**	8 901
Receivable between one to five years	**6 029**	11 454	**6 029**	11 454
	14 362	20 355	**14 362**	20 355

During FY2015, the Group entered into a five-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 R19.3 million (FY2015: R17.8 million) and the amount payable between one and five years amounts to R13.5 million (FY2015: R32.8 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.

34.3 Contingent liabilities

34.3.1 Onerous contracts - LDFU loans

As disclosed in note 21, the LDFU loans entered into by the Group in 2007, were outside the mandate of the Group in terms of the Land Bank Act.

As at 31 March 2016, the situation is as follows:

The Group has:

- Concluded a settlement agreement with one of the clients with the largest exposure, which settlement agreement has not materialised. The Bank has instituted an application for liquidation which application was opposed. The Bank is awaiting a court date on the opposed motion court roll.
- 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 has received a private offer on one of the client's properties and are in the process of drafting the Deed of Sale. On the second property the Bank will conduct a further auction.
- One of the client's estates has been liquidated and the Bank's claim has been proven.
- An application to liquidate one of the client's estates was set down for 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 is delivered by 30 June 2016, the Bank will enrol the application on the unopposed motion roll and obtain a provisional liquidation order.
- No further settlements were concluded during this financial period for the remaining client, and litigation is actively being pursed against this client.

34.3.2 Change in the interest rate method

The Bank changed the method of calculating interest on loans. This has led to current and past legal claims. Judgement was handed down on 9 March 2012 in the North Gauteng High Court in a "test" case on the Land Bank Interest Calculation Methodology.

In essence the case related to two issues:

- The reasonableness or unreasonableness of the Land Bank interest rates as applied and variation therein since 1999 - the court found in favour of the Land Bank; and
- The charging of interest on arrear (default) interest - the court found against the Land Bank.

After considering legal opinion received from the Bank's Senior Council indicating that an appeal has a reasonable prospect of success, the Land Bank decided to lodge an appeal against the part of the judgement which was not found in its favour. The Appeal was heard on 20 May 2013 and judgment has since been handed down.

The Supreme Court of Appeal("SCA") found in favour of the Bank charging interest on arrear (default) interest, but capped the rate to the prescribed rate of Mora, i.e. 15.5%. The SCA further referred the case back to the North Gauteng High Court to confirm the quantum of settlement.

The North Gauteng High Court heard the matter on 31 March 2014, and judgement was handed down on 17 April 2014. An aspect not previously ruled on by the court in terms of the interest methodology was ruled not in favour of the Bank. The Bank accepted the judgment in relation to the "test" case, and although the Bank had the option to appeal the judgment, it was decided against for pragmatic reasons. All the "test" case matters have been settled in the 2015 financial year.

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.

34.3.3 Agri-BEE Funds administered on behalf of the DAFF

Possible irregularities in the administration of the funds administered on behalf of the DAFF, currently under investigation by the relevant authorities, could give rise to an obligation in terms of an indemnity clause included in the memorandum of understanding between the DAFF and the Group. A reasonable estimate of the amount of the resulting loss, if any, could not be made.

34.3.4 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 01 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 the 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 01 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.

As at the 2016 financial year-end, this matter has not yet been concluded.

34.4 Contingent assets

As at 31 March 2015, LBIC was in the process of finalising an agreement with ABSA whereby ABSA would cede the benefits they derive from their reinsurance treaties in the form of commission revenue, and stop loss protection agreed on the 30% line, as well as interest earned. ABSA would also transfer the expenses they had incurred in terms of broker commission and underwriting management fees. In July 2015, ABSA settled R1.5 million interest earned for the period to Land Bank. The agreement has not yet been signed.

Once these issues have been contracted, the revised net loss will reflect as follows:	2016 R'000	2015 R'000
Net profit/ (loss) reported :	**13 620**	**(43 016)**
Adjustment to commission expense incurred	(15 198)	(11 409)
Reinsurance commission revenue to be earned	72 647	54 535
Administration fees to be incurred	(41 250)	(30 966)
Adjustment to interest earned	-	7 500
Net profit/ (loss) expected :	**29 819**	**(23 356)**
Increase in trade debtors	72 647	65 035
Increase in trade creditors (including VAT)	(64 351)	(48 309)

35 Related Parties

35.1 Relationships between parents, subsidiaries and associates

The ultimate controlling party of the Land Bank is government, National Treasury, both incorporated in South Africa.

The following represents the significant subsidiaries of the Bank:

	Ownership Interest	
	2016	**2015**
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) *	**100%**	100%

* 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 2016 LBIS has not been dissolved and remains in a dormant state.

The following represents the associate of the Bank:

Renaissance Brands (Pty) Ltd was acquired on 17 Feb 2014 through a debt restructuring process. As at 31 March 2016, the Bank owns 49.9% of Renaissance Brands (Pty) Ltd and is being accounted for as an associate as no control exists, only significant influence over the entity. A notional equity value of Rnil has been recognised for the investment. (Refer to note 9.3).

35.2 Transactions with related parties other than key management personnel

35.2.1 Amounts received from related parties during the year

	2016	**2015**
	R'000	**R'000**
(i) Land bank Life Insurance Company (SOC) Limited - Subsidiary		
Dividend declared by LBLIC	-	200 000
Policy administration fees received by Land Bank	**187**	694
Commission received by Land Bank	**90**	82
Portion of non-executive directors emoluments paid by LBLIC	**80**	353
Property and equipment transferred to LBLIC (at NAV)	**16**	77
Land Bank interest bearing assets held by LBLIC through the investment portfolio	**1 218**	4,481
	1 591	205 687

LBLIC is a 100% owned subsidiary of the Land Bank. An administration and management fee of R0.7 million per annum (FY2015: 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 R1.2 million.

	2016	**2015**
	R'000	**R'000**
(ii) Land Bank Insurance Company (SOC) Limited - Subsidiary		
Policy administration fees received by Land Bank	**573**	92
Property and equipment transferred to LBLIC (at NAV)	**13**	-
Portion of non-executive directors emoluments paid by Land Bank	**320**	47
	906	139

(iii) National Treasury - Stakeholder

Recapitalisation	-	500 000

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

During the course of the financial year, the Land Bank received an amount of R nil (FY2015: R500 million) from the National Treasury as part of the R3.5 billion recapitalisation, and this has been included in the capital fund in the statement of changes in equity.

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 shall remain in force for the three year period 1 April 2014 to 31 March 2017.

In March 2015, the National Treasury issued the Bank a further R4 billion financial guarantee resulting in the guaranteed amount increasing to R5.5 billion as at the end of March 2015. No further financial guarantees were issued to the Land Bank in the current financial year. The guarantee fees payable on the guarantees are 0.3% per annum (refer to note 24). Land Bank was granted approval to utilise R2.7 billion of this R4 billion guarantee immediately, and the remaining R1.3 billion can only be utilised after the Bank completes its organisational review as requested by its shareholder.

During FY2016 the Bank utilised R2.7 billion of the guarantee to raise a syndicated loan (Note 18) on 10 December 2015.

(iv) Other related parties

Funding received

The Bank obtains funding from institutions under the same sphere of government, of which the most significant nominal values are disclosed below:

	2016 R'000	2015 R'000
Corporation for Public Deposits	**1 142 500**	742 500
National Housing Finance	**100 000**	60 000
Petro SA	**430 300**	986 214
Post Bank	**595 000**	650 000
Public Investment Corporation	**9 470 000**	8 925 000
Magalies Water	**11 961**	11 508
Trans-Caledon Tunnel Authority	**100 000**	100 000
City of Johannesburg	**301 050**	1 050
Tshwane Municipal Pension Fund	**40 000**	-
SA Police Medical Fund	**10 000**	-
South African Special Risks Insurance Association	**100 000**	-
Other government related parties:		
African Development Bank	**1 000 000**	500 000
	13 300 811	11 976 272

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.

	2016 R'000	2015 R'000

35.2.2 Amounts owed by related parties

(i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary

	2016 R'000	2015 R'000
Land Bank Life Insurance Company (SOC) Limited (LBLIC) (note 5)	**285 096**	283 797

The intercompany account is held as a trading account between LBLIC and it's holding company, the 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. All the intercompany arrangements will be revisited as part of the restructuring of the Group. It is not expected that the loan will be repaid within 12 months.

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2015: Rnil).

(ii) Renaissance Brands (Pty) Ltd - Associate

	2016 R'000	2015 R'000
Senior Debt (3 Loans with differing terms)	**43 437**	50 000
Loan 1 - 52.5%	**19 687**	26 250
Loan 2 - 22.5%	**11 250**	11 250
Loan 3 - 25.0%	**12 500**	12 500
New Senior Debt Facility	**5 000**	5 000
Preference Shares	**107 500**	107 500
Subordinated Shareholders Loan	**16 400**	16 400
	172 337	178 900

With respect to the above balances, an impairment balance of R 18.9 million (FY2015: R18.1 million) has been raised.

In terms of the shareholders' agreement, the preference shares shall be considered for redemption once the company is in a profit making position and has sufficient cash flows to settle the share payment. As at 31 March 2016 this was assessed and the company was not yet in a position to redeem the preference shares. This will be continually assessed going forward.

35.2.3 Amounts owed to related parties

	2016 R'000	2015 R'000
DAFF (note 33.1)	**68 408**	43 696
Micro-Agricultural Finance Institution (MAFISA)	**9 358**	7 817
Agricultural Broad Based Black Economic Empowerment (Agri-BEE)	**59 018**	35 847
DAFF Flood Relief	**32**	32
Department of Rural Development and Land Reform (note 33.2)	**8 421**	7 939
Gauteng Department of Agriculture and Rural Development (note 33.3)	**-**	7 963
Emerging Farmers' Support Facility & REM Wholesale Finance Facility (note 33.6)	**280 472**	290 701
	357 302	350 299

	2016 R'000	2015 R'000
(i) Funds under administration		
DAFF (note 33.1)	**68 408**	43 696
DRDLR (note 33.2)	**8 421**	7 939
GDARD (note 33.3)	**-**	7 963
	76 830	59 598
Cash balances held for funds administered	**76 830**	59 598

(ii) Micro-Agricultural Finance Institution (MAFISA)

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.

	2016 R'000	2015 R'000
Bank balances of the MAFISA fund (note 33.4.3)	**9 358**	7 817
MAFISA fund balance (note 33.4.3)	**9 358**	7 817

(iii) Agricultural Broad Based Black Economic Empowerment (Agri-BEE)

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 R36.8 million (FY2015:R36.2 million) from DAFF and R3.4 million (FY2015: R nil) 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.

	Group		Bank	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
(iv) Emerging Farmers Support Facility & REM Wholesale Finance Facility				
Emerging farmers support facility (note 33.6.1)	**265 424**	250 178	**265 424**	250 178
REM wholesale finance support facility (note 33.6.2)	**15 048**	40 523	**15 048**	40 523
	280 472	290 701	**280 472**	290 701
Cash balance held for the support facilities	**280 472**	290 701	**280 472**	290 701

35.2.4 Transactions between subsidiaries

An administration fee of R9.1 million (FY2015: R2.6 million) was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2016 R'000	2015 R'000
Amounts owed to LBLIC by LBIC	**4 025**	3 436

There was no provision for doubtful debts at the statement of financial position date and no bad debt expense in the year (FY2015: Rnil) relating to this intercompany transaction.

Revenue transactions for the year that ended 31 March	2016 R'000	2015 R'000
Total subsidiary salary costs (including executive director)	**9 948**	6 183
Service fees charged to LBIC for salaries	**(8 161)**	(2 340)
LBLIC salaries	**729**	3843
Total subsidiary contributions to medical aid fund	**381**	298
Service fees charged to LBIC for medical aid	**(304)**	(80)
LBLIC medical aid	**77**	218
Total subsidiary contributions to retirement fund	**796**	515
Service fees charged to LBIC for Group Life Insurance	**(637)**	(137)
LBLIC retirement fund	**159**	378
Remuneration recharge to LBIC	**(9 102)**	(2 557)

36 Transactions with key management personnel

	2016 R'000	2015 R'000
Short-term employee benefits	**31 004**	30 356
Other long-term benefits	**1 357**	1 105
Termination benefits	**520**	-

Key management personnel comprises of executive- and non-executive directors (refer to page 32 of the remuneration report).

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 has a loan balance of R132 million (FY2015: R127 million) at year end.

37 Risk management

37.1 Land Bank's risk management strategy and processes

Brief description of Land Bank's Risk Environment

The Group's financial liabilities, other than derivatives, comprise of bank loans and overdrafts, debentures, promissory notes, policy liabilities, repurchase agreements and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as loans and advances, repurchase agreements, trade receivables and cash and short-term deposits which arise directly from its operations.

The Group also enters into derivative transactions primarily interest rate swaps to manage the interest risk arising from the Group's sources of finance. During the year under review, no new interest rate swaps were entered into.

It is the Group's policy not to trade in derivatives unless there is an underlying exposure.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description
General risk	Operational	**Operational risk:** the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes: **Information and technology risk**: the risk of obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/ networks and the loss of accuracy, confidentiality, availability and integrity of data. **Going concern/ business continuity risk**: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future. **Legal risk:** the risk that the Group will be exposed to contractual obligations which have not been provided for, as well as benefits agreed that have not been contracted. **Compliance risk:** the risk of not complying with laws and regulations, as well as investment management mandates. **Human resources risk:** the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk. **Fraud risk:** the risk of financial crime and unlawful conduct occurring within and/ or against the Group.
	Reputational	**Reputational risk** is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.
	Legal and Regulatory	**Legal risk**: the risk that the Group's strategy is inappropriate and that the Group is unable to implement its strategy. **Regulatory risk**: the risk of not complying with laws and regulations.
	Strategic	**Strategic risk:** the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
Financial and business specific risks	Market	**Market risk** is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes: **Equity price risk**: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices. **Interest rate risk**: the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates. **Currency risk**: the risk that a rand value of a financial instrument will fluctuate owing to changes in foreign exchange rates. **Concentration risk**: the risk of losses associated with inadequately diversified asset portfolios. This may arise from a lack of diversification in the asset portfolio. **Asset liability mismatching risk**: the risk that losses will be incurred as a result of a deviation between asset and liability cash flows, prices or carrying amounts. **Property risk**: the risk that the value of investment properties will fluctuate as a result of changes in the environment. **Market liquidity risk**: risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or realise the required profit).
	Liquidity	**Liquidity risk** is the risk relating to the difficulty to accessing funds to meet commitments associated with financial instruments or policy contracts.
	Credit	**Credit risk** is the risk of default and change in credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes: **Default risk:** credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.

Insurance specific	**Insurance risk (life business)**	**Insurance risk (life business)**: the risk arising from the underwriting of life insurance contracts in relation to the perils covered and the processes used in the conduct of business. It includes: **Mortality risk**: the risk that the actual experience relating to mortality will deviate negatively from the expected experience used in the pricing of contracts and valuation of policy liabilities. **Persistency risk**: the risk of financial loss owing to negative lapse experience. **Expense risk**: the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. **Claims risk**: refers to a) a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated, b) the risk that the Group may pay out fraudulent claims.
	Insurance risk (short-term insurance business)	**Insurance risk (short-term insurance business)**: the risk arising from the underwriting of non life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Claims risk**: refers to a) a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated, b) the risk that the Group may pay out fraudulent claims. **Concentration risk**: the risk that an event imposes significant economic strain on the financial resources of the company because of the accumulation of risks in a particular region.
	Credit	**Reinsurance counterparty risk:** concentration risk with individual reinsurers, owing to the nature of the reinsurance market.

Risk culture

Although there is significant improvement in the risk culture of the Group there is still room for improvement. The Risk Champion concept is extended to the Regional Offices, Satellite Offices and Points of Presence. The role and responsibility will focus on branch activity rather than on a specific function or discipline.

Operational risk

The Land Bank has identified a maturity level of defined that it aspires to acquire by 2016. All enterprise risk management related activities are designed to achieve this desired risk maturity level. Risk management is central to Land Bank's business. Ultimate accountability for risk lies with the Board of the Land Bank, the management of operational risk is closely monitored by the Enterprise Risk Management Division through the Operational Risk Department and the relevant risk management committees.

The Group has a risk policy and framework which are reviewed annually to ensure relevance and alignment to best practises and business changes. The maintenance and development of which is undertaken on a continuous basis in order to assist management to address systematic categories of risk associated with this.

The Group mitigates this risk through internal controls, internal audit and compliance functions. Segregation of duties exists to ensure the completeness, accuracy and validity of transactions. The following functions assist in mitigating controls:

- Regular Operational Risk Committee (ORCO) meetings are held to:
  - Monitor risk mitigating strategies;
  - Set risk management policy;
  - Facilitate communication and interaction between business units; and
  - Identify emerging risks.

- Internal audit carries out regular reviews of internal controls;
- External audit provides an independent assessment of internal financial controls relied upon to express an independent audit opinion on the annual financial statements;
- For the period under review, the Board is of the opinion that adequate resources exist to continue business and that the companies will remain a going concern in the foreseeable future; and
- Both LBLIC and LBIC maintains risk registers.

Operational risk assessments have been conducted throughout the organisation. This was to ensure that we employ a bottom up approach to our strategic risk profile.

Legal and Compliance risk

Legal and compliance risk is the risk that the company will fall foul of the insurance regulator and incur penalties for non-compliance. There have been numerous changes in the insurance regulatory environment over the past few years, which will continue to evolve in the foreseeable future, which impact on the operations of the insurance business.

On 4 November 2015 the Insurance Bill, which focuses on introducing various prudential standards with which insurers will be required to comply with, was approved by cabinet. The Financial Sector Regulation Bill, which aims to crystalise the regulator's twin peaks approach to regulatory supervision, was tabled in Parliament on 27 October 2015.

Management and the Board continue to monitor and implement these new requirements.

37.2 Credit risk

Definition

Credit risk is the risk that the Group will incur a loss as a result of its customers, clients or counterparties failing to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual / group of related counterparties, for geographical and industry concentrations by monitoring such exposures. The Group has identified a one single obligor who is in excess of the concentration limits, however this is soften by the diversified portfolio, statement of financial position and statement of profit or loss and other comprehensive income of this counterparty. The Group is aware of the consolidation that is taking place within the secondary sector of agriculture which might lead to potential breach of the set concentration limits for large exposures. The Bank monitors credit risk through the Credit Risk Monitoring Committee of management which reports to both the Risk and Credit Risk Committees of the Board.

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 applicant;
- Specific purpose of the credit facility supported by a viable business plan;
- Financial statement analysis and cash flow projections;
- Assessment of major risks and key mitigants;
- Credit checks;
- Overview of the facility and collateral;
- Mentorship and aftercare for developing farmers; and
- Signatures of credit committee members approving the transaction.

Monitoring Process

Monthly Credit Risk Monitoring Committee meetings are held to monitor the trending of:

- Loan book performance;
- 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 monitors the repayment record of its customers on an ongoing basis 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, the 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 days after quarter end, which were then settled 30 days later. Outstanding settlements are refered 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 makes use of reinsurance to:

- Access underwriting expertise;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its 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 regulates 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 as deposit premium on the quota share treaty, which is released twelve months later. A portion of the outstanding claims is also retained on the quota share accounts each quarter, which is recalcutated the following quarter.

37.2.1 Credit exposure

The Group's maximum credit exposure at 31 March was as follows:	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Asset class with asset credit risk exposure	**41 087 607**	39 591 127	**39 516 526**	39 479 369
Loans	**36 503 039**	35 174 351	**36 503 039**	36 853 475
Cash at bank	**2 507 463**	1 605 673	**2 120 577**	1 369 418
Trade and other receivables (excluding prepaid expenses)	**163 779**	174 084	**320 368**	351 256
Short-term insurance assets	**206 916**	12 311		
Repurchase agreements	**14 706**	15 720	**14 706**	15 720
Investments [1]	**1 691 704**	1 608 987	**557 836**	568 624
Asset class without asset credit risk exposure	**283 748**	278 299	**282 976**	277 505
Intangibles	**34 131**	37 162	**34 131**	37 162
Prepaid expenses	**10 640**	-	**10 640**	-
Inventory	**-**	240	**-**	240
Investment property	**106 740**	99 800	**106 740**	99 800
Long-term insurance assets	**661**	675		
Non-current assets held-for-sale	**47 622**	53 092	**47 622**	53 092
Property and equipment	**83 955**	87 330	**83 844**	87 211
Total assets per statement of financial position	**41 371 356**	38 869 425	**39 799 502**	37 756 874
Add off balance sheet items exposed to credit risk				
Guarantees issued (note 34.1)	**735 437**	514 872	**735 437**	514 872
Loan commitments (note 34.1)	**222 352**	322 170	**222 352**	322 170
Operating lease commitments - group as lessor (note 34.2.1)	**20 355**	20 355	**20 355**	20 355
	42 349 500	39 726 822	**40 777 646**	38 614 271
Maximum credit exposure - selected items	**42 065 752**	39 448 523	**40 494 670**	38 336 766

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.

[1] Included in the Group investments is an amount of R1 081.3 million (FY2015: R1 027.6 million) which relates to investments which do not have credit exposure (Bank: R295.3 million; FY2015: R296.9 million).

Gross loan book exposure by agricultural sector

2016

Corporate Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	432 760	64%	1%	32 131	86%	1%
Ostriches	197 902	29%	2%	5 070	14%	0%
Poultry	45 524	7%	0%	-	0%	0%
Total	**676 186**	**100%**	**3%**	**37 202**	**100%**	**1%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Grain	6 979 842	28%	22%	-	0%	0%
Sugar	188 219	1%	1%	-	0%	0%
Maize	4 160	0%	0%	-	0%	0%
Oil seeds	17 650 982	71%	53%	67 984	100%	3%
Tobacco	3 167	0%	0%	-	0%	0%
Wheat	-	0%	0%	-	0%	0%
Total	**24 826 371**	**100%**	**76%**	**67 984**	**100%**	**3%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Citrus fruit	673 799	28%	2%	430 975	80%	19%
Cash crops	290 929	12%	1%	39 998	8%	2%
Deciduous fruit	830 252	34%	3%	-	0%	0%
Plantations	108 800	4%	0%	20 542	4%	1%
Subtropic fruits	67 679	3%	0%	35 825	7%	2%
Wine	461 072	19%	1%	4 903	1%	0%
Total	**2 432 531**	**100%**	**7%**	**532 243**	**100%**	**24%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	3 616 682	75%	11%	1 570 459	99%	71%
Feedlot	22 349	0%	0%	-	0%	0%
Forestry products	796 073	17%	2%	-	0%	0%
Other	382 693	8%	1%	10 272	1%	1%
Total	**4 817 796**	**100%**	**14%**	**1 580 731**	**100%**	**72%**
Grand total	**32 752 884**	**100%**	**100%**	**2 150 176**	**100%**	**100%**

2015

Corporate Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	408 631	65%	1%	182 269	97%	9%
Ostriches	160 831	26%	2%	5 070	3%	0%
Poultry	57 593	9%	0%	-	0%	0%
Total	**627 055**	**100%**	**3%**	**187 339**	**100%**	**9%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Grain	7 934 879	32%	25%	3	0%	0%
Sugar	91 371	0%	0%	-	0%	0%
Maize	4 220	0%	0%	60	7%	0%
Oil seeds	16 868 562	68%	53%	782	93%	0%
Tobacco	34 331	0%	0%	-	0%	0%
Wheat	-	0%	0%	-	0%	0%
Total	**24 933 363**	**100%**	**78%**	**845**	**100%**	**0%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Citrus fruit	664 063	27%	2%	397 774	91%	20%
Cash crops	277 738	11%	1%	40 129	9%	2%
Deciduous fruit	846 395	34%	3%	547	0%	0%
Plantations	105 449	4%	0%	-	0%	0%
Subtropic fruits	73 414	3%	0%	-	0%	0%
Wine	533 808	21%	2%	1 469	0%	0%
Total	**2 500 867**	**100%**	**8%**	**439 919**	**100%**	**22%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	2 242 426	63%	7%	1 180 518	84%	58%
Feedlot	137 630	4%	0%	24 107	2%	1%
Forestry products	623 433	18%	2%	-	0%	0%
Other	542 559	15%	2%	200 311	14%	10%
Total	**3 546 048**	**100%**	**11%**	**1 404 936**	**100%**	**69%**
Grand total	**31 607 333**	**100%**	**100%**	**2 033 039**	**100%**	**100%**

2016

Commercial Development Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	1 578 636	49%	25%	157 616	67%	33%
Feedlot	7 389	0%	0%	1 210	1%	0%
Game	141 596	4%	2%	3 726	2%	1%
Goats	43 935	1%	1%	878	0%	0%
Pigs	17 430	1%	0%	3 165	1%	1%
Poultry	261 247	8%	4%	36 520	15%	7%
Sheep	1 197 439	37%	19%	31 861	14%	6%
Total	**3 247 671**	**100%**	**51%**	**234 975**	**100%**	**48%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Fodder crops	78 753	5%	1%	6 250	4%	1%
Maize	774 399	54%	13%	79 200	56%	16%
Oil seeds	82 462	6%	1%	1 152	1%	0%
Sugar cane	443 284	31%	7%	45 942	33%	9%
Cotton	1 802	0%	0%	622	0%	0%
Wheat	57 134	4%	1%	8 306	6%	2%
Total	1 437 835	100%	23%	141 472	100%	28%

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Cash crops	300 264	24%	6%	43 451	46%	9%
Citrus fruit	195 546	16%	3%	4 851	5%	1%
Deciduous fruit	253 623	20%	4%	26 157	27%	5%
Flowers	2 095	0%	0%	-	0%	0%
Hops	-	0%	0%	-	0%	0%
Nuts	131 938	11%	2%	419	0%	0%
Plantations	26 298	2%	0%	1 008	1%	0%
Subtropical fruit	28 705	2%	0%	10 381	11%	2%
Tea	13 500	1%	0%	-	0%	0%
Vineyards	298 204	24%	6%	8 934	10%	2%
Total	1 250 174	100%	21%	95 202	100%	19%

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	26 395	8%	0%	16 953	62%	3%
Ostriches	12 385	4%	0%	1 017	4%	0%
Dairy	257 533	78%	4%	512	2%	0%
Other	34 445	10%	1%	8 639	32%	2%
Total	330 758	100%	5%	27 120	100%	5%
Grand total	**6 266 438**	**100%**	**100%**	**498 769**	**100%**	**100%**

2015

Commercial Development Banking

Animal products	Total loan R'000	% Animal Products Loans	% Loan Book	Arrears R'000	% Arrears Animal Products	% Total Arrears
Cattle	1 519 634	49%	25%	92 908	54%	20%
Feedlot	14 101	0%	0%	9 350	5%	2%
Game	125 170	4%	2%	2 136	1%	0%
Goats	46 678	2%	1%	1 512	1%	0%
Pigs	17 202	1%	0%	2 338	1%	0%
Poultry	250 136	8%	4%	40 711	24%	9%
Sheep	1 138 168	36%	17%	21 769	14%	5%
Total	**3 111 089**	**100%**	**49%**	**170 724**	**100%**	**36%**

Field crops	Total loan R'000	% Field Crop Loans	% Loan Book	Arrears R'000	% Arrears Field Crops	% Total Arrears
Fodder crops	84 920	6%	1%	6 816	4%	1%
Maize	771 729	53%	12%	82 832	54%	17%
Oil seeds	73 895	5%	1%	827	1%	0%
Sugar cane	473 910	32%	8%	60 548	41%	13%
Cotton	4 501	0%	0%	609	0%	0%
Wheat	54 548	4%	1%	556	0%	0%
Total	**1 463 503**	**100%**	**23%**	**152 188**	**100%**	**31%**

Horticultural products	Total loan R'000	% Horticultural Products Loans	% Loan Book	Arrears R'000	% Arrears Horticultural Products	% Total Arrears
Cash crops	325 427	26%	6%	51 310	43%	11%
Citrus fruit	199 964	16%	3%	4 208	3%	1%
Deciduous fruit	251 008	20%	4%	24 743	20%	5%
Flowers	2 182	0%	0%	-	0%	0%
Hops	10	0%	0%	10	0%	0%
Nuts	101 043	8%	2%	418	0%	0%
Plantations	22 596	2%	0%	1 230	1%	0%
Subtropical fruit	31 041	2%	1%	12 727	10%	3%
Tea	9 838	1%	0%	21	0%	0%
Vineyards	311 672	25%	6%	28 235	23%	7%
Total	**1 254 781**	**100%**	**22%**	**122 902**	**100%**	**27%**

Miscellaneous	Total loan R'000	% Miscellaneous Loans	% Loan Book	Arrears R'000	% Arrears Miscellaneous	% Total Arrears
Agri-business	33 038	9%	1%	26 945	90%	6%
Ostriches	13 860	4%	0%	996	3%	0%
Dairy	268 487	75%	4%	465	2%	0%
Other	44 598	12%	1%	1 553	5%	0%
Total	**359 983**	**100%**	**6%**	**29 959**	**100%**	**6%**
Grand total	**6 189 356**	**100%**	**100%**	**475 772**	**100%**	**100%**

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 2016	Bonds	Cash, deposits and similar securities	Collective Investment Schemes	Net working capital assets	Total
	R'000	R'000	R'000	R'000	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 [1]	876	36 862 939	922	-	36 864 737
Not rated*	1 553	26 513	-	174 922	202 988
Total	**307 535**	**39 931 013**	**105 945**	**174 922**	**40 519 416**

31 March 2015	Bonds	Cash, deposits and similar securities	Collective Investment Schemes	Net working capital assets	Total
	R'000	R'000	R'000	R'000	R'000
AAA	151 660	78 248	27 361	-	257 269
AA+	12 780	11 495	1 174	-	25 449
AA	43 944	272 308	63 389	-	379 641
AA-	61 797	2 944	643	-	65 384
A+	25 376	1 005	3 391	-	29 772
A	26 524	2 701	402	-	29 627
A-	5 663	629 930	-	-	635 593
BBB+	4 603	-	-	-	4 603
BBB	905	941 260	-	-	942 165
BBB-	662	148 785	-	-	149 447
Other [1]	987	36 921 883	2 185	-	36 925 055
Not rated*	1 608	24 403	4 007	110 903	140 921
Total	**336 509**	**39 034 962**	**102 552**	**110 903**	**39 584 926**

[1] 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 grade. The most significant assets in this group relate to outstanding reinsurance recoveries, with an international AA- rated reinsurer, and outstanding balances from SARS in LBLIC in FY2015, which were subsequently settled in FY2016. Furthermore, the cash in the foreign call account has not been rated.

37.2.2 Credit exposure by line of business - loan book

	2016 R'000	2016 % Total	2015 Restated R'000	2015 Restated % Total
Gross loan book				
Continuing operations				
Corporate Banking	**32 752 883**	**84%**	31 607 333	82%
Commercial Development Banking	**6 266 437**	**16%**	6 189 355	16%
Total gross loan book from continuing operations	**39 019 320**		37 796 688	
Less:	**(2 665 902)**		(2 764 238)	
Suspended interest and fees	**(58 089)**		-	
Impairment provision	**(2 607 814)**		(2 764 238)	
Carrying amount of loans from continuing operations	**36 353 418**		3 032 450	
Discontinued operations				
LDFU		**0%**	630 614	2%
Total gross loan book from discontinued operations	**-**		630 614	
Less:	**(480 985)**		(488 712)	
Suspended interest and fees	**-**		(128 165)	
Impairment provision	**(480 985)**		(360 547)	
Carrying amount of loans from discontinued operations	**(480 985)**		141 902	
Balance per annual financial statements - total carrying amount (notes 10 and 11)	**35 872 433**	**100%**	35 174 352	100%

The Bank's Corporate Banking division, which provides loans to agricultural co-operatives and agri-business companies, continues to account for the bulk of the Bank's overall credit exposure. The LDFU loans constitute 2 percent (FY2015: 2 percent) of total loans and the LDFU operations have been classified as discontinued (notes 11 and 21).

37.2.3 Credit exposure by maturity - Gross loan book

Based on the maturity of the loans as disclosed in note 10 and 11, the credit exposure by maturity is as follows:

	2016 R'000	2016 % Total	2015 Restated R'000	2015 Restated % Total
Short-term	**12 868 342**	**33%**	14 663 585	39%
Medium-term	**9 082 557**	**23%**	7 037 678	19%
Long-term	**16 873 417**	**43%**	15 725 285	42%
	38 824 315	**100%**	37 426 548	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 R16.9 billion (FY2015: R15.7 billion).

Credit exposure by geographic/regional distribution

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	413 813	92 848	4 096 704	10%
KwaZulu-Natal	800 910	341 901	439 980	1 594 158	4%
Mpumalanga	7 249 646	643 894	-	7 893 540	20%
Northern Cape	2 699 352	1 211 038	-	3 916 794	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	764 997	-	3 688 281	9%
Gross loan book	**32 752 884**	**6 266 437**	**630 605**	**39 649 926**	**100%**

2015 Province	Corporate Banking R'000	Commercial Development Banking R'000	LDFU R'000	Total R'000	Total %
Eastern Cape	619 116	924 418	-	1 543 534	4%
Free State	3 322 446	981 449	-	4 303 895	11%
Gauteng	4 261 430	390 903	92 857	4 745 190	12%
KwaZulu-Natal	222 504	368 162	439 980	1 030 646	3%
Mpumalanga	6 669 840	624 225	-	7 294 065	19%
Northern Cape	1 846 772	1 166 084	-	3 012 856	8%
Limpopo	50 300	304 581	-	354 881	1%
North West	11 381 204	688 434	97 777	12 167 415	32%
Western Cape	3 233 721	741 099	-	3 974 820	10%
Gross loan book	**31 607 333**	**6 189 355**	**630 614**	**38 427 302**	**100%**

37.2.4 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 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 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.

Methods, inputs, assumptions and estimation techniques used to measure expected credit losses

Land Bank has early adopted IFRS 9 for the year that ended 31 March 2016. In the current year there have been no changes to expected credit losses as this is the first 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.	Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on migration, seasoning and cyclicality effects. 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. A criterion for SICR based on PDs has not yet been taken into account, as no accurate historic PDs per client are available. This has been earmaked as model refinement for FY2017 with the introduction of the new rating model.	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. the worst stage of all loans is assumed to be the correct stage for all loans of the same client.	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.
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 not to be prudent 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 methodoly. 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, including significant credit risk concerntrations please see note 37.2.

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; and
- Obligor's bankcruptcy 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 realization 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 has been met. Any recoveries due to enforecement activities are treateed as bad debt recoveris in the year which such recoveries are made.

Modification

With the initial adoption of IFRS 9, there have not been any modifications within the groups portfolio. Therefore there have been no derecognitions in this regard, nor instances where the ECL allowances equal to lifetime ECL have improved to the extend that ECL reverted back to 12 month ECL.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year that ended 31 March 2016

Loss allowance: expected credit losses

		Loss allowance measured at amount equal to lifetime expected credit losses			
	Loss allowance measured at amount equal to 12-month expected credit losses	Financial instruments for which credit risk has increased significantly, but not credit-impaired	Financial assets that are credit-impaired	Loss allowance for trade receivables, contract assets, lease receivables	Purchased or originated credit impaired financial assets [3]
Opening balance	203 746	576 235	1 852 063	-	-
Changes from 12-month expected credit losses to lifetime expected credit losses [1]	-	-	-	-	-
Modifications [2]	-	-	-	-	-
Write-offs	-	-	(155 685)	-	-
- Statement of financial position write off (utilisation)	-	-	(136 085)	-	-
- Statement of comprehensive income write off	-	-	(19 600)	-	-
Net impairement raised/ (released) to the statement of comprehensive income	(21 432)	906 865	(753 978)	-	-
Closing balance	182 314	1 483 100	942 400	-	-

[1] As this is first time IFRS 9 adoption there have been no changes from 12-month expected losses to lifetime expected credit losses.

[2] There have been no modifications during the year.

[3] There have been not purchases or originations of credit impaired financial assets during the year.

37.3 Liquidity risk

Definition

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they become due and payable.

Liquidity risk can develop when short-term assets cannot be readily converted into cash to match the net outflow of liabilities. The liquidity situation of the Bank is captured by the maturity profile of projected uses and sources of funds. These determine the time profile of the "gap" between uses and sources of funds. The magnitude of these gaps, and their stability over time, provide an overall image of its liquidity position.

The Group faces the following types of liquidity risk:

- Funding of the Bank's asset growth;
- Insurance claims which are due for payment; and
- A net withdrawal of funds.

Control and management

The following control measures are in place:

- The Bank aims to introduce the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) measurements as informed by Basel principles with effect from 1April 2016.
- A liquidity committee meets on a monthly basis to determine the required liquidity levels.
- Active and detailed monitoring of clients cash flow requirements.
- The Bank reviews its treasury policies in line with market best practices on an annual basis.
- Actively attracting new investors and funding sources.
- Increased investor limits and appetite.
- A Domestic Medium Term Note (DMTN) programme.
- Active management of maturities.

Monitoring the liquidity position

The Asset and Liability Management Committee (ALCO) monitors the Group's liquidity and maturity mismatches. ALCO reviews the quality of funding and ensures that the sources of funding are adequately diversified. It is the Bank's policy to maintain an adequate liquidity buffer to meet its cash flow requirements.

The Bank manages its liquidity requirements by the issuance of call bonds, Land Bank bills, Land Bank debentures and promissory notes. Loans, undrawn facilities and committed overdraft facilities are also available to the Bank should the need for additional funding arise.

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 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 quarerly, 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 volitility of crop business.

Liquidity risk of the Bank 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 calculations will be adjusted to reflect the required Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as determined by Basel principles.

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.

The tables below summarise the maturity analysis for financial liabilities:	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Financial liabilities				
Trade and other payables	**383 547**	647 720	**188 180**	605 648
Short-term insurance liabilities	**299 009**	82 454	**-**	-
Market-making liabilities	**-**	-	**-**	-
Long-term policyholder liability	**35 787**	33 097	**-**	-
Funding and liabilities at amortised cost	**33 156 039**	31 671 833	**33 156 039**	31 671 833
Post-retirement obligation	**323 552**	297 780	**323 552**	297 780
Total financial liabilities	**34 197 934**	32 732 884	**33 667 771**	32 575 261

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for the year that ended 31 March 2016

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	Open ended R'000	Total R'000
Other financial liabilities								
Trade and other payables (excluding Deferred Income)	135 526	-	-	5,677	11 098	2 234	32 703	**187 238**
Funding at amortised cost [1]	14 174 278	773 594	2 014 599	1 693 094	9 328 010	4 538 901	633 565[2]	**33 156 039**
Post-retirement obligation	-	-	-	-	-	323 552	-	**323 552**
Bank at 31 March 2016	**14 310 746**	**773 594**	**2 014 599**	**1 698 771**	**9 339 108**	**4 864 686**	**666 268**	**33 666 829**
Less: intercompany loan (LBLIC)	-	-	-	-	(285 096)	-	-	**(285 096)**
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	**14 518 669**	**1 034 184**	**2 050 053**	**1 700 327**	**9 363 088**	**4 867 770**	**666 268**	**34 199 417**

[1] Refer to note 8 for the split of the funding liabilities

[2] Refer callable deposits

2015 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	Open ended R'000	Total R'000
Financial liabilities at fair value through profit or loss								
Funding at fair value through profit or loss [1]	-	-	-	-	5 803 130	500 168	-	**6 303 298**
Other financial liabilities								
Trade and other payables	557 389	-	-	9 101	7 568	2 234 [2]	29 356	**605 648**
Funding at amortised cost [1]	10 228 095	4 513 656	2 912 764	4 311 813	2 817 303	87 500	497 404	**25 368 535**
Post-retirement obligation	-	-	-	-	-	297 780	-	**297 780**
Bank at 31 March 2015	**10 785 484**	**4 513 656**	**2 912 764**	**4 320 914**	**8 628 001**	**887 682**	**526 760**	**32 575 261**
Less: intercompany loan (LBLIC)	-	-	-	-	(283 797)	-	-	**(283 797)**
Less: intercompany loan (LBIC)	(3 436)	-	-	-	-	-	-	**(3 436)**
LBLIC								
Other financial and insurance liabilities								
Trade and other payables	7 754	2 151	428	-	283 622	-	-	**293 955**
Short-term insurance liabilities	-	-	109	-	-	-	-	**223**
Long-term policyholders' liabilities	2 685	1 335	4 659	1 335	20 483	2 600	-	**33 097**
LBIC								
Other financial and insurance liabilities								
Trade and other payables	35 174	-	-	-	176	-	-	**35 350**
Short-term insurance liabilities	67 443	13 874	-	-	838	76	-	**82 231**
Group at 31 March 2015	**10 895 104**	**4 531 016**	**2 918 074**	**4 322 249**	**8 649 323**	**890 358**	**526 760**	**32 732 884**

[1] Refer to note 18 for the split of the funding liabilities
[2] Represents callable deposits

37.4 Market risk

Definition

Market risk is the risk of adverse deviations of the mark-to-market value of the trading portfolio during the period required to liquidate the transactions. Market risk exists for any period of time.

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).

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.

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 for March 2016 was 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 2016:

Bank	31 March 2016		31 March 2015	
Incremental change in yield	Net interest income	Effect on equity R'000	Net interest income R'000	Effect on equity R'000
	R'000	R'000	R'000	R'000
Expected NII	**1 354 000**	**-**	1 200 530	-
Potential movement: 100 Basis point up	**1 480 000**	**126 000**	1 290 300	90 000
Potential movement: 100 Basis point down	**1 227 000**	**(126 000)**	1 110 750	(90 000)

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:

	Impact on the statement of profit or loss and other comprehensive income	
LBLIC	31 March 2016	31 March 2015
	R'000	R'000
Incremental change in yield		
100 Basis Points decrease	**15 275**	10 989
100 Basis Points increase	**(14 365)**	(10 266)

A portion of the assets backing policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents.

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 2016) 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
2016				
Individual stocks and indices	**10**	**80 558**	**10**	**29 809**
2015				
Individual stocks and indices	10	76 016	10	28 444

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 2016	31 March 2015
	R'000	R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	**(57 899)**	(56 133)
5% decrease	**(28 949)**	(28 067)
5% increase	**28 949**	28 067
10% increase	**57 899**	56 133
Including the impact of derivatives		
10% decrease	**(51 482)**	(51 097)
5% decrease	**(25 741)**	(25 548)
5% increase	**25 741**	25 548
10% increase	**51 482**	51 097

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 make use of currency derivatives to limit the currency exposure of instruments in the pooled funds to United Stated Dollars. The following rand value of assets denominated in foreign currencies are included in the statement of financial position:

Group	United States Dollar US$'000	Total R'000
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**

Group	United States Dollar US$'000	Total R'000
31 March 2015		
Equities - USD base currency unit trusts	11 886	144 016
Cash, deposits and similar securities	766	9 282
Hedge funds	1 769	21 433
Foreign currency exposure	14 421	174 731
Exchange rates (ZAR:USD):		
Closing rate - 31 March 2015	12.12	0.08
Average rate	11.32	0.09

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 2016 R'000	31 March 2015 R'000
Incremental change in yield		
USD		
10% decrease	**(22 197)**	(17 473)
5% decrease	**(11 098)**	(8 737)
5% increase	**11 098**	8 737
10% increase	**22 197**	17 473

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 2016					
As at 31 March 2016: Base	**3 543 750**	**128 665**	**191 974**	**36 363 508**	**-**
Potential movement: -5%	**3 703 026**	**193 501**	**191 974**	**36 587 620**	**224 112**
Potential movement: 5%	**3 656 935**	**(188 179)**	**191 974**	**36 159 849**	**(203 659)**
31 March 2015					
As at 31 March 2015: 5%	3 106 718	212 618	(130 879)	36 870 320	-
Potential movement: 10%	3 116 797	233 966	(129 695)	36 902 931	32 611
Potential movement: 0%	3 096 640	191 270	(132 063)	36 837 709	(32 611)

37.5 Insurance risk

37.5.1 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 programme 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 programme 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 2016, 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 2016, 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).

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%)

2015			**Value**	**Change**	
Policyholders' liability			**R'000**	**R'000**	**%**
Base value			**32 422**		
Investment return	+1%	from 6.05% to 7.05%	31 057	(1 420)	(4.37%)
	-1%	from 6.05% to 5.05%	34 057	1 580	4.86%
Mortality	+10%	1.1 x mortality	35 039	2 561	7.89%
	-10%	0.9 x mortality	29 863	(2 615)	(8.05%)
Expenses	+10%	from 55.0% to 60.5%	35 298	2 820	8.68%
	-10%	from 55.0% to 49.5%	29 698	(2 780)	(8.56%)

37.5.2 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.

The short-term run-off on the crop portfilio in LBLIC is in the fourth year off run-off, so the company does not expect any further transactions on the portfolio, other than the release of the IBNR.

37.5.2.1 Pricing

Both LBLIC and LBIC base their pricing policy on the theory of probability, with consideration to historical claims data. Acquisition and administration costs, as well as reinsurance costs are included in the pricing considerations as well as a profit loading for the cost of capital. Underwriting limits are set for the underwriting manager and brokers. Underwriting performance is monitored continuously and the pricing is adjusted accordingly. Risk factors considered as part of the review include factors such as the type of asset covered and the related commodity price, past loss experiences and risk measures taken by the insured.

The net claims ratio for LBLIC and LBIC, which are important in monitoring insurance risk are summarised below:

Loss history	2016	2015
LBLIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	**N/A**	476%
LBIC: Net insurance benefits and claims on short-term business expressed as a % of net earned premiums	**(78%)**	(98%)

As the LBLIC short-term portfolio is in the fourth year of run-off, the main effect of claims has been the release of claims reserves. No new policies have been issued since June 2012.

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.

37.5.2.2 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.

As the LBLIC short-term portfolio is in the fourth year of run-off, no new claims are expected. Legal fees were incurred in the current and prior reporting period for a claim reported but not taken up.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2016, both LBLIC and LBIC believe that their liabilities for claims are adequate.

37.5.2.3 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:

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; and
- 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 300% 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.

37.5.2.4 Concentration risk

Investment portfolio concentration risk

The allocation of investment portfolio as at 31 March was as follows:

	2016		2015	
Asset classes	**R'000**	**%**	**R'000**	**%**
Equities - local	**541 785**	**41%**	531 906	43%
Resources	**86 686**	***16%***	79 786	*15%*
Financials	**146 282**	***27%***	175 529	*33%*
Industrials	**308 817**	***57%***	276 591	*52%*
Commodities - local	**33 064**	**2%**	26 170	2%
Bonds - local*	**259 811**	**19%**	260 975	21%
Fixed Interest	**150 690**	***58%***	144 188	55%
Floating Rate	**59 757**	***23%***	61 981	24%
Inflation Linked	**48 065**	***18%***	50 890	19%
Other	**1 299**	***0%***	3 915	2%
Cash, deposits and similar securities - local	**273 136**	**21%**	239 413	20%
Investment policy - property	**4 136**	**0%**	3 256	0%
Foreign assets	**221 966**	**17%**	178 676	14%
Total LBLIC	**1 333 898**	**100%**	1 240 396	100%

* The comparative disclosures have been realigned to conform to the FY2016 presentation.

8.82% of the portfolio was held in RSA Central Government bonds as at 31 March 2016 (FY2015: 8.72%)

6.91% of the portfolio was held in an Investec Money Market fund as at 31 March 2016 (FY2015: 6.92%)

5.08% of the portfolio was held in an Investec Global Equity Fund as at 31 March 2016 (FY2015 : 4.87%)

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 2016.

	2016		2015	
Asset classes	**Lower bound**	**Upper bound**	**Lower bound**	**Upper bound**
Equities - local	**30%**	**50%**	30%	50%
Bonds - local	**15%**	**35%**	20%	40%
Cash, deposits and similar securities - local	**10%**	**30%**	10%	30%
Foreign assets	**5%**	**25%**	5%	15%

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, with a small run-off portfolio of short-term insurance (crop) business.

Gross written premium by business - LBLIC

Portfolio	2016 R'000	2015 R'000
Long-term insurance	**5 312**	6 178
Short-term insurance	**-**	(159)
	5 312	6 019

Short-term insurance concentration risk (run off)

The company monitored the short-term insurance concentration risk by class of business and geographical segment.

Short-term insurance gross written premium by class of business (run off)

Portfolio	2016 R'000	2015 R'000
Hail summer	**-**	-
Hail winter	**-**	-
Horticulture	**-**	-
Multi-peril winter	**-**	(159)
	-	(159)

Short-term insurance gross written premium by geographical segment (run off)

Portfolio	2016 R'000	2015 R'000
Northern Cape	**-**	-
Limpopo/ Mpumalanga/ Gauteng	**-**	-
Western Cape	**-**	(159)
	-	(159)

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

Portfolio	2016 R'000	2015 R'000
Declining term	**4 464**	5 514
Level term	**848**	664
	5 312	6 178

Long-term insurance gross written premium by age bands

Portfolio	2016 R'000	2015 R'000
20 - 29	1	13
30 - 39	127	156
40 - 49	381	435
50 - 59	1 427	1 667
60 - 69	2 029	2 578
70+	1 348	1 329
	5 313	6 178

Portfolio	2016			2015		
	Number	Value R'000	Average R'000	Number	Value R'000	Average R'000
20 - 29	1	78	78	7	3 075	439
30 - 39	46	25 201	548	65	28 636	441
40 - 49	246	61 500	250	295	66 375	225
50 - 59	539	121 275	225	637	131 859	207
60 - 69	482	101 220	210	562	116 896	208
70+	203	30 810	152	206	32 911	160
	1 517	340 084	224	1 772	379 752	214

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

Portfolio	2016 R'000	2015 R'000
Short-term insurance (crop)	403 625	137 503
Short-term insurance (assets)	2 238	878
	405 863	138 381

Short-term crop insurance gross written premium by class of business

Portfolio	2016 R'000	2015 R'000
Hail summer	281 893	85 934
Meilies	151 533	33 002
Beans	96 938	41 417
Other	33 422	11 515
Hail winter	42 061	21 033
Horticulture	35 160	15 497
Multi-peril summer	39 134	13 468
Multi-peril winter	5 377	1 571
	403 625	137 503

Multiperil is limited to 15% of the total crop portfolio.

Short-term asset insurance gross written premium by class of business

Portfolio	2016 R'000	2015 R'000
Motor	1 220	494
Non-motor	1 018	384
	2 238	878

Short-term crop insurance gross written premium by geographical segment

Portfolio	2016 R'000	2015 R'000
Northern Cape	32 720	16 867
KwaZulu-Natal	71 598	23 810
Eastern Cape	25 309	7 905
Mpumalanga/ Gauteng	104 816	19 016
Limpopo	25 209	9 554
Free State	103 516	44 625
North West	31 835	13 044
Western Cape	8 622	2 682
	403 625	137 503

37.6 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 (CAR) - Insurance activities

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 (CAR).

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 June 2016.

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 which is expected to become effective in 1 January 2017. This measure is called the Solvency Capital Adequacy Requirement (or SCR).

One of the requirements of SAM is that all insurance companies conduct an ORSA (Own Risk Solvency Assessment) 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 long-term insurance license was issued by the FSB in the prior financial year, in July 2013. The short-term insurance licence was issued in the current financial period, in April 2014. The company meets the minimum CAR requirements as per the Long-term Act. As the short-term business is in the third year of run-off, no CAR has been calculated.

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) - R3.4 million (FY2015: R3.6 million); or
- Minimum CAR (MCAR) - Higher of R10.0 million and 13 weeks' operating expenditure (R1.6 million; FY2015: R2.6 million).

CAR for long-term insurance is calculated to be R10.0 million (FY2015: R10.0 million).

Excess assets over liabilities, on a statutory basis, are R 944.7 million (FY2015: R951.7 million). CAR cover remains strong at 106.8 times (FY2015: 95.2 times) on the statutory requirements, which means that the Life Insurance Company is well capitalised.

For the short-term legacy run-off insurance portfolio (in LBLIC), no CAR has been raised (FY2015: 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 R15.7 million (FY2015: R17.6 million);
- 13 weeks' operating expenditure, which amounts to R12.9 million (FY2015: R25.7 million);
- The Solvency Capital Adequacy Requirements (SCR) risk based CAR which is calculated to be R34 million (FY2015: R40.9 million).

The CAR for short-term insurance is calculated to be R34 million (FY2015: R40.9 million).

Excess assets over liabilities, on a statutory basis, are R 102.9 million (FY2015: R157 million). This yields a CAR cover of 3.02 times (FY2015: 2.0 times) on the statutory requirements, which means that the LBIC is well capitalised.

Capital Adequacy Requirements (CAR) - the Land Bank

The legacy capital adequacy ratio of the Bank was an imposed ratio that only took into consideration the amount of equity, divided by funding liabilities which is a measurement of gearing and was completely risk insensitive. This ratio was independent from the funding profile of the Bank and agnostic to whether the Bank grew its assets in a risk responsible fashion. For this reason, the Bank decided to adopt the Basel II Standardised Approach to determine the amount of capital needed to ensure solvency and liquidity. The Bank will target a minimum total capital adequacy ratio of 15%. Basel II 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.

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: Assumed nil; 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 Advanced Internal Ratings Based (A-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Bank will further seek to strengthen its capital management by adopting the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as proposed by Basel III, with effect 1 April 2016.

Capital adequacy	**2016** **R'000**	**2015** **R'000**
Total capital adequacy	18.8%	26.1%

Capital supply	**2016** **R'000**	**2015** **R'000**
Ordinary shareholders' equity	4 397 655	4 397 655
Retained earnings	1 244 562	1 137 442
Accumulated other comprehensive income	135 072	134 775
Property revaluation reserve	134 224	127 928
Other reserves	848	6 847
Common Equity Tier 1 (CET1) Capital: Instruments And Reserves	**5 777 288**	**5 669 872**
Distributable reserves relating to the discontinued operation	(718 472)	(682 865)
Intangible assets	(34 131)	(37 162)
Common Equity Tier 1 Capital: Regulatory Adjustments	**(752 603)**	**(720 027)**
Total available Common Equity Tier 1 capital	**5 024 685**	**4 949 845**

	2016 R'000	2015 R'000
Tier 2 capital		
General allowance for credit impairment	524 079	492 387
Portfolio provisions	1 655 324	767 035
1.25% of Credit RWA	524 079	492 387
Total available Tier 2 capital	**524 079**	**492 387**
Total available capital	**5 548 764**	**5 442 232**
National Treasury guarantee [1]	**2 800 000**	**5 500 000**

Capital demand	2016 R'000	2015 R'000
Risk weighted assets		
Credit risk	41 794 795	39 250 517
Operational risk	1 697 529	1 656 728
Equity risk	324 400	309 628
Market risk	-	-
Other assets risk	131 546	140 422
Threshold items	500 075	500 075
Total	**44 448 345**	**41 857 370**

[1] Refer to the Note 35 on Related Parties

37.7 Carrying amount and fair value of financial instruments

Group	2016 Carrying amount R'000	2016 Fair value R'000	2015 Carrying amount R'000	2015 Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**14 706**	**14 706**	15,720	15 720
Investments	**1 691 704**	**1 691 704**	1 608 987	1 608 987
Loans and receivables				
Cash and cash equivalents	**2 507 463**	**2 507 463**	1 605 673	1 605 673
Trade and other receivables	**174 419**	**174 177**	174 084	173 843
Loans and advances	**36 503 039**	**36 503 039**	36 853 475	36 853 475
Total financial assets	**40 891 331**	**40 891 091**	40 257 939	40 257 699
Financial liabilities				
Fair value through profit or loss				
Funding - debentures and floating rate notes	-	-	6 303 298	6 303 298
Financial liabilities at amortised cost				
Trade and other payables	**383 547**	**383 547**	647,720	647,720
Funding	**33 156 039**	**33 939 565**	25 368 535	25 368 535
Provisions	**206 917**	**206 917**	197 903	197 903
Post-retirement obligation	**323 552**	**323 552**	297 780	297 780
Policyholders' liabilities	**35 787**	**35 787**	33 097	33 097
Total financial liabilities	**34 105 843**	**34 889 368**	32 848 333	32 848 333

Bank	2016 Carrying amount R'000	2016 Fair value R'000	2015 Carrying amount R'000	2015 Fair value R'000
Financial assets				
Fair value through profit or loss				
Repurchase agreements	**14 706**	**14 706**	15,720	15,720
Investments	**557 836**	**557 836**	568,624	568,624
Loans and receivables:				
Cash and cash equivalents	**2 120 577**	**2 120 577**	1 369 418	1 369 418
Trade and other receivables	**331 007**	**330 766**	351 256	351 015
Loans and advances	**36 503 039**	**36 503 039**	36 853 475	36 853 475
Total financial assets	**39 527 166**	**39 526 924**	39 158 493	39 158 252
Financial liabilities				
Fair value through profit or loss				
Funding - debentures and promissory notes	-	-	6 303 298	6 303 298
Financial liabilities at amortised cost				
Trade and other payables	**1 88 180**	**188 180**	605 648	605 648
Funding	**33 156 039**	**33 939 565**	25 368 535	25 368 535
Provisions	**204 822**	**204 822**	194 605	194 605
Post-retirement obligation	**323 552**	**323 552**	297 780	297 780
Total financial liabilities	**33 872 593**	**34 656 118**	32 769 866	32 769 866

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.

37.7.1 Determination of fair value and fair value hierarchy

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Included in level 3 category are financial assets and liabilities that are measured using valuation techniques that incorporate information other than observable market data. Reasonable assumptions are made for significant inputs which are based on market conditions.

31 March 2016	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Bank				
Repurchase agreements	14 706	-	-	**14 706**
Equities	174 412	-	-	**174 412**
Real estate	56 322	-	-	**56 322**
Commodities	3 563	-	-	**3 563**
Bonds	33 594	-	-	**33 594**
Cash deposits and similar securities	-	25 272	-	**25 272**
Foreign equities	-	63 794	-	**63 794**
Investment in Capespan Capital (Pty) Ltd	-	-	849	**849**
Investment in Renaissance Brands (Pty) Ltd	-	-	-	**-**
LBLIC				
Equities	474 424	-	-	**474 424**
Commodities	33 064	-	-	**33 064**
Bonds	259 811	-	-	**259 811**
Collective investment schemes	44 742	309 826	-	**354 568**
Equity - foreign unit trusts	-	164 638	-	**164 638**
Balanced fund - foreign	-	41 292	-	**41 292**
Interest bearing instruments	-	103 896	-	**103 896**
Property - listed shares	44 742	-	-	**44 742**
Money market instruments	-	53 274	-	**53 274**
Investment policy	-	33 986	-	**33 986**
Total financial assets	**1 094 639**	**486 152**	**849**	**1 581 639**
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	53 617	**53 617**
Investment properties	-	-	106 740	**106 740**
Property and equipment	-	-	75 648	**75 648**

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
LBLIC				
Non-current assets held-for-sale	-	-	-	-
Investments	-	-	-	-
Investment properties	-	-	-	-
Property and equipment	-	-	-	-
Total non-financial assets	-	-	236 005	236 005
Financial liabilities				
Bank				
Development Financing Institutions	-	988 611	-	**988 611**
Floating rate notes - LBK03	1 001 630	-	-	**1 001 630**
Floating rate notes - LBK05	749 443	-	-	**749 443**
Floating rate notes - LBK06	1 133 677	-	-	**1 133 677**
Floating rate notes - LBK07	387 038	-	-	**387 038**
Floating rate notes - LBK08	324 974	-	-	**324 974**
Fixed rate notes - LBK11	473 290	-	-	**473 290**
Fixed rate note - LBK12U	-	195 134	-	**195 134**
3-year Syndicated Loan	-	1 020 490	-	**1 020 490**
5-year Syndicated Loan	-	500 231	-	**500 231**
Fixed rate notes - LBK13	-	499 825	-	**499 825**
Fixed rate notes - LBK14U	500 000	-	-	**500 000**
3-year Bullet Term Loan	775 945	-	-	**775 945**
6-year Bullet Term Loan	-	1 599 968	-	**1 599 968**
7-year Amortising Loan	-	1 061 319	-	**1 061 319**
Post-retirement obligation	-	-	323 552	**323 552**
LBLIC				-
Policyholders' liabilities	-	-	34 429	**34 429**
Total financial liabilities	**5 345 999**	**5 865 578**	**357 982**	**11 569 556**

31 March 2015	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Bank				
Repurchase agreements	15 720	-	-	**15 720**
Equities	162 231	-	-	**162 231**
Real estate	49 946	-	-	**49 946**
Commodities	13 051	-	-	**13 051**
Bonds	62 185	-	-	**62 185**
Cash deposits and similar securities	-	10 118	-	**10 118**
Foreign equities	-	59 215	-	**59 215**
Investment in Free State Maize (Pty) Ltd	-	-	11 416	**11 416**
Investment in Capespan Capital (Pty) Ltd	-	-	432	**432**
Investment in Renaissance Brands (Pty) Ltd	-	-	-	-

	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
LBLIC				
Equities	449 547	-	-	**449 547**
Commodities	26 170	-	-	**26 170**
Bonds	259 204	-	-	**259 204**
Collective investment schemes	52 345	260 881	-	**313 226**
Equity - foreign unit trusts	-	144 016	-	**144 016**
Balanced fund - foreign	-	21 433	-	**21 433**
Interest bearing instruments	-	95 432	-	**95 432**
Property - listed shares	52 345	-	-	**52 345**
Money market instruments	-	61 607	-	**61 607**
Investment policy	-	44 304	-	**44 304**
Total financial assets	**1 090 399**	**436 125**	**11 848**	**1 538 372**
Non-financial assets				
Bank				
Non-current assets held-for-sale	-	-	53 092	**53 092**
Investment properties	-	-	99 800	**99 800**
Property and equipment	-	-	76 798	**76 798**
Total non-financial assets	**-**	**-**	**229 690**	**229 690**
Financial liabilities				
Bank				
Development Financing Institutions	-	500 168	-	**500 168**
Floating rate notes - LBK03	1 001 584	-	-	**1 001 584**
Floating rate notes - LBK05	748 952	-	-	**748 952**
Floating rate notes - LBK06	1 134 679	-	-	**1 134 679**
Floating rate notes - LBK07	387 308	-	-	**387 308**
Floating rate notes - LBK08	326 230	-	-	**326 230**
Fixed rate notes - LBK11	484 393	-	-	**484 393**
Fixed rate note - LBK12U	-	199 860	-	**199 860**
3-year Syndicated Loan	-	1 020 083	-	**1 020 083**
5-year Syndicated Loan	-	500 041	-	**500 041**
Post-retirement obligation	-	-	297 780	**297 780**
LBLIC				**-**
Policyholders' liabilities	-	-	31 747	**31 747**
Total financial liabilities	**4 083 146**	**2 220 152**	**329 527**	**6 632 825**

37.7.2 Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy

	Designated at fair value through OCI				
	Capespan Capital (Pty) Ltd	Free State Maize (Pty) Ltd	Renaissance Brands (Pty) Ltd	Unlisted shares held by insurance companies	Total
	R'000	R'000	R'000	R'000	R'000
Unquoted Equity Shares					
As at 31 March 2014	**304**	**15 100**	**-**	**-**	**15 404**
Purchases	-	-	-	-	-
Re-measurement recognised in OCI	128	(3 685)	-	-	(3 557)
Disposal	-	-	-	-	-
As at 31 March 2015	**432**	**11 415**	**-**	**-**	**11 847**
Re-measurement recognised in OCI	416	(11 415)	-	-	(10 999)
Disposal	-	-	-	-	-
As at 31 March 2016	**848**	**-**	**-**	**-**	**848**

Refer to note 9.3

	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 2014	**52 567**	**84 400**	**77 397**	**214 362**
Purchases	3 300	-	-	3 300
Fair value adjustment for recognised in the statement of profit or loss	(982)	15 400	-	14 418
Re-measurement recognised in OCI	-	-	(599)	(599)
Disposal	(1 793)	-	-	(1 793)
As at 31 March 2015	**53 092**	**99 800**	**76 798**	**229 688**
Purchases	3 300	-	-	3 300
Fair value adjustment for recognised in the statement of profit or loss	(982)	1 253	-	271
Re-measurement recognised in OCI	-	-	4 650	4 650
Reclassification from property and equipment to investment property	-	5 687	(5 800)	(113)
Disposal	(1 793)	-	-	(1 793)
As at 31 March 2016	**53 617**	**106 740**	**75 648**	**236 003**
Refer to notes:	8	13	14	

Policyholders' liabilities	Group	
	2016	2015
	R'000	R'000
Present value of policy liabilities	**33 243**	30 726
Plus: Present value of future expenses	**22 335**	21 647
Less: Present value of future premiums	**(27 615)**	(28 921)
Liability excluding AIDS reserve	**27 963**	23 452
Plus: AIDS reserve	**1 211**	1 147
Plus: Expense overrun reserve	**5 255**	7 148
Total long-term policyholders' liability excluding IBNR and notified claims	**34 429**	31 747

Refer to note 17.1

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Post-retirement obligation	**297 780**	297 780	**297 780**	297 780
Movement in the present value of the benefit obligations:				
Defined benefit obligation at 1 April	**267 453**	267 453	**297 780**	267 453
Service costs	**3 990**	3 990	**4 204**	3 990
Interest cost	**24 051**	24 051	**23 202**	24 051
Recognised actuarial loss/(gain)	**16 746**	16 746	**17 481**	16 746
Benefits paid	**(14 460)**	(14 460)	**(16 065)**	(14 460)
Curtailment	**(3 051)**	-	**(3 051)**	-
Defined benefit obligation at 31 March	**294 729**	297 780	**323 552**	297 780

Refer to note 20

37.7.3 Description of significant inputs to level 2 valuations

As at 31 March 2016

Loan	Valuation Technique	Significant Adjusted Observable Inputs
Development financing institutions	Discounted cash flow method	Discounting spread of 34 basis points used on the 3 month JIBAR.
3-year syndicated loan	Discounted cash flow method	Discounting spread of 175 basis points used on the 3 month JIBAR.
5-year syndicated loan	Discounted cash flow method	Discounting spread of 190 basis points used on the 3 month JIBAR.
Fixed rate note - LBK12U	Discounted cash flow method	Discounting spread of 260 basis points used on the 3 month JIBAR.
3-year Syndicated loan	Discounted cash flow method	Discounting spread of 170 basis points used on the 3 month JIBAR.
5-year Syndicated loan	Discounted cash flow method	Discounting spread of 195 basis points used on the 3 month JIBAR.
3-year Bullet Term loan	Discounted cash flow method	Discounting spread of 225 basis points used on the 3 month JIBAR.
6-year Bullet Term loan	Discounted cash flow method	Discounting spread of 235 basis points used on the 3 month JIBAR.
7-year Amortising loan	Discounted cash flow method	Discounting spread of 225 basis points used on the 3 month JIBAR.

As at 31 March 2015

Loan	Valuation Technique	Significant Adjusted Observable Inputs
Development financing institutions	Bond Pricing formula	Discounting spread of 34 basis points used. The Bank used the credit spread of the most liquid listed debt from other listed debt secured by the South African government to derive the 34 basis points discounting spread. The closest bond that was obtained is the ES26 that matures on 2 April 2026. The spread as on valuation date equals 0.61%. The following adjustments were made to the ES26 spread: • A decrease of 12 basis points for regulatory risk due to a relaxation of regulatory requirements compared to other SOEs; • A further decrease of 15 basis points was applied for reporting lines of the Land Bank – which reports directly to the National Treasury, which is more direct than other SOEs who report to other departments that in turn reports to the National Treasury; • A decrease of 10 basis points was applied due to less financial risks faced by the Land Bank relative to other SOEs (they do not face direct commodity and FX risks); and • A final increase of 10 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment. Given the above, it can be concluded that the spread was derived from an input observed in the market.
3-year syndicated loan	Bond Pricing formula	Discounting spread of 175 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the 175 basis points discounting spread. The benchmark bond that was used was the LBK07 that matures on 16 September 2017. The spread as on valuation date equals 135 basis points. The following adjustments were made to the LBK07 spread: • An increase of +25 basis points for organisation risk due to the time it took for the Land Bank to appoint its permanent CEO; • A further increase of +5 basis points for covenant risk was factored due to the capital adequacy ratio of 20% as part of government's guarantee condition; and • A final increase of +10 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment.

5-year syndicated loan	Bond Pricing formula	Discounting spread of 190 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the 190 basis points discounting spread. The benchmark bond that was used was the LBK05 that matures on 28 February 2019. The spread as on valuation date equals 135 basis points. The following adjustments were made to the LBK05 spread: • An increase of +25 basis points for organisation risk due to the time it took for the Land Bank to appoint its permanent CEO. Given the above, it can be concluded that the spread was derived from an input observed in the market.
Fixed rate note - LBK12U	Discounted Cash Flow	Discounting spread of +260 basis points used. The Bank used the credit spread of the most liquid listed debt from its listed debt to derive the +260 basis points discounting spread. The benchmark bond that was used was the LBK11 that matures on 28 November 2019. The spread as on valuation date equals 265 basis points. The following adjustments were made to the LBK11 spread: • A further decrease of 15 basis points was applied for reporting lines of the Land Bank – which reports directly to the National Treasury, which is more direct than other SOEs who report to other departments that in turn reports to the National Treasury; and • A final increase of 10 basis points for sector specific risks was done due to the concentration risk faced by the Land Bank in the financing environment. Given the above, it can be concluded that the spread was derived from an input observed in the market.

37.7.4 Description of significant unobservable inputs to level 3 valuations

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 PE multiples 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

Property and equipment	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	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
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

Non-current assets held-for-sale	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
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.:	R 20 000	
		Farm yard land per ha.:	R15 000 - R27 000	
		Wasteland per ha.:	R 5 000	
		Industrial land per ha.:	R 30 000	
		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%	

Post-retirement obligation	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Post-retirement obligation	Projected unit credit method	Discount rate - In-service members[1]	9.9%	Medical aid inflation: +1%: R363 857 954 -1%: R289 959 632
		Discount rate - Continuation members[1]	9.3%	Medical aid inflation - effect on current service and interest costs: +1%: R38 203 869 -1%: R29 734 348
		Continuation of membership at retirement	100%	
		Average retirement age	65 years	
		Medical cost trend rate - In-service members	8.4%	Discount rate: The absolute value of medical inflation and the discount rate are not important, but rather the gap between them. Therefore, a 1% decrease in medical inflation will essentially have the same effect as a 1% increase in the discount rate as the gap between them will increase by 1% in both cases.
		Medical cost trend rate - Continuation members	7.9%	
		Real Discount rate - In-service members	1.40%	
		Real Discount rate - Continuation members	1.3%	
		Number of in-service members	224	
		Number of continuation members [2]	340	

[1] The medical cost trend rate has been factored in determining the discount rate used in the actuarial valuation.

[2] Refers to the pensioners.

As at 31 March 2015

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
Free State Maize (Pty) Ltd	DCF/earnings multiple/NAV	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 16.03% Growth Assumption - 1.5%	PE movement of 1: R9 366 013 'Discount Rate: +1%: -R745 318 336 -1%: -R894 984 455 Growth Rate: +1%: -R856 461 188 -1%: -R745 478 150
Renaissance Brands (Pty)Ltd	DCF/earnings multiple	PE Valuation: Comparative listed company PE multiples DCF Valuation: Discount rate - 20.29% Growth Assumption - 1.5%	PE movement of 1: R1 634 774 'Discount Rate: +1%: -R29 929 999 -1%: -R24 369 392 Growth Rate: +1%: -R28 271 291 -1%: -R24 749 312

Property and equipment	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% - 8% 15.8% - 37.9% 10.5% - 14%	Capitalisation Rate: +1%: R70 694 725 -1%: R84 004 044

Investment Property	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Investment property	Net income capitalisation method	Vacancy Rate range: Income/Expense Ratio range: Capitalisation rates Range:	2% - 4.6% 18.6% - 34.5% 10% - 13%	Capitalisation Rate: +1%: R91 730 084 -1%: R109 591 946

Non-current assets held-for-sale	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Properties in possession	Comparable sales method	Natural grazing land per ha.: Irrigated pasture land per ha.: Farm yard land per ha.: Wasteland per ha.: Industrial land per ha.: Construction price for dwellings per m²: Construction price for other structures per m²: Depreciated value:	R4 750 - R30 000 R 20 000 R15 000 - R27 000 R4 800 - R5 000 R 30,000 R5 000 - R6 100 R1 700 - R3 800 11% - 49%	Market value per ha. of land: + R1000 p/ha.: R14 382 093 - R1000 p/ha.: R11 060 993
Property for sale	Net income capitalisation method	Vacancy Rate: Income/Expense Ratio: Capitalisation Rate:	4% 22.1% 11%	Capitalisation Rate: +1%: R7 099 258 -1%: R8 519 110

Post-retirement obligation	Valuation Technique	Significant Unobservable Inputs		Sensitivity of the input to the fair value
Post-retirement obligation	Projected unit credit method	Discount rate - In-service members[1]	8.4%	Medical aid inflation: +1%: R338 610 791 -1%: R264 000 890
		Discount rate - Continuation members[1]	7.8%	Medical aid inflation - effect on current service and interest costs: +1%: R15 810 920 -1%: R11 978 850
		Continuation of membership at retirement	100%	
		Average retirement age	65 years	
		Medical cost trend rate - In-service members	7.0%	
		Medical cost trend rate - Continuation members	6.3%	Discount rate: +1%: R264 000 890 -1%: R338 610 791
		Real Discount rate - In-service members	1.45%	
		Real Discount rate - Continuation members	1.3%	
		Number of in-service members	275	
		Number of continuation members [2]	319	

[1] The medical cost trend rate has been factored in determining the discount rate used in the actuarial valuation.

[2] Refers to the pensioners.

38 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	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
38.1 Reconciliation of amounts transferred to receivables for recovery				
Opening balance	1	1	1	1
Add: Fruitless and wasteful expenditure for the current year transferred to receivables	6	-	6	-
Less: Amounts written off	(1)	-	(1)	-
Closing Balance	6	1	6	1

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.

38.2 Analysis of Current Fruitless and Wasteful Expenditure

	2016	2015
	R'000	R'000
Current matters		
- Penalties and interest	1 103	7
As per statement of profit or loss and other comprehensive income	1 103	7

The significant increase in the current year relates to South African Revenue Service interest and penalties of R1.1 million.

	Group		Bank	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
39 Irregular expenditure				
39.1 Reconciliation of irregular expenditure				
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	**23 175**	40	**23 175**	40
Less: Amounts condoned	**(31 792)**	(40)	**(31 792)**	(40)
Irregular expenditure awaiting condonation	**-**	-	**-**	-

39.2 Analysis of Current Irregular Expenditure

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.

39.3 Analysis of prior year irregular expenditure discovered in the current year

Incident	2016 R'000
The expenses were identified during the current year external audit. 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. [3]	**8 617**
	8 617

[3] These expenses were approved and derecognised by the Land Bank Board on 29 July 2016.

40 Events after Statement of Financial Position Date

During current financial year, the Free State Maize (Pty) Ltd investment was fully impaired as at 31 March 2016 as the entity was under Business Rescue. Land Bank's 10% share therefore amounts to R nil (FY2015: R11.4 million). On 19 April 2016 the Bank was granted a Liquidation Order.

Subsequent to the financial year end, Mr Mpumi Tyikwe, the Managing Director of LBIC and LBLIC resigned and left the Group with effect from 31 May 2016.

Subsequent to the financial year end, the Company secretary, Mr Nazir Ebrahim, retired and Mr Andile Yabo assumed the role of Company secretary with effect from 1 June 2016.

41 Early adoption of accounting standards - IFRS 9

The Land Bank has elected to early adopt IFRS 9 - Financial Instruments which is applied retrospectively from 1 April 2015. In accordance with the transition requirements, comparatives have been restated where affected.

Detailed disclosure has been provided below in order to enable users to understand the changes arising from the initial application of IFRS 9.

41.1 Classes of financial instruments

Application of IFRS 9 classification categories

Financial Assets

The Group classifies its financial assets as subsequently measured at either amortised cost, or fair value depending on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

None of the Group's financial assets' classification has changed as a result of the application of IFRS 9.

Financial Liabilities

Classification of financial liabilities remained largely unchanged for the Group. The Group elected to revoke its previous fair value through profit and loss option desgination for certain funding liabilites which are now reclassified to amortised cost in the initial application of IFRS 9. The Group elected to revoke its initial designation of these liabilities at fair value through profit and loss due to the fair valuing of funding liabilities having no value to the business and introducing unnecessary matching risk. Refer to note 41.3.

Change in carrying amount of financial instruments as a result of the application of IFRS 9

	IAS 39		IFRS 9		
	Original measurement category under IAS 39	Carrying amount 2015	New measurement category under IFRS 9	Carrying amount 2015	Change in carrying amount taken to Opening Retained Earnings
		R'000		R'000	R'000
Financial assets					
Financial Investments					
- Investments held by subsidiaries	Designated at fair value through profit or loss	1 154 058	Designated at fair value through profit or loss	1 154 058	-
- Designated as Loans and Receivables	Loans and Receivables	86 335	Amortised Cost	86 335	-
- Assets earmarked for medical aid liabilities	Held-for-trading	356 746	Held-for-trading	356 746	-
- Unlisted investments	Available-for-sale	11 848	Designated at fair value through other comprehensive income	11 848	-
Cash and cash equivalents	Loans and Receivables	1 605 673	Amortised cost	1 605 673	-
Trade and other receivables	Loans and Receivables	174 084	Amortised cost	174 084	-
Repurchase agreements	Held-for-trading	15 720	Held-for-trading	15 720	-
Loans and advances	Loans and Receivables	36 711 573	Amortised Cost	35 032 449	(1 679 124)
Financial liabilities					
Funding Liabilities	Designated at fair value through profit or loss	6 303 298	Amortised Cost	6 303 298	-
	Amortised cost	25 368 535	Amortised Cost	25 368 535	-
Trade and other payables	Amortised cost	415 109	Amortised Cost	415 109	-
					(1 679 124)

Change in carrying amount of financial instruments in accordance with IAS 39

	2016 R'000	2015 R'000	Change in carrying amount R'000
Financial assets			
Financial Investments	**1 691 704**	1 608 987	82 717
Investments held by subsidiaries	**1 209 127**	1 154 058	
Designated as Loans and Receivables	**124 771**	86 335	
Assets earmarked for medical aid liabilities	**356 957**	356 746	
Unlisted investments	**849**	11 848	
Cash and cash equivalents	**2 507 463**	1 605 673	901 790
Trade and other receivables	**203 268**	174 084	29 183
Repurchase agreements	**14 706**	15 720	(1 014)
Loans and advances	**37 281 791**	36 711 573	570 218
Financial liabilities			
Funding liabilities*	**33 062 259**	31 671 833	1 390 426
Trade and other payables	**44 778**	415 109	(370 332)

* Included in this balance are Funding liabilities of R11.2 billion (FY2015: R6.3 billion) that were previously measured at fair value through profit or loss.

Refer note 41.3 below.

41.2 Reconciliation of impairment allowance

	IAS 39 closing impairment allowance R'000	Changes R'000	Opening allowance IFRS 9 R'000	Effect of the change in measurement category on loss allowance R'000
Financial assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	(436)	-	(436)	-
Loans and advances	(952 921)	(1 679 122)	(2 632 043)	-

41.3 Reclassification of financial instruments as a result of the application of IFRS 9

		IAS 39	IFRS 9 measurement at amortised cost	
	Fair value at 31 March 2016	Fair value gain/(loss) that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.	Effective interest rate determined on the date of initial application	Interest revenue or expense recognised
	R'000	R'000	%	R'000
Financial liabilities				
Funding liability	33 062 259	50 811	Refer to Note 37.7.3 for appriciable interest rates	2 268 751

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